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**WESTERN INDIA REGIONAL COUNCIL
THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(Statutory Body under an Act of Parliament)**

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CMA Malhar Dalwadi, Chairman Ahmedabad Chapter felicitating President CMA Biswarup Basu during Residential Program organised at Dwarka by Ahmedabad Chapter



CMA Chaitanya Mohrir, RCM, WIRC, Ms. Simantini Gokhale (Councilor- Sarthak Foundation, CMA Meena Vaidya, Advisor, Pune Chapter, CMA (Dr.) Madhuvanti Sathe, Speaker, CMA Rahul Chincholkar - Chairman, Students Coordination Committee, Pune Chapter, CMA Nilesh Kekan – Treasurer Pune Chapter during Guidance Session organized by Pune Chapter on 9th October 2021.



CMA Nanty Shah, Chairman felicitating CA Vinod Gundarwala during Gandhi Jayanti Celebration organized by Surat South Gujarat Chapter on 2nd October 2021. Also seen CMA Keval Shah, Vice Chairman, CMA Mahesh Bhalala, Secretary and CMA Kishor Vaghela, Treasurer of Surat-South Gujarat Chapter.



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)

WESTERN INDIA REGIONAL COUNCIL



Let the Festival of Lights shower you Blessings from the Goddess of Wealth and Beauty. May its radiance shine through your home and bestow you togetherness and Prosperity.

Our warm wishes to you on Diwali



CMA Dinesh Kumar Birla
Chairman



CMA Shriram N. Mahankaliwar
Vice Chairman



CMA Mahendra T. Bhombe
Hon. Secretary & Treasurer



CMA Harshad S. Deshpande
Regional Council Member



CMA Arindam Goswami
Regional Council Member



CMA Ashishkumar S. Bhavsar
Regional Council Member



CMA Chaitanya L. Mohrir
Regional Council Member



CMA Vinayak B. Kulkarni
Regional Council Member



CMA Neeraj Dhananjay Joshi
Central Council Member



CMA Ashwin G. Dalwadi
Central Council Member



CMA (Dr.) Ashish P. Thatte
Central Council Member



CMA Debasish Mitra
Central Council Member

Dear Professional Colleagues,

Namaste !!

“Opportunities are never lost; they are taken by the people who are ready.”

To make ourselves more ready, prepared & active, WIRC is organizing a two days’ seminar “CMA Conclave - Goa 2021” at beautiful location of Goa after a gap of almost 18 months on 27th & 28th November 2021. Theme of convention is “Unconventional Opportunities under IBC, 2016” covering technical aspects of :

- Quinquennial of Insolvency and Bankruptcy Code 2016 .
- Cross Border and Group Insolvency – Practitioner’s perspective
- Forensic Audit of “PUFE” transaction under IBC 2016
- Registered Valuers Ecosystem and Valuation Profession

I request the members to block the above dates & participate in large numbers.

My best wishes to all students appearing the for the CMA Inter & Final examination in December 2021.

Extension: On 29th October 2021, MCA has announced extension for adoption of Cost Accounting Records up to 30th November 2021 vide General Circular no. 18/2021 and the same would not be viewed as violation of the Rule 6(5) of the Companies (Cost Records & Audit) Rules, 2014.

New Area: Vide Notification dated 27.10.2021 SEBI has authorised Cost Accountants in Practice to issue Share Reconciliation Capital Audit Report. Shortly, we will arrange Virtual/Physical session for the topic for the members to better understanding.

I would like to update on P.D. activities at WIRC during the month of October:

- Navratri Celebrations by Women Empowerment Committee of WIRC on 9th October 2021. Mrs. Sujata Das, Mrs. Face of Mumbai 2021 (2nd Runner Up) & CMA Bina Sampat were the speakers.
- Webinar on Scope and Opportunity for young CMAs in Forensic Audit and Fraud Detection (Program under Empowering Young CMA) jointly with The Surat-South Gujarat Chapter organized on 17th October 2021. CMA Keyur Doshi was the speaker.
- Webinar on Applied Valuations: Consider your Bias in association with CMAI Registered Valuers Organisation (Academic Member of International Valuation Standards Council) on 19th October 2021. Mr. Jason Hamilton, Director, First River Capital, South Africa was the speaker.



FROM THE DESK OF CHAIRMAN

- Webinar on Practical Approach to Ind AS implementation jointly with Baroda Chapter on 22nd October 2021. Mr. Pareen Shah, Practicing Chartered Accountant was the speaker.
- Webinar on Career Opportunities for Finance Professionals in Real Estate / Construction / Infrastructure Sectors Jointly with National Institute of Construction Management and Research (NICMAR) on 24th October 2021. Dr. Rahul Deshpande, Dy. Dean, School of Projects, Real Estate and Infrastructure Management was the speaker.
- Task force for Co-operative, Trust, Banking, MSME & Corporate committee organized Webinar on Role & duties of the Administrator under Co-operative Housing Society on 25th October 2021. Shri Jayant D. Patil, District Deputy Registrar, Co-operative Societies, Mumbai (1) City was the speaker.
- Task force for Co-operative, Trust, Banking, MSME & Corporate committee organized Series of Webinar on Detailed understanding of Consumer Credit Society on 27th, 28th & 29th October 2021. CA Manisha Damle was the speaker.
- Task force for Co-operative, Trust, Banking, MSME & Corporate committee organized Webinar on Taxation of Co-operative Housing Society on 30th October 2021. CMA Deepak Tikekar was the speaker.
- Webinar on Enhance your employability through useful add on qualification jointly with Navi Mumbai Chapter on 31st October 2021. CMA Harshad Deshpande was the speaker.
- Career Guidance Lecture (virtual mode) for the students of Government College Borda, Margao, Goa on 23rd October 2021. CMA Binoy Thomas guided the students.

I once again repeat my earlier appeal & request all Members to encourage their qualified eligible employees for taking the membership of the Institute. New members add strength, passion and more dynamism to the Institute. Associate members can use the CMA prefix before their names and they are also eligible to receive The Management Accountant Journal and WIRC Bulletin free of cost. I am sure you will encourage your CMAs around you to get the membership of the Institute.

Look forward to your suggestions to improve the quality services of WIRC.

Take suitable care of yourselves, elders & children while bursting crackers.

Stay safe, Stay healthy.

I wish happy Diwali, New Year, Bhai Duj & Chhath Puja to all the Members, the Students and their families.

With Best Wishes,

CMA Dinesh Kumar Birla
Chairman, ICAI-WIRC



My Dear CMAs'

***“Learn everything that is good from others, but bring it in,
and in your own way adsorb it; do not become others.”***

— Swami Vivekananda

As an editor of mirror of the Western India, Regional Council (WIRC) of the Institute of Cost Accountants of India, I am feeling honoured to serve you with the updates on various professional aspects.

This is the 2nd edition of my tenure and specialities of this month is about “Forensic Audit”

Forensic audit is nothing but an examination of financial records to unearth any illegal or fraudulent activity, conducted with the assumption that the findings may be used in court.

It is the responsibility of a forensic auditor to integrate accounting, auditing and investigative skills, besides using technology and the knowledge of the working of the legal system to establish facts and evidence in a court so that criminal acts such as siphoning of company funds, embezzlement or fraud are detected.

The Reserve Bank of India (RBI) has mandated forensic audits for loan accounts above a particular exposure which have turned non-performing. SEBI also now wants listed companies to make disclosures about initiation of forensic audit to stock exchanges. Companies will also have to disclose final forensic audit reports along with the comments of the management, if any.

Frauds in the Indian banking system have surged in the recent years, threatening the safety of information and assets belonging to banks and their customers. With the insolvency and bankruptcy regime taking wing in India, there is now increased use of ‘forensic audit’ by creditors to validate their actions and to scrutinise promoters.

Looking at the need of CMA professionals, the Board of Advanced Studies (BoAS) of our Institute has introduced Diploma course on Forensic Audit. It is required for all of us to take the opportunities.

On behalf of the WIRC of the Institute of Cost Accounts of India, I extend my thanks to the Resource persons, my council colleagues in the WIRC and the entire team of WIRC in releasing this Bulletin successfully.

I pray the almighty for your good health, happiness and wish you a happy and safe Diwali on the occasion of “Festival of Lights” and Guru Nanak Jayanti.

CMA Arindam Goswami
Chairman, Editorial Board

Forensic Audit & initiative of Board of Advanced Studies and Research

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Indian Industry & Corporate world had shaken with a breaking news on 7th January 2009. Mr Ramalingam Raju Chairman of M/S Satyam Computer confessed of commitment of financial fraud of around \$ 1.47 Billion. He was charged over misstatement of financial facts, false information of cash balances, overstating of income & receivables. During the investigation it was found that,

- Over ninety percent of the cash balance, approximately \$1.04 billion that showed in the balance sheet of the second quarter ending in September 2009, did not exist.
- The revenue was overstated by 75 percent.
- The company was involved in a series of fraudulent activities for over eight years.
- There were more than 7,000 forged invoices (of 11 different types),
- The loss of investors created a \$2.4 billion (or Rs.14,162 crore) loss in equity.

Hope fully this case might have been referred as 1st most important case of Forensic Audit in India.

If we study different cases of financial reporting frauds globally, we can see some common features exist in each and every case of financial reporting frauds. Most important findings are top management commits mis statement in accounting & disclosure to conceal true business information, to preserve personal status and control and to maintain personal income and wealth. However middle level or lower level employees modify financial statements, related to their own area of responsibility and to hide their poor performance and on the contrary to earn performance-based bonuses by disclosing rosy picture of the organization. Further sometimes management also involved to falsify financial statements to obtain loans, or to inflate stock position to obtain better financial ratios, by presenting positive picture to Banks or Financial Institutions. This happened sometimes by sacrificing basic principle of Corporate Governance and also due to lack of corporate ethics of some managers, who are having high caliber and professional education.

Forensic audit in law is known as a 'special audit'. Under different circumstances revenue department can order for special audit through Forensic Audit under income tax act of an assessee. Hopefully There are no specific provisions under SEBI Act / RBI Act / IRDAI Act specially for forensic audit. However, directions can be issued for the best interest of investors, economic policy and policy holders. Forensic audits extend help to discover misappropriation of funds, bribes, coercion, fabricated transactions, conflict of interest and other financial irregularities.

COVID-19 pandemic has affected commercial activities across the country and the world. The adverse impact of the pandemic is likely to impact on the financial health of any corporates which result in more companies coming under the scanner, and India would need a clear law and policy on forensic audits covering prevention, regulation and penalization. Forensic Audit will be more important in post Covid situation, since greed for money, power, competition, success and prestige will lead to violation of any rules and regulation resulting to fiduciary act, negligence. Hence the duty of Forensic Auditor will play a pivotal role in

disclosing any financial irregularities towards the stakeholders. Like Satyam scandal as mentioned above there are many recent cases like PNB, ILFS, and many more are classic example of negligence of duties, total collapse of ethical standards, and lack of corporate social responsibility and obviously dilution of Corporate Governance. It is human greed and desire that led to fraud. Forensic Audit issues can have significant implications on both corporations and individuals. Many disputes and investigations lead to forensic audit. The study of forensic auditing adds importance to professionals who is interested to build his/ her career on Fraud detection & prevention related careers. Study on Forensic Audit are frequently entangled with other fundamental areas of accounting as well.

Recently, SEBI has made mandatory disclosures of findings of the forensic audit of listed companies. Here, SEBI need to come up with some objectives, i.e what to disclose, when to disclose and how much to disclose. Regulators also have a limited resource available. On this aspect, proper guidelines, standard of disclosures are to be formulated and practitioners of Forensic Audit have to follow the same standard. India is also gearing towards potential monopolizing of forensic audit profession. This means there should be a robust code of conduct for auditors and Institute of Cost Accountants of India has to play an important role in this regard to formulate Forensic Audit Standard and Code of Conduct of Auditors.

On the back drop of the same Board of Advanced Studies of The Institute of Cost Accountants of India has launched a Diploma in Forensic Audit course for the benefit of Members and Students of the Institute. We believe that this diploma course will definitely create a value addition to our members and students, particularly when there is an increasing trend of cybercrimes and frauds. This Diploma Course in 'Forensic Audit' is a blend of theoretical, Case studies and practical training and is intended to equip the members and students with concepts in Forensic audit which aims to give a proper larger picture on Fraud Investigators, Auditors, security Professionals, and IT executives about the risks and mitigation strategies under an effective business environment. It provides an insightful analysis of how fraud occurs within an organisation and the latest techniques of finding it.

The Council of the Institute of Cost Accountants of India, recognizing the need for Forensic Audit and Fraud Examination, in the emerging economic scenario, and has decided to launch this Diploma Course in Forensic Audit under the aegis of the Board of Advanced Studies & Research. Practicing members of the Institute can strengthen their client service capabilities and sharpen skills with an in-depth understanding of forensic audit which this Diploma in Forensic Audit Course offers. This Diploma course will cover mainly, Overview of Fraud, Introduction to Forensic Audit, applicable Laws & regulatory environment, Fraud Risk Management & Forensic Audit Fraud Examiner – Role, Scope and Engagement Management & Ethical Considerations, Code of Conduct in Fraud examination and Forensic audit. The regular classes of this Diploma course will start on 6th Nov 2021, and will be handled by seasoned professionals and practitioners from Industry. As a chairman of the Board of Advanced Studies and Research I am confident that this course will contribute in manifold to our Members and Students and also society at large.

Forensic Audit & detecting frauds through Digital tools & data analytics

Arijit Chakraborty

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The recent spate of regulatory action to combat instances of corporate frauds, financial indiscipline and money laundering has highlighted the role of forensic audit in India Inc. The Kingfisher case, demonetisation, digital India, Black Money Act, IDS, emergence of GST etc are all envisioned for the purpose of eradicating corruption, fraud and abuse of position and to promote transparency. The role of auditors in detecting and preventing corporate fraud is assuming all-time importance in India, even as Companies Amendment Act 2016 is shaped, fraud reporting becomes reality and regulators develop structured intelligence units. Forensic auditors have tremendous potential in developing and strengthening controls to combat the menace of fraud and the cancer of corruption.. Corporate fraud has of late, been the focal point of attention in Board rooms across the world, in the aftermath of financial scandals in Enron, Tyco, Adelphia, Worldcom and others. The Sarbanes Oxley Act (SOX), the Anti-Bribery Act of UK and the Foreign Corrupt Practices Act (FCPA) are the more prominent legislation against the menace of fraud.

For all types of fraud, the basic tenet is the existence of the fraud triangle. There must be an Incentive for the fraud, a suitable Opportunity to perpetrate the fraud and lastly, a mental attitude to perpetrate fraud. The underlying features in many types of fraud is – overriding of internal control. In cases of Fraudulent Financial Reporting (FFR), one of the potent factors is – unsystematic basis for revenue recognition. Some of the areas vulnerable to fraud are Purchases, Sales, Inventory and Payroll. Several types of theft / embezzlement have been observed, such as –

- Expense account Fraud,
- Theft of assets
- Charging personal expenses to the corporate account
- Diverting transactions to concealed related parties
- Conspiracy to pay fictitious fees
- Theft of information, trade secrets, trade marks

Employee fraud constitutes a large chunk of cases of reported fraud. Reasons of employee fraud could be due to Personal debts, Changing lifestyle and rise of consumerism, Employee layoffs, Inconsistent promotion and disgruntlement, Large cash in hand and easy access to company assets. In the case of projects and large contracts, there are chances of Kickbacks and secret commissions - Offering or accepting any reward advantage or benefit for doing any act relating to business, False invoices and False representations. The consequences of fraud are devastating – it affects viability and profitability, results in reputational damage and Public embarrassment, Punishing financial losses, loss of key staff and customers, Loss of Management time, Loss of sensitive

intellectual property, Regulatory fines and Penalties, legal and investigative costs and Consequential loss of business.

CASES of RED FLAGS Red flags or warning signs fraud –

- No or little segregation of duties
- Established controls or procedures are not followed
- Minimal monitoring of employee performance,
- Employee never takes vacations
- High Employee Turnover,
- Employees feel they are “owed something”,
- No Corporate “conflict of interest” policies

One of the agents who should keep watch on fraud-indicators are the Internal Auditors. Internal auditors are responsible for helping deter fraud by examining and evaluating the adequacy and the effectiveness of controls, along with the extent of the potential exposure and risk in the various segments of the entity’s operations. The Internal Auditor is supposed to consider the following:

- Fostering control consciousness,
- Ensuring there are Appropriate authorization policies,
- Implementation of Practical and working procedures, practices, systems and general oversight.

Typical aspects of a Fraud Deterrence and Prevention approach should include–

- Establishing the right culture and ‘tone at the top’,
- Establishing a whistle-blowing and anti-fraud policy,
- Developing a Code of Conduct and Integrity helpline,
- Identify risks and implement effective Internal controls,
- Internal Audits with special ‘Surprise Audits’, Planning for the worst (DRP)
- Recruiting the right people with adequate background checks,
- Regular fraud substantive audits,
- Deploying proper IT Security, System of Vendor Appraisal, Receiving Report and Physical checking at entry points,
- System of SOD, employee background checks etc

Cybercrime

- Cybercrime is not strictly speaking a technology problem.

It is a strategy problem, a human problem and a process problem. Cybercrime has increased in frequency in India at Individual & corporate level. Distinctly, about 51 per cent perceive themselves to be an easy target for cyber attacks due to the nature of their business. Out of these 51 per cent, about 68 percent respondents claim that they monitor their cybercrime threats on a daily basis. Hacking of websites, networks, payment gateways and even Android phones – increasing trend. Forensic audit / accounting Forensic accounting draws its name from association with a court of law. Forensic auditing objectives include:

1. Assessment of damages caused by internal control failure;
2. To see, to what extent Financial embezzlement has taken place;
3. The collection of evidence and reporting in a criminal proceeding - requiring skill sets beyond a typical understanding of financial records & accounts.

Role of Corporate Internal audit & Ethics function

As the business environment grows increasingly ambiguous, volatile, competitive and complex, Data analytics, forensic & Internal Audit (IA) is being looked upon to support the organization by delivering value, deeper insight and greater productivity more efficiently and effectively. This is especially relevant in the contemporary disruptive IT enabled business scenario. The advent of Internal Financial Controls (IFC) reporting, increasing focus on IA under section 138 of the Companies Act 2013, Digital India, use of Blockchain, Cloud computing – all have multiplied the bandwidth of IA function. However, the expanding scope of forensics and IA comes with a fair share of challenges.

Data Analytics

With AI, Data analytics, the focus shifts from sample

checking to review of the entire data population with more reliability and accuracy. General examples of data analytics

- Travel & entertainment: expense claims, merchant analysis
- Asset management: depreciation, value calculations
- Salaries and payroll: overtime, bonuses
- General ledger: account reconciliation, financial ratios
- Accounts receivable: credit limits, discounts
- Inventory control: turnover rates, price/cost variance

ICAI (Cost) new flagship Forensic Audit qualification - DFA

The Institute of Cost Accountant of India has introduced the Diploma in Forensic Audit (DFA) Program for Members to gain technical knowledge and expertise on the tools and methods of conducting Forensic audit.

Regulatory response : Empanelment of Forensic auditors with SFIO, ED, DRI, RBI, SEBI

The best defense against fraud are strong internal controls, fraud risk awareness and suitable anti-fraud programs. The quality of anti-fraud strategy within the organization and the responsibility for managing fraud risk should be well defined. There should be presence of clear channels for reporting suspicions of fraud, adequate protection offered to whistle-blowers, effectiveness of recruitment screening procedures and last but not the least – the appropriate tone at the top. Accountants and Auditors with competence in Finance, IT, Audit, Forensics, Administration and Behavioral Sciences should form multidisciplinary teams to curb the incidence of frauds through control implementation and engaging proper SOP for whistleblower mechanism. Together, we can make a difference to eliminate white-collar crime and propagate a world free of fraud and corruption.

- *“Live as if you were to die tomorrow; learn as if you were to live forever.”*
- *“Happiness is when what you think, what you say, and what you do are in harmony.”*
- *“An eye for eye only ends up making the whole world blind.”*
- *“First they ignore you, then they laugh at you, then they fight you, then you win.”*
- *“The best way to find yourself is to lose yourself in the service of others.”*
- *“Strength does not come from physical capacity. It comes from an indomitable will.”*
- *“You must not lose faith in humanity. Humanity is an ocean; if a few drops of the ocean are dirty, the ocean does not become dirty.”*
- *“A man is but the product of his thoughts, what he thinks, he becomes.”*

— Mahatma Gandhi

Unconventional Techniques – Game Changer in Forensic Accounting / Investigation

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Macro overview on Forensic Accounting and Investigation

Forensic accounting utilizes accounting, auditing, and investigative skills to conduct an examination and enable a fact-finding exercise. Forensic accounting provides an accounting analysis suitable to be used in legal proceedings. It entails the fund tracing, asset identification, asset recovery, and due diligence reviews. Whereas, Investigation is examination for a specific purpose considering the element of fraud including the people angle.

In this article, from the universe of Forensic Accounting and Investigation, we shall be focusing on unconventional techniques proving to be game changer when adopted and adapted to, while carrying out a review, understanding various unconventional techniques coupled with practical examples.

Unconventional techniques along with practical case studies

Constant repetitive work in review becomes mundane and uninteresting and can lead to inertia which leads to 'stale procedures syndrome' in forensic accountants. This leads to mediocre results. Hence, we cannot rely on repetitive run of the mill standardised audit plans and programmes and expect better result. That is why unconventional techniques during the review are need of the hour.

1. Tiger Team Tests (TTTs)

Understanding the technique

TTTs are very effective and yield excellent results in testing the strengths and revealing weaknesses in running systems, if applied in a well-planned manner. The main objective of this method is to test internal controls via walkthrough tests with intention to breach, whether they can be breached and if so, in how many ways they can be penetrated. The TTTs reveal which part of the system is vulnerable and facilitate corrective action.

Practical Example:

Getting the entry in to vendor list of a large PSU is the dream of every supplier which is thwarted by corrupt practices which may exist in a purchase/procurement department. TTTs can be useful in such scenarios to ascertain whether the purchase department is indeed corrupt and if so, who in the department is/are involved. Such test can be run posing as new suppliers, who are willing to go to any length such as bribing and offering personal favours. Hence this test can be helpful to find loopholes in the system and if it can be breached or not.

Illustrative list of where can it be applied:

TTTs can be applied successfully and effectively for areas such as external party empanelment and dealings, physical security evaluations, payroll disbursements and inventory verifications.

2. Birbal techniques

Understanding the technique

Birbal techniques are useful to unearth fraudulent manipulations in certain situations for investigative audits. It may be possible to trap a fraudster into admission of guilt or forcing the fraudster into a desperate act which may give the fraudster away. Such techniques are subjective and management and legal clearances need to be obtained beforehand.

Practical Example:

In a large multinational company, Birbal technique was implemented by an investigator. One manager had forged the document and a signature for personal gain. The investigator asked all the suspected employees and managers to write the same document on three different papers. The fraudster could not hide the natural writing skills and all the 3 papers had same traits as in the forged document. Writing patterns of all the suspects were unique and one such pattern was similar to the forged document.

Where can it be applied:

Such techniques can be applied only in situations where symptoms of fraud appear to exist and the investigator believes that there is likely to be a material impact on the financial statements.

3. Barium Tests

Understanding the technique:

Barium Tests are useful to detect abnormalities within systems which would not be observable in common audit tests. Such tests are useful to test built-in controls in a multi-dimensional manner where reliance on documentary evidence is very heavy and quality of the evidence is poor.

Practical Example:

One ice-cream company started an offer to give away a steel water bottle free with two family packs of ice creams to boost the sales in off season. This gift was meant to be passed on to customers and sometimes dealers keep the free gifts with themselves. To check

whether the dealers were giving the gifts to customers, the investigator ran a barium test and gave away faulty water bottles to dealers. The company received no complaints regarding the quality of the bottles. Hence, it was further believed that the dealers might not have passed the benefit to the customers and they have retained the free gifts for themselves.

Where can it be applied:

Such tests can be applied to study internal process control in any audit, particularly in operations audit where the operations are spread over huge geographical distances.

4. Inverse Logic

Understanding the technique:

The principle of Inverse logic is that if one cannot find out what the truth is, one tries to find out what cannot be the truth. This technique is useful to accomplish audit objectives in situations of incomplete, missing or alerted information. In inverse logic technique, an investigator seeks to find out what is not true and eliminate that to leave behind the truth.

Practical Examples:

- Petrol bills supported for a Diesel vehicle
- Overall sales in quantity are greater than the total production capacity
- Sales recorded during the last week of March 2020 (sudden lockdown was announced)

Where can it be applied:

This approach of inverse logic can be applied in any given audit situation. But, in certain abnormal situations of insurance claims, fraud, data loss for any reason or incomplete information, application of this method is highly valuable.

5. Space and Time dimension

Understanding the technique:

The two dimensions of 'space' and 'time' offer infinite ways of examining the financial data for corroboration and further analytical purposes. An investigator can examine non-financial aspects affecting the data in the financial statements, to gain better understanding of data.

Practical Examples:

- Closing Stock quantity is greater than the storage capacity of a warehouse
- There are financial transactions entered into the system at midnight
- Large quantity goods being transported in Light Motor Vehicle
- Multiple employees are having same in and out time, or some kind of trend or pattern
- Sales / Purchase / Any other transaction undertaken / recorded on a holiday

Where can it be applied:

Any audit can include a space time dimensional check. However, it is very useful in audit of inventories, fixed assets, sales dispatches, purchase receipts or returns.

Practice and Perspective Assessment

The basic idea is to try and adopt modern techniques bundled with unique tests and approaches to surprise the process and identify any deviations. This is over and above the conventional and traditional methods to be applied. Also, it is not necessary that these checks yield unearthing a fraud, however, would surely enable to identify leads for direction to be followed / otherwise and eventually substantiate the findings. ■

Requirement of Cost Trainee

Position : COST TRAINEE

Education : Completed graduation – Office Location : Kandivali (East)

Candidates staying in Mumbai and between Santacruz to Mira Road will be given preference.

Candidates who are not appearing for the December, 2021 attempt will be given preference

Candidate can send their application to the following email id

sampat_paresh@hotmail.com

Paresh J. Sampat

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Demystifying Forensic Audit



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Synopsis

A forensic audit is an examination and evaluation of a firm's or individual's financial information for use as evidence in the court of law. A forensic audit can be conducted in order to prosecute a party for fraud, embezzlement or other financial claims. It requires specialized skills and training so as to carry out an effective Forensic Audit. The paper offers insights into Objectives, methods and Tools and Techniques for carrying out Forensic Audit.

Forensic Audit – Meaning

The term 'forensic audit' has not been defined under any statute, therefore for the meaning of the same reliance has been placed on dictionary meaning. In general, Forensic Audit represents an area of finance that combines detective skills and financial acuity. Forensic Auditing – It is an independent, comprehensive and scientific approach of reviewing an entity's financial statements in order to determine its accuracy, free from material misstatements and importantly, to derive evidences that can be used in a court of law or legal proceeding. Forensic audit also known as forensic accounting is an examination of evidence regarding an assertion to determine its correspondence to established criteria carried out in a manner suitable to the court.

Investopedia

Forensic Audit is an examination and evaluation of a firm's or individual's financial information for use as evidence in court. A Forensic Audit can be conducted in order to prosecute a party for fraud, embezzlement or other financial claims. In addition, an audit may be conducted to determine negligence or even to determine how much spousal or child support an individual will have to pay.

Collin Greenland (2001), Demystifying Forensic Accounting, The Weekend Observer, Pg. 5, December 7, 2001

Forensic accounting (or auditing) is the integration of accounting, auditing and investigative skills in order to provide an accounting analysis suitable for the resolution of disputes (usually but not exclusively) in the courts.

Jack Bologna and Robert J. Lindquist (1987), Fraud Auditing and Forensic Accounting : New Tools and Techniques, by, JohnWiley & Sons, New York

Forensic Audit as the application of financial skills and an investigative mentality to unresolved issues, conducted within the context of the rules of evidence. As a discipline,

it encompasses financial expertise, fraud knowledge, and a strong knowledge and understanding of business reality and the working of the legal system

Why is a forensic audit conducted ?

Forensic audit investigations are made for several reasons, including the following:

Corruption

In a forensic audit, while investigating fraud, an auditor would look out for:

- **Conflicts of interest** – When a fraudster uses his/her influence for personal gains detrimental to the company. For example, if a manager allows and approves inaccurate expenses of an employee with whom he has personal relations.
- **Bribery** – As the name suggests, offering money to get things done or influence a situation in one's favor is bribery.
- **Extortion** – If someone demands money in order to award a contract then that would amount to extortion.

Asset misappropriation

Asset misappropriation is the most common and prevalent form of fraud. Misappropriation of cash, creating fake invoices, payments made to non-existing suppliers or employees, misuse of assets, or theft of Inventory are a few examples of such asset misappropriation.

Financial statement fraud

Companies get into this type of fraud to try to show the company's financial performance as better than what it actually is. The goal of presenting fraudulent numbers may be to improve liquidity, ensure top management continue receiving bonuses, or to deal with pressure for market performance. Some examples of the form that financial statement fraud takes are the intentional forgery of accounting records, omitting transactions – either revenue or expenses, non-disclosure of relevant details from the financial statements, or not applying the requisite financial reporting standards.

Types of Frauds

Fraud in legal parlance could be categorized in two categories, which includes:

1. Fraud as a Civil Wrong, is a tort. While the precise definitions and requirements of proof vary among

jurisdictions, the requisite elements of fraud as a tort generally are the intentional misrepresentation or concealment of an important fact upon which the victim is meant to rely, and in fact does rely, to the harm of the victim. victim to prove fraud by clear and convincing evidence.

2. Fraud as a Criminal offence, takes many different forms, some general (e.g., theft by false pretense) and some specific to particular categories of victims or misconduct (e.g., bank fraud, insurance fraud, forgery). The elements of fraud as a crime similarly vary. The requisite elements of perhaps the most general form of criminal fraud, theft by false pretense, are the intentional deception of a victim by false representation or pretense with the intent of persuading the victim to part with property and with the victim parting with property in reliance on the representation or pretense and with the perpetrator intending to keep the property from the victim.

Fraud Triangle

There is no doubt that frauds and malpractices provide the impetus for forensic accounting or investigative auditing. But what are the factors for which people commit frauds or lead to accounting or economic irregularities. If an attempt is made to analyze the business or corporate frauds, one can unveil three main components for committing such 'white-collar crime'. These factors are Pressure, opportunity and justification for committing fraud which all together constitute 'fraud triangle'. Components of the fraud triangle are similar to the fuel, spark, and oxygen which together cause fire. When the three come together, inevitably fire breaks out.

Objectives of Forensic Audit

A forensic audit is therefore an independent and comprehensive process of reviewing a person's or the company's financial statements to determine if they are accurate and whether or not any financial benefit has been attained by way of presenting an unrealistic picture or any illegal activity. Objectives of Forensic Auditing:

- To use the forensic auditor's conclusions to facilitate a settlement, claim, or jury award by reducing the financial component as an area of continuing debate.
- To avoid fraud and theft.
- To restore the downgraded public confidence.
- To formulate and establish a comprehensive corporate governance policy.
- To create a positive work environment by ensuring the integrity and transparency of financial statements by actively investigating for fraud, identifying areas of risk and associated fraud symptoms and a good fraud prevention program.

Provisions of the Companies Act 2013 provide that every company now has to have proactive fraud risk management policies. The Act requires independent directors to increase safeguards against fraud and reminds them of

their whistleblowing responsibilities. The Enforcement Directorate and the Serious Fraud Investigation Office and IBC 2016 have also emphasized the need for forensic audit following the rise in money laundering and Wilful default cases that are plaguing the banking system.

Methodology of Forensic Audit Investigation

A forensic auditor is required to have special training in forensic audit techniques and in the legalities of accounting issues. A forensic audit includes additional steps that need to be performed in addition to regular audit procedures. The forensic audit investigation is the utilization of specialized investigation skills to conduct the forensic audit engagements in such a manner that the outcome can be presented in court of law as evidence. The auditor should use an approach considering both the aspects of whether the fraud could have occurred and whether the fraud could not have occurred. The forensic audit investigation is the utilization of specialized investigation skills to conduct the forensic audit engagements in such a manner that the outcome can be presented in court of law as evidence. The auditor should use an approach considering both the aspects of whether the fraud could have occurred and whether the fraud could not have occurred. With this approach the forensic auditors will be able to bring the reality more closer to general public especially in the circumstances where perception and reality are not aligned. An auditor can follow a nine step methodology for fact finding in case of forensic audit engagements:

1. Accept the forensic audit engagement;
2. Evaluate the allegations or suspicions;
3. Conduct due diligence background notes;
4. Complete the preliminary stage of investigation;
5. Check the prediction assuming that there will be a litigation;
6. Begin with external investigation;
7. Gathering the required proofs and evidences;
8. Preparing report on findings; and
9. Court proceedings

Techniques and Tools of Forensic Audit

1. Critical Point Auditing : Critical point auditing technique aims at filtering out the symptoms of fraud from regular and normal transactions in which they are mixed or concealed. For this purpose, financial statements, books, records, etc. are analyzed mainly to find out:
 - Trend-analysis by tabulating significant financial parameters.
 - Unusual debits/credits in accounts normally closing to credits/debits respectively.
 - Account/inventory discrepancies as evidenced from the unrecognized balance between financial records and corresponding subsidiary records (like physical verification statement, priced stores ledgers, personal ledgers, etc.)

- Accumulations of debit balances in loosely controlled accounts (like deferred revenue expenditure accounts, mandatory spares account capitalized as addition to respective machinery item, etc.)
 - False credits to boost sales with corresponding debits to non-existent personal accounts, and
 - Cross debits and credits and inter-account transfers, weaknesses/inadequacies in internal control/check systems, like delayed/non-preparation of bank reconciliation statements, etc.
2. **Propriety Audit:** Generally, this term is used in case of Government audit to report on Govt. accounts, i.e., all expenditure sanctioned & incurred are need-based and all revenues due to Government have been realized in time and credited to the Govt. account. In conducting the propriety audit, the core focus is on Value for Money audits aimed at lending assurance that economy, efficiency and efficacy have been achieved in the transactions for which expenditure has been incurred or revenue collected. The same analogy, with modifications to the principles of propriety of public finance, applies in forensic audit to establish fraudulent intentions if any, on the part of the management. Financial frauds are results of wasteful, unwarranted and unfruitful expenditure from the monies available to the entity.
3. **Other tools for Forensic Audit :** Conventional accounting tools like trend analysis, ratio analysis, fund flow analysis, cash movement analysis are to be supplemented by forensic technology for source data and few other forensic accounting tools like:
- **Relative Size Factor:** RSF is the ratio of Largest Number to the Second Largest Number of a relevant set. $RSF = \frac{\text{Largest Number}}{\text{Second Largest Number}}$
RSF = highest value divided by the second highest value in a ledger account of debtors, or creditors.
 - **Comparison of prices, quantities or values in an inventory.** If the RSF > 10, chances of error or fraud are great. Any set of transactions take place in certain range
 - **Repetitive Tests:** Surprise tests lose their sting when an auditee can predict an auditor's plan. Timing is very effective: one way to throw a suspected auditee completely off guard is to repeat a test in quick succession. Complacency, cover-ups and even frauds are likely to be exposed in the repeat test.
 - **Application of non-financial information such as space or time dimensions** to detect wrong doing
4. **Common techniques used for collecting evidence**
- **Substantive techniques :** For example, doing a reconciliation, review of documents, etc
 - **Analytical procedures :** Used to compare trends over a certain time period or to get comparative data from different segments

- **Computer-assisted audit techniques :** Computer software programs that can be used to identify fraud
- **Understanding internal controls :** and testing them so as to understand the loopholes which allowed the fraud to be perpetrated.

Conclusion

To summarize, a forensic audit is a detailed engagement that requires the expertise of not only accounting and auditing procedures but also expert knowledge regarding the legal framework. A forensic auditor is required to have an understanding of various frauds that can be carried out and of how evidence needs to be collected. There are numerous different types of fraud that a forensic auditors are expected to investigate. The investigation is likely to ultimately lead to legal proceedings against one or several suspects, and members of the investigative team must be comfortable with appearing in court to explain how the investigation was conducted, and how the evidence has been gathered. Forensic auditors must therefore receive specialist training in such matters to ensure that their credibility and professionalism cannot be undermined during the legal process

Navratri Celebration

Women Empowerment Committee of WIRC organized Webinar to pay Tribute to Divine Power of Women on the occasion of Navratri. Mrs. Sujata Das, Mrs. Face Mumbai & CMA Bina Sampat were the speakers. CMA Dinesh Birla, Chairman WIRC & CMA Harshad Deshpande, Chairman – PD Committee were present for the event. CMA Poonam Shah, Member Women Empowerment Committee of WIRC-ICAI coordinated the programme.

Overview of Forensic Audit



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A forensic audit is an evaluation and examination of an individual's or a firm's financial records to stem up evidence that can be used in a legal proceeding or court of law. Forensic auditing is a specialization within the accounting field, and most large accounting firms have a forensic auditing department. Forensic audits necessitate auditing and accounting procedures as well as expert knowledge about the legal outline of such an audit.

Generally, Forensic audits cover a wide range of investigative activities. A forensic audit may be directed to prosecute a party for embezzlement, fraud, or additional financial crimes. Moreover, the auditor may also be called to help as an expert witness during trial proceedings of a forensic audit. Forensic audits could also involve situations such as disputes related to business closures, bankruptcy filings, and divorces that do not involve financial fraud.

What is Forensic Auditing?

A forensic audit is an analysis and review / inspection of the financial records of a company or person to extract facts, which can be used in a court of law. The corporate veil is lifted while identifying the fraud and the persons involved. Audit skills have to be applied to determine legally if fraud has taken place.

A forensic audit is an evaluation and examination of an individual's or a firm's financial records to stem up evidence that can be used in a legal proceeding or court of law. Forensic auditing is a specialization within the accounting field.

What is the Meaning of Forensic Audit?

Forensic audits cover a large spectrum of investigative activities. There may be a forensic audit to prosecute a party for fraud, embezzlement or other financial crimes. Forensic audits could also include situations that do not involve financial fraud, such as bankruptcy filing disputes, closures of businesses, and divorces.

VITAL of Forensic

- A forensic audit is an examination and evaluation of a firm's or individual's financial records.
- During a forensic audit, an auditor seeks to derive evidence that could potentially be used in court.
- A forensic audit is used to uncover criminal behavior such as fraud or embezzlement.
- Forensic audit investigations can uncover or confirm various types of illegal activities. Usually, a forensic audit is chosen instead of a regular audit if there's a chance that the evidence collected would be used in court.

All about Forensic Audit of a Company in India

Now a days in India, increasing white-collar / Professional crimes has led to the need for bringing in the forensics to save a business from any mishap. Crimes that are taking place using deceptive practices for financial gains are often tricky to prosecute, as the executioner takes sophisticated and calculated steps to ensure that their illegal activities are difficult to detect.

With the introduction of the definition of fraud in the Companies Act 2013, the concept of Forensic Audit in India as a practice and methodology has gained colossal importance and relevance in addition to the regular auditing techniques already in place.

Process of conducting Forensic Audit

1. Increase information of the background of the entity in
2. Review of audit in the previous periods
3. Identification of fraud Time period of incurrence of fraud.
4. Discover the ways frauds are concealed.
5. Identify the the mastermind behind the fraud.
6. Measurement of the frauds.
7. Evidence to be gathered in a way as it is admissible in court.
8. Fraud prevention on measures.

How Forensic Audits Work

The process of a forensic audit is similar to a regular financial audit – planning, collecting evidence, writing a report – with the additional step of a potential court appearance. The attorneys for both sides offer evidence that either uncovers or disproves the fraud and determines the damages suffered. They present their findings to the client, and the court should the case go to trial.

What is the procedure for conducting a Forensic Audit?

- Step 1 – Accepting The Investigation And Know Your Client

Forensic audit is always assigned to an independent firm/group of investigators. Forensic should be have the necessary skills tools and expertise (auditor) to go forward with such an investigation to conduct a forensic audit.

- Step 2 – Planning The Audit Examination And Policy
The Auditor (s) must prudently determine the Audit goal so being conducted and carefully decide the procedure to achieve it, over and done with the usage

of effective techniques and tools. They should be clear on the ultimate categories of the report before planning the examination. Viz.:-

1. Proof of identity of the kind of fraud that has been operating,
2. Assemble Information and Acquire Proof
3. Recognizing the racket of how long it has been operational for, and how the racket has been afforded to conceal the same
4. Recognising the fraudster(s) / Instigators involved
5. Quantifying the commercial loss suffered by the client and the Company
6. Gathering Confirmation to be acceptable and used in court proceedings
7. Quantity of Frauds, Analysis Evaluate and Assess the Impact of Evidence
8. Provided recommendation to avoid and size the recurrence of the racket.

• Step 3 – Collecting Indication For Examination

There are specific procedures that are carried out in forensic auditing to harvest Evidence. All kinds of Audit techniques and procedures are used to collect Proof to demonstrate and to recognise. Such as how it was conducted and concealed by the perpetrators and how long they have fraudulent activities existed and continued in the organization. In the direction of the investigators can use the following techniques can use.

1. Classify the weaknesses to gather Evidence, which confirms the fraud to be committed
2. By means of investigative actions to arrange for comparatives between different segments of the business or compare trends over time
3. To pinpoint the “scheduling and position” of appropriate details being tampered or altered in the computer system, investigators can apply computer-assisted audit techniques
4. Consultations and Deliberations with workforces
5. Applicable methods such as cash counts, reconciliations, and reviews of financial and Non-financial documentation.

• Step 4 – Reporting And Documentation

The reporting stage is the greatest perfect and superficial section in a forensic audit. The investigating team is expected to report the findings of the investigation after investigating and gathering Evidence. They must provide a summary of the Evidence and conclusion that came out of the loss suffered due to the fraud happened. They should provide suggestions to prevent such fraud in the future events.

• Step 5 – Court Proceedings - Fraud Prevention Measures And Exercise Judgement

The last stage extends over those audits that principally lead to legal / court proceedings. The auditors will give litigation assistance as mentioned above, where they will be called to Court and included in the advocacy

process / trials. The understanding here is that they are requested in because of their expertise and skill in commercial issues and legal proceedings. Most importantly, they must lay down the facts and verdicts judiciously and objectively to understand so that the anticipated action can be taken up judiciously.

What Requires a Forensic Audit? Corruption or Fraud Forensic Auditor would be on the view for

- **Conflicts of Interest** – when a fraudster uses their influence for personal gains to the company’s detriment. For example, if a manager allows and approves inaccurate expenses of an employee with whom they have a personal relationship.
- **Bribery** – offering money to get things done or to influence a situation in one’s favour.
- **Extortion** – the wrongful use of actual or threatened force, violence, or intimidation to gain money or property from an individual or entity.

Asset Misappropriation

Asset misappropriation is the most prevalent form of fraud. Examples include: misappropriating cash, submitting falsified invoices, making payments to non-existent suppliers or employees, misusing assets (like company equipment), and stealing company inventory.

Financial Statement Fraud (FSF)

Financial statement fraud is the will full and deliberate misstatement or misrepresentation, creating a false impression and omission of financial statement data to mislead the reader of a Company’s financial strength. Generally, it defers revenues or expenses in a different time period to show consistent earnings or growth. Towards the other extreme, it consists of overstating revenues. It diminishes the confidence of market participants and capital markets in the dependability of financial information.

Corruption

Corruption is a significant obstacle to socio-economic development and also at different corporate levels. It can have come along with ill-effects on the image of the business/company and jeopardize it severely. It consists of any illegitimate use of the office or dishonest behaviour and its resources.

Fraud

There are a few reasons related to the fraud associated with the financial circle of any company. Those are as follows:-

- False and Wilful representation or Assertion
- Perpetrator of Representation
- Intention to deceive
- The representation must relate to a fact.
- The active concealment of facts
- Promise made with no intention of performing it;
- The representation must have deceived the other party.
- Any other act fitted to deceive
- Any such ‘act or omission’ that the law specially declares as void

- Wrongful Loss and Wrongful Gain is Immaterial
- Forensic Data Analysis (FDA) and Fraud Triangle and Fraud Risk

What are the benefits of a Forensic Audit?

Few leading benefits of Forensic Audit are listed below.

- **Uncovering of Corruption:** In a Forensic Audit, while investigating fraud, an auditor would look out for the Conflicts of interest, Extortion, and Bribery.
- **Uncovering of Asset Misappropriation,** which reveals Misappropriation of cash, payments made to non-existing suppliers or employees, raising fake invoices, misuse of assets, or theft of Inventory, etc.
- **Uncovering of Financial Statement Frauds** which reveal intentional forgery of accounting records, non-disclosure of relevant details from the financial statements, omitting transactions – either revenue or expenses, or not applying the requisite financial reporting morals.
- It helps in **Fraud Identification and Prevention**, which generally occurs in financial transactions. It also helps in accounting and analyzing whether the company's accounting policies are followed or not.
- It makes **Sound Investment Decisions**
- It assists in the **formulation of Economic Policies.**
- **Forensic auditing is extremely rewarding as a career.** It involves identifying, analysing, and reporting the findings during an audit and not only includes regular auditing and accounting activities.
- **Clear Objectivity and Credibility -** As a forensic auditor, an external party would be far more objective and independent than a company accountant or internal auditor who, in the end, reports to management on his conclusions.
- **Definite valuable Accounting Expertise and Industry Knowledge.**
- **Provision of Appreciated Manpower Resources**
- **Enhanced Efficiency and Efficiency**

What are the legal provisions invite a forensic audit?

The Companies Act, 2013, Prevention Of Money-Laundering Act, 2002, SEBI Act -1992, Income Tax Act and Information Technology Act etc. have a provision of Penalty./ies.

1. Sections - 235 & 237 Of The Companies Act, 2013 It Empowers the Central Government to order an investigation into the affairs of a company, inspect the books of accounts of a company, special audit, and launch prosecution for destruction and violation of the provisions of the said Act.
2. To evaluate as a preliminary issue “whether the company is a sick industrial company u/s. 2(46AA)”, Section 424A (5) of the Companies Act, 1956 authorizes National Company Law Tribunal (NCLT)
3. For determining whether any industrial company has turned into a sick industrial company. “Section 424B of the Companies Act, 2013”, empowers the tribunal to do such review as it may deem fit.
4. The Companies (Auditor’s Report) Order, 2003. The Act needs auditor to report the effect of whether it has affected the going concern status if a substantial part of fixed assets has been disposed of off during the year.
5. To evaluate as a preliminary issue “whether the

company is a sick industrial company u/s. 2(46AA)”, Section 424A (5) of the Companies Act, 1956 authorizes National Company Law Tribunal (NCLT)

6. For determining whether any industrial company has turned into a sick industrial company. “Section 424B of the Companies Act, 2013”, empowers the tribunal to do such review as it may deem fit.
 - **Prevention Of Money-Laundering Act, 2002**
Section 3 of the said Act- defines the offense of “money laundering” as the involvement of a person in any activity or process connected with the proceeds of crime and sticking out it as untainted property, where the limits and scope of integrating forensic audits can be undoubtedly seen.
 - **SEBI Act, 1992-**
SEBI Act, 1992- (Regulation 11 C) - It empowers the SEBI to investigate the affairs of intermediaries, to direct any person or brokers associated with the securities market whose financial transactions in securities are being allocated in a manner detrimental to the securities market or the investors. Moreover, under the Insurance Act, 1938- Section 33 of the Act empowers the IRDA; it also emphasizes directing any person (Investigating Authority) and investigating the affairs of any insurer.

Penalties

If he or she is caught in a forensic audit, the following penalties may be faced by a person in light of these statutory authorities by way of administrative penalties.

- Section 168 of the IPC- Public servant unlawfully engaging in trade.
- The penalty under the Prevention of Corruption Act, 1988 (PC Act)
- Section 171 B- Bribery, read with S. 7 of the PC Act.
- Section 403- Dishonest Misappropriation of property
- Section 405- Criminal Breach of Trust
- Section 417- Cheating
- Section 463- Forgery
- Punishment for fraud under section 477 of the Companies Act, 2003
- Penalties given under Prevention of Money Laundering Act, 2002
- Penalties given under the Income Tax Act, 1961 for tax evasions
- Section 43 and 44 of the IT Act- lays down the penalty for the following.
 - a. Unlawful copying of citations and quotations from any data.
 - b. Illegal access and downloading files.
 - c. Introduction of malicious or viruses programs.
 - d. Impairment to a computer network or computer system.
 - e. Rejection of access to a lawful person to a computer system.
 - f. Supporting to any person to facilitate unlawful access to a computer system

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(Sources of above is various websites interpreted in my language.)

Exploring the term ‘Forensic Audit’ with generic WH questions

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Abstracts: (1) What?, (2) Who?, (3) When?, (4) Why?, (5) How? (6) Regulatory Bodies (7) Legal Provisions, (8) Examples, (9) Limitations, (10) Recent Developments, (11) Conclusion, (12) Citations

1) What? (What is Forensic Audit ?)

A forensic audit is an examination and evaluation of a firm's financial records for good governance and to establish an incidence of fraud and diversion of funds, if any. [1] A forensic audit, also known as forensic accounting, refers to the application of accounting methods for detection and gathering evidence of frauds, embezzlement, or any other such white-collar crime. [5] It is the application of accounting skills to legal questions. [5] As of now, it has taken up an important role in both public and private organisations, especially in advanced economies. [5]

In other words, Financial statement fraud is the deliberate misrepresentation, misstatement or omission of financial statement data for the purpose of misleading the reader and creating a false impression of an organization's financial strength. [5] The most common practice here is deferring revenues or expense in a different time period to give the appearance of consistent earnings or growth. [5] Towards the other extreme, it includes overstating of revenues. [5] It diminishes the confidence of capital markets and market participants in the reliability of financial information and decreases the effectivity of the capital market. [5]

A forensic audit is an analysis and review of the financial records of a company or person to extract facts, which can be used in a court of law. [2] Forensic audits include the experience in accounting and auditing practices as well as expert knowledge of forensic audit's legal framework. [2] A forensic audit is an examination and evaluation of a firm's or individual's financial records. [3] During a forensic audit, an auditor seeks to derive evidence that could potentially be used in court. [3] A forensic audit is used to uncover criminal behavior such as fraud or embezzlement. When you are a forensic auditor, you specialize in a particular brand of accounting. [3] Smaller firms may not have a forensic auditor on the payroll, but most large, commercial accounting firms have forensic auditing departments. [3]

A forensic audit is an examination of a company's financial records to derive evidence which can be used in a court of law or legal proceeding. [4] For example, Telemart, on the recommendation of its Chief

Financial Officer (CFO), entered into a contract with RJ Inc for the supply of carts. [4] At the time, RJ Inc was not authorized to conduct business, as its license was suspended due to certain irregularities in taxes paid. [4] The CFO had knowledge of this fact, but still recommended that Telemart enter into a contract with RJ Inc because he was secretly receiving compensation from RJ for doing so. [4] A forensic audit can reveal such cases of fraud. [4] Thus, where a financial audit is done, and there is a suspect-asset-fraud, a forensic audit is done to identify that. [5]

Investigative activities are the part of the Forensic Audit. It is not within the definition of the Investigation under the Criminal Procedure Code 1973 which allows only a Police Officer to conduct an investigation after filing an FIR under Section 154 of the Cr PC. The power of the Police Officer to investigate a crime defined in Section 156 (1) of the Cr PC. Procedure of Investigation also defined under Section 157(1) of the Cr PC and the Investigation defined in Section 157 (2) of the Code of Criminal Procedures 1973. Here the investigation is authorized by the Magistrate of Judicial Court and therefore any other process cannot be technically defined as Investigation. A Police after completion of the Investigation process, forward his report to the Judicial Court where the FIR is pending U/s. 173(5) of the Cr PC. [Chapter XII - The Code of Criminal Procedure 1973]. In other words the Investigation conducted by the Forensic Auditor or Investigator cannot be legally called as "Investigation" may be we can technically called as "Verification" since the Law is very clear on the jurisdiction of the term "Investigation".

There are mainly four types of Forensic Audits namely Criminal Investigation Service, Dispute Resolution Service, Insurance Claim Review Service and Fraud Investigation Service. [10] Among these four the last one is the most popular job of a Forensic Auditor. [10]

2) Who (Who does Forensic Audit)? [6]:

Forensic auditors/accountants do not differ from other financial accountants. [6] However, they possess special skills to detect fraud, and ways to document it. [6] Their role goes beyond just looking into statements, that includes investigation, bringing out evidence, writing reports, understanding the legal scope of the evidence, and ways to prove it in court. [6] Thus, a forensic auditor is need of a little more professional scepticism and has to conduct critical assessment throughout the audit

of all essential material, which is known as forensic thinking.[6] It can be understood that the work of a forensic auditor is two-phased.[6]

Investigation Services – At first the auditor begins with an investigation; looking into the accounts and statement, and identifying defects in it.[6] It then moves on to find ways to deal with such defects, which is a reactionary function.[6]

Litigation Services – It is entirely possible the frauds detected be resolved within the company itself. However, there are times when they need to be resolved through legal channels.[6] During such situations, forensic auditors give litigation support to the advocates.[6] Their advice and consultation about the legalities of commercial disputes are very essential. [6] Moreover, they also provide research assistance by giving relevant documents and facts to support a legal claim, and also help decide the extent of damage that is required.[6] They are also called up by the Court as an expert witness for further investigation.[6] An expert witness is someone with specialized skills, knowledge, or experience who testifies in court about what s/he believes has happened in a certain case based on those specialized skills, knowledge, or experience.[7] Unlike any other witnesses who can only testify about what they have seen, felt, heard, smelled, touched, etc., expert witnesses can draw conclusions and give their opinions as part of their testimony.[7]

Responsibilities cast on Chartered Accountant in relation to reporting on fraud.[11] Following are the major steps initiated by the legislature indicate the importance of forensic audit and also use the various techniques of forensic audit directly or indirectly for reporting purpose.[11]

- Clause (X) of Companies (Auditor's Report) Order,2016 referred to in Section 143(11) of Companies Act,2013 requires the auditor to report whether any fraud by the company or any fraud on the Company by its officers or employees has been noticed or reported during the year; If yes, the nature and the amount involved is to be indicated. [11]
- Section 143(12) of Companies Act, 2013 requires if an auditor of a company, in the course of the performance of his duties as auditor, has reason to believe that an offence involving fraud is being or has been committed against the company by officers or employees of the company, he shall immediately report the matter to the Central Government within such time and in such manner as may be prescribed. [11]
- Clause (e) of Directors' Responsibility Statement referred to in clause (c) of sub-section (3) of Section 134 of Companies Act,2013 states that the directors, in the case of a listed company, had laid down internal financial controls to be followed by the company and that such internal financial controls

are adequate and were operating effectively. [11]

- Clause (i) of Auditor's Report referred to in section 143(3) of Companies Act,2013 requires the auditor to state whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls or not.
- The Institute of Chartered Accountants of India enacted a specific Standard of Auditing namely 'SA 240 the Auditor's Responsibility to Consider Fraud and Error in an Audit of Financial Statements' for the consideration of fraud & error during the course of audit.[11]

3) When (When is Forensic Audit induced)?

"Forensic" means "suitable for use in the court of law". [8] Bologna said that it is the application of financial skills and investigative mentality to unresolved issues, conducted within the context of the rules of evidence. [8] Forensic audit can be conducted in order to prosecute a party for fraud, embezzlement or other financial claims. [8] In addition, an audit may be conducted to determine negligence. [8].

The Forensic Audit is mainly required whenever any fraud is suspected.

- 3.1) **Meaning of Fraud[9]** : A fraud is a misrepresentation of facts with intention to mislead someone to believe these facts as true; parting with some valuable thing or money belonging to someone after getting induced by relying upon such facts, misappropriation of valuable thing or money belonging to someone who parted with it after getting induced by misrepresented facts causing or likely to cause loss of money and/or valuable things to the affected person.[9] Financial frauds, further, is quite common in corporate sectors causing loss of enormous money to banks, financial institutions, general public, adversely affecting the trust in mechanism of trade, finance and investment having destabilizing effect on commercial institutions affecting national progress and putting strain on national resource. There are various types of financial frauds like,[9]

- Primary Market Fraud
- Secondary Market Fraud
- Bank Frauds
- NPAs
- Import Export Fraud
- Tax Fraud
- Money Laundering
- Public Sector Fraud
- Insurance Fraud
- Fake Currencies
- Intellectual Property Crimes
- Non-Banking Financial Companies
- Fake Stamp Scams

- Computer and Internet Frauds etc.

Fraudsters use companies as vehicle for committing fraud to cheat banks, financial institutions, and general public.

- 3.2) **Symptoms of Fraud[9]**: There are some symptoms of frauds e.g. delayed submission of returns information etc.; delayed remittances into Bank; delay or non-preparation of Bank; reconciliation statements; lifestyle of promoters/directors and key employees; continued internal control lapses and not following norms of corporate governance etc. Similarly there are some internal indicators e.g. delay in finalisation of accounts; frequent changes in Accounting Policies; continuing Losses; over drawl of loans or advances; higher cost per unit of production; high amount of losses or wastage shown in books Vs Norms; high investment in group companies profit not supported by increased cash availability etc.

3.3) **Modus Operandi [9]**:

A) Loans & Advances[9]:

- Fake CA Certificates/Financial Statements
- Bogus Invoices/quotations/bills
- Fraudulent removal of stocks charged
- Inflated valuations of securities
- Forged property documents
- Fake/Wrong search reports
- Diversion of funds through bogus/sister concerns
- Deposits/Miscellaneous areas
- Un-authorized loans against deposits/NRI deposits
- ATM Frauds by stealing PINs/interception of cards
- Encashment of stolen/forged financial instruments through fictitious accounts
- Misuse of other's passwords for misappropriation of funds

B) **Import / export Business[9]**:

- Fake LCs/Confirmation not obtained by the banker
- Fake export orders for obtaining Packing Credit
- Forged shipping documents

Forensic Auditing emerges here as a measuring tool to combat financial frauds. Forensic auditing is a blend of accounting, auditing and investigative skills. [9]

4) **Why (Why is such audit conducted)? [2,5]**

Forensic audit investigations may expose, or confirm, various kinds of illegal activities. Normally, instead of a normal audit, a forensic audit is used if there is a possibility that the evidence gathered would be used in court. [2]

The forensic audit process is similar to a traditional financial audit — planning, gathering evidence, and

writing a report — with the additional step of a possible appearance in court.[2] The lawyers on both sides offer evidence that the crime is either discovered or disproved, which decides the harm sustained.[2] They explain their conclusions to the defendant should the case go to trial before the judge.[2]

The Forensic Audit can find out following frauds[5]:

- 4.1) **Corruption [5]**: In a forensic audit, an auditor would be on the lookout for
- Conflicts of Interest—when a fraudster uses their influence for personal gains to the company's detriment. For example, if a manager allows and approves inaccurate expenses of an employee with whom they have a personal relationship.
 - Bribery—offering money to get things done or to influence a situation in one's favor.
 - Extortion—the wrongful use of actual or threatened force, violence, or intimidation to gain money or property from an individual or entity.
- 4.2) **Asset Misappropriation [5]**: Asset misappropriation is the most prevalent form of fraud. Examples include: misappropriating cash, submitting falsified invoices, making payments to non-existent suppliers or employees, misusing assets (like company equipment), and stealing company inventory.
- 4.3) **Financial Statement Fraud [4,5]**: A company can get into this type of fraud to try to show that its financial performance is better than it is. The goal of presenting fraudulent numbers may be to improve liquidity, ensure that C-level executives continue to receive bonuses, or cope with the pressure to perform.[5] Some examples of the form that financial statement fraud takes are the intentional forgery of accounting records, omitting transactions – either revenue or expenses, non-disclosure of relevant details from the financial statements, or not applying the requisite financial reporting standards.[4]
- 4.4) **Prevents generation of non-performing assets in the Banks [5]**:
- “A non-performing asset (NPA) refers to a classification for loans on the books of financial institutions that are in default or are in arrears on scheduled payments of principal or interest.[5] In most cases, debt is classified as non-performing when loan payments have not been made for a period of 90 days.”[5] The problems that a bank face while dealing with NPA can be summed up as follows,
- It reduces the cash flow of that particular bank, as it all depends on the cycle of lending and repayment.[5]
 - The reduction in cash flow directly hits on the overall capital that is available to the bank to give subsequent loans.[5]

- Also, the earnings of the bank are solely based on the repayment of loans it has lent. [5] The loss caused by NPAs are set off against the earning, ultimately reducing the earning and credibility of the bank. [5]

To deal with NPAs, the banks are always expected to bring about change in their policies to stop classification of NPAs, by restructuring the loans. [5] However, a proactive role that a bank can play in this regard is to conduct forensic audits on loan-taking entities to ensure the security of payment. [5] This may be the only effective way to discover financial discrepancies at the time of giving a loan, and throughout the period of repayment. [5] This is also a safety-net that is available to banks. It is not uncommon to discover companies with huge cash reserves being identified as NPAs. [5] This was also conceptualized on the authority level wherein the rise in the numbers of NPAs was termed as a “potential damage to the growth story” of the Indian economy. [5] Keeping this in the background, the Finance Standing Committee of Parliament has called for an immediate forensic audit of all restructured loans that had turned into bad debts, earlier this year. [5] The panel also asked the apex bank to form empowered committees at the level of RBI, banks and borrowers to monitor large loans. [5]

5) How (Procedure of Forensic Audit)[9] ? :

A forensic audit comprises the following steps: The process of conducting a forensic investigation is, in many ways, similar to the process of conducting an audit, but with some additional considerations. The various stages are briefly described below.

- 5.1) **Accepting the investigation:** The forensic accountant must initially consider whether their firm has the necessary skills and experience to accept the work. Forensic investigations are specialist in nature, and the work requires detailed knowledge of fraud investigation techniques and the legal framework. Investigators must also have received training in interview and interrogation techniques, and in how to maintain the safe custody of evidence gathered. Additional considerations include whether or not the investigation is being requested by an audit client. If it is, this poses extra ethical questions, as the investigating firm would be potentially exposed to self-review, advocacy and management threats to objectivity. Unless robust safeguards are put in place, the firm should not provide audit and forensic investigation services to the same client. Commercial considerations are also important, and a high fee level should be negotiated to compensate for the specialist nature of the work, and the likely involvement of senior and experienced members of the firm in the investigation.
- 5.2) **Planning the investigation :** The investigating

team must carefully consider what they have been asked to achieve and plan their work accordingly. The objectives of the investigation will include: identifying the type of fraud that has been operating, how long it has been operating for, and how the fraud has been concealed identifying the fraudster(s) involved quantifying the financial loss suffered by the client gathering evidence to be used in court proceedings providing advice to prevent the reoccurrence of the fraud. The investigators should also consider the best way to gather evidence – the use of computer assisted audit techniques, for example, is very common in fraud investigations.

- 5.3) **Gathering evidence:** In order to gather detailed evidence, the investigator must understand the specific type of fraud that has been carried out, and how the fraud has been committed. The evidence should be sufficient to ultimately prove the identity of the fraudster(s), the mechanics of the fraud scheme, and the amount of financial loss suffered. It is important that the investigating team is skilled in collecting evidence that can be used in a court case, and in keeping a clear chain of custody until the evidence is presented in court. If any evidence is inconclusive or there are gaps in the chain of custody, then the evidence may be challenged in court, or even become inadmissible. Investigators must be alert to documents being falsified, damaged or destroyed by the suspect(s). Evidence can be gathered using various techniques, such as: testing controls to gather evidence which identifies the weaknesses, which allowed the fraud to be perpetrated using analytical procedures to compare trends over time or to provide comparatives between different segments of the business applying computer assisted audit techniques, for example to identify the timing and location of relevant details being altered in the computer system discussions and interviews with employees substantive techniques such as reconciliations, cash counts and reviews of documentation. The ultimate goal of the forensic investigation team is to obtain a confession by the fraudster, if a fraud did actually occur. For this reason, the investigators are likely to avoid deliberately confronting the alleged fraudster(s) until they have gathered sufficient evidence to extract a confession. The interview with the suspect is a crucial part of evidence gathered during the investigation.
- 5.4) **Reporting :** The client will expect a report containing the findings of the investigation, including a summary of evidence and a conclusion as to the amount of loss suffered as a result of the fraud. The report will also discuss how the fraudster set up the fraud scheme, and which controls, if any, were circumvented. It is also likely that the investigative team will recommend improvements to controls within the organisation to prevent any similar frauds occurring in the future.

5.5) Court proceedings : The investigation is likely to lead to legal proceedings against the suspect, and members of the investigative team will probably be involved in any resultant court case. The evidence gathered during the investigation will be presented at court, and team members may be called to court to describe the evidence they have gathered and to explain how the suspect was identified. It is imperative that the members of the investigative team called to court can present their evidence clearly and professionally, as they may have to simplify complex accounting issues so that non-accountants involved in the court case can understand the evidence and its implications.

6) Regulatory bodies of Financial Frauds:

6.1) RBI: The Reserve Bank of India (RBI) is India's central bank and regulatory body under the jurisdiction of Ministry of Finance, Government of India. It is responsible for the issue and supply of the Indian rupee and the regulation of the Indian banking system. It also manages the country's main payment systems and works to promote its economic development. [14]

The Reserve Bank of India was established on April 1, 1935 in accordance with the provisions of the Reserve Bank of India Act, 1934. The Central Office of the Reserve Bank was initially established in Kolkata but was permanently moved to Mumbai in 1937. The Central Office is where the Governor sits and where policies are formulated. Though originally privately owned, since nationalisation in 1949, the Reserve Bank is fully owned by the Government of India. [14]

6.2) ED: Directorate of Enforcement is a specialized financial investigation agency under the Department of Revenue, Ministry of Finance, Government of India, which enforces the following laws [14]: -

(A) Foreign Exchange Management Act, 1999 (FEMA) - A Civil Law, with officers empowered to conduct investigations into suspected contraventions of the Foreign Exchange Laws and Regulations, adjudicate, contraventions, and impose penalties on those adjudged to have contravened the law [14].

(B) Prevention of Money Laundering Act, 2002 (PMLA) - A Criminal Law, with the officers empowered to conduct investigations to trace assets derived out of the proceeds of crime, to provisionally attach/confiscate the same, and to arrest and prosecute the offenders found to be involved in Money Laundering [14].

6.3) IRDA: The Insurance Regulatory and Development Authority of India (IRDAI) is a regulatory body under the jurisdiction of Ministry of Finance, Government of India and is tasked with regulating and licensing the insurance and re-insurance industries in India. [1] It was constituted by the Insurance Regulatory and Development Authority Act, 1999, [2] an Act

of Parliament passed by the Government of India. [Wikipedia.org]. As per the section 4 of IRDAI Act' 1999, Insurance Regulatory and Development Authority of India (IRDAI, which was constituted by an act of parliament) specify the composition of Authority. [14]

6.4) SEBI: The Securities and Exchange Board of India (SEBI) is the regulatory body for securities and commodity market in India under the jurisdiction of Ministry of Finance, Government of India. It was established on 12 April 1992 and given Statutory Powers on 30 January 1992 through the SEBI Act, 1992 [14].

6.5) CBI: The Central Bureau of Investigation (CBI) is the premier investigating agency of India. [4][5] Operating under the jurisdiction of the Ministry of Personnel, Public Grievances and Pensions, Government of India. Originally set up to investigate bribery and governmental corruption, in 1965 it received expanded jurisdiction to investigate breaches of central laws enforceable by the Government of India, multi-state organized crime, multi-agency or international cases [14].

7) Legal Provisions to Control Financial Fraud[5]:

(What are the legal consequences that a person will attract if caught in a forensic audit?)

In order to understand the legal consequences that a person attracts on being caught in a forensic audit, it is necessary to know about the various statutes that talk about the implementation of forensic audits in India.

7.1) Sections 235 and 237 of the Companies Act, 1956- Empowers the Central Government to inspect the books of accounts of a company, to direct special audit, to order an investigation into the affairs of a company and to launch prosecution for violation of the provisions of the Act.

7.2) Provisions of Sick Industrial Companies Act incorporated into the Companies Act, 1956-

- The Section 424A(5) of the Companies Act, 1956 empowers National Company Law Tribunal (NCLT) to examine as a preliminary issue whether the company is a sick industrial company u/s. 2(46AA).

- Section 424B of the Companies Act, 1956 empowers the tribunal to make such inquiry as it may deem fit for determining whether any industrial company has become a sick industrial company.

7.3) SEBI Act, 1992- Regulation 11 C of the SEBI Act, 1992 empowers the SEBI to direct any person to investigate the affairs of intermediaries or brokers associated with the securities market whose transactions in securities are being dealt with in a manner detrimental to the investors or the securities market.

7.4) Insurance Act, 1938- Section 33 of the Act empowers

- the IRDA to direct any person (Investigating Authority) to investigate the affairs of any insurer.
- 7.5) Prevention of Money-Laundering Act, 2002– Section 3 of the Act defines the offence of money laundering as the involvement of a person in any process or activity connected with the proceeds of crime and projecting it as untainted property, where the scope of integrating forensic audits can be clearly seen.
- 7.6) The Companies (Auditor’s Report) Order, 2003- The Act requires the auditor to report to the effect that if a substantial part of fixed assets have been disposed of off during the year, whether it has affected the going concern status.
- In light of these statutory authorities, the following penalties may be faced by a person, if he/she is caught in a forensic audit, by way of white-collar penalties.
- 7.7) Penalty under the Prevention of Corruption Act, 1988 (PC Act),
- 7.8) S. 168 of the IPC- Public servant unlawfully engaging in trade: “Whoever, being a public servant, and being legally bound as such public servant not to engage in trade, engages in trade, shall be punished with simple imprisonment for a term which may extend to one year, or with fine, or with both.”
- 7.9) S. 171 B- Bribery, read with S. 7 of the PC Act :“Whoever commits the offence of bribery shall be punished with imprisonment of either description for a term which may extend to one year, or with fine, or with both. Provided that bribery by treating shall be punished with fine only” as per S. 171E.
- 7.10) S. 403- Dishonest Misappropriation of property;
- 7.11) S. 405- Criminal Breach of Trust: “Whoever commits criminal breach of trust shall be punished with imprisonment of either description for a term which may extend to three years, or with fine, or with both” according to S. 406.
- 7.12) S. 417- Cheating
- 7.13) S. 463- Forgery
- 7.14) Punishment for fraud u/s 477 of the Companies Act, 2003: “Whoever commits forgery shall be punished with imprisonment of either description for a term which may extend to two years, or with fine or with both” according to S. 465.
- 7.15) Penalties under Prevention of Money Laundering Act, 2002
- 7.16) Penalties under the Income Tax Act, 1961 for tax evasions.
- 7.17) Section 43 and 44 of the IT Act- lays down penalty for the following:
- Unauthorized copying of an extract from any data.
 - Unauthorized access and downloading files.
 - Introduction of viruses or malicious programmes.

- Damage to a computer system or computer network.
- Denial of access to an authorised person to a computer system. Providing assistance to any person to facilitate unauthorized access to a computer.

8) Examples : [Source: internet search]

There are a few recent cases listed below where forensic audit was referred:

- B. Hariharan vs Sebi on 6 April, 2021
- Animish Pradip Raje vs Securities And Exchange Board Of ... on 25 August, 2021
- National Peroxide Ltd vs Nipul S Trivedi on 8 February, 2021
- Sanjay Dhingra & Anr vs Central Bureau Of Investigation & ... on 2 June, 2021
- Rapid Metrorail Gurgaon Limited ... vs Haryana Mass Rapid Transport ... on 26 March, 2021

9) Limitations of Forensic Audit:

- Confidentiality Issue [13]: Since the scrutiny of a company’s financial records is done by an external forensic accountant, the chances of leakage of confidential matter is always there. It is true that their code of ethics clearly mentions that forensic accountants and other members involved in the scrutiny must not engage in disclosing confidential data to outsiders, but the possibility of disclosure cannot be nullified.
- Increased Chances of Threats and Negative Publicity[13]: If the analysis of a company’s financial statements points out the involvement of a particular person in fraudulent activities, there is a significant chance that the person will try to threaten the company to safeguard himself from the trial. Also, any trial that confirms a fraud happening in the company comes under public eye and gains negative publicity, which directly affects the reputation and investor relations of the company.
- Costs a Lot of Money[13]: Forensic accounting can be an expensive affair because the procedures which accountants use involve high-end accounting software. If study results have to be presented in a trial, the overall expenditure goes up even further, because the fees of forensic accountants is quite high. This can be a matter of concern for the organization.
- Losing Employee Trust[13]: It is quite obvious for employees to feel offended when they come to know that their job is under scrutiny by a third person. If no fraud is identified, employees are left with the feeling that the employer does not have faith in them. Lost trust can be difficult to regain in such cases.

- 9.5) Limited Use of Services [13]: Federal regulations limit the use of services from a single accounting firm. Suppose a company has tied up with one firm for auditing, it cannot ask the firm to provide other services to it. Therefore, a company has to reach out to several firms for carrying out its accounting tasks.

10) Major developments in forensic audit:

- Reserve Bank of India with reference to its circular number RBI/2015- 16/75 DBS.CO.CFMC. BC.No.1/23.04.001/2016-17 dated July 01, 2016 directs the banks for various requirements of reporting of frauds. [11]
- The Reserve Bank is in the process of designing a Central Fraud Registry, a centralized searchable database, which can be accessed by banks. The CBI and the Central Economic Intelligence Bureau (CEIB) have also expressed interest in sharing their own databases with the banks.[11]
- Various certificate courses on Forensic Audit are offered by many institutes. Some of those institutes are listed hereunder[11]:
 - The Institute of Chartered Accountants of India (ICAI)
 - The Institute of Certified Forensic Accountants (ICFA)
 - Association of Certified Fraud Examiners (ACFE)
- Recent report suggest that Indian professionals will soon come up with Forensic Accounting and Investigation Standards (FAIS), which going to set the basic parameters of Forensic Audits and Accounts. [12] The Institute of Chartered Accountants of India (ICAI) has reportedly constituted a committee to deliberate on the FAIS.[12] The objective of the FAIS is learned to be to codify best practices in the twin domains of Forensics and Investigations, set basic quality benchmarks for conducting assignments in the areas.[12] This move according to experts will make India the first country in the world to release a set of forensic accounting and investigations standards. [12] Conformed reports indicate that ICAI is planning to consult interested parties like stake holders, Corporate Affairs Ministry, Reserve Bank of India, SEBI, and Comptroller and Auditor General of India (CAG) while taking decision on the mandatory Forensic Audit.[12] It is also learned that a Draft Standards will be released by them soon and may entertain Public Comments or opinion on the subject.[12] Once it is published it will become mandatory and the Forensic Audit and Investigating fraternity will enforce this, and violation of this will be resulting in action against the Corporate. [12] Possibility of a Bill in the Parliament of India

on this line also cannot be ruled out.[12] This also going to have lot of opportunity for the Forensic Audit and Investigation practitioners in the coming days. [ICAI, ET & Industry Expert reference].[12]

11) Conclusion:

In the current scenario of increasing white collar crimes especially in financial activities, Forensic Audit has emerged as an effective tool to control the misconduct. Forensic Audit is a verification process of suspected financial crime. This includes the basic process of auditing but it starts where normal financial audit finishes. This is induced when some unfavorable signs are seen or fraud is suspected. So this is a very important aid to the legal system to detect and control the financial crime. ICAI is in the process of making standards for Forensic accounting so that financial frauds can be prevented and detection can be simplified.

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Forensic Accounting and Forensic Audit



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‘Forensic’ word is suitable for use in the court of law.

Need of Forensic Accounting has been arisen because of increased financial frauds, also known as White Collar Crimes.

Forensic Accounting:

Forensic Accounting can be described as a specialized field of accountancy which investigates fraud and analyse financial information to be used in legal proceedings. It uses accounting, auditing and investigative skills to conduct investigations into theft and fraud.

Forensic Accounting covers major two aspects:

1. **Litigation Support Services:** A forensic accountant measures the damages experienced by the parties in legal disputes and can help in settling conflicts, even before it reaches the court. In case of court proceedings, forensic accountant can give evidence as an expert witness.
2. **Investigative Services:** Forensic accountant must determine whether illegal matters like employee felony, securities embezzlement (including tempering and distortion of financial accounts), identity theft and insurance racket have taken place.

Scope of Forensic Accounting:

1. To look for evidence of unusual development in the accounting and financial systems.
2. Design accounting processes for verifying important premises and data. A forensic accounting orientation also calls for skills in identifying possible fraud.
3. Perform processes on a routine schedule in order to reduce transaction processing risks
4. Cover a broad range of businesses and locations that require customary or continuous surveillance of all transaction processing systems

Relevance of Forensic Accounting in an Organisation:

- Assessing working transactions for compliance with basic operating processes and agreement.
- Performing through scrutiny and examination of financial payment dealings in the accounting system to decide whether they are standard or beyond company policy.
- Analysing warranty requests or returns for practices of fraudulence or misuse.

- Assisting in estimating the economic damages and ensuring insurance demands that arise from catastrophes like fire or other natural calamities.
- Assessing business rating in consolidations and accomplishments.

Types of Forensic Accounting:

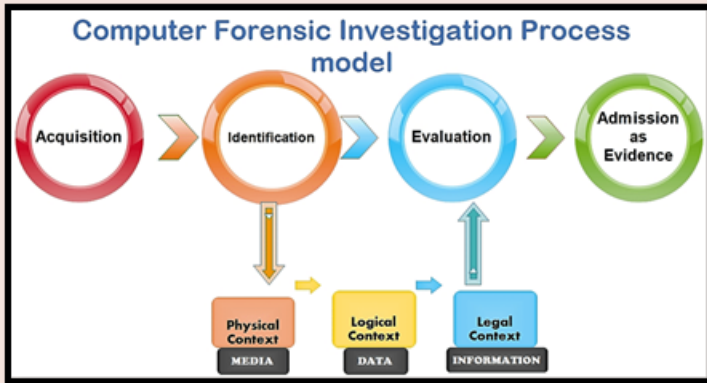
- Financial theft by customers, employees or outsiders
- Securities fraud
- Bankruptcy
- Debt default
- Economic damages related lawsuits to recover damages
- M & A related lawsuits
- Tax evasion or fraud
- Corporate Valuation disputes
- Professional negligence claims
- Money laundering
- Privacy information
- Divorce proceedings

Forensic Audit:

A Forensic Audit is an analysis & review of the financial records of a company or person to extract facts, which can be used in a court of law. Such audits cover a large spectrum of investigative activities like fraud, embezzlement or financial crimes.

Forensic Auditing is a new concept that comprises three key ingredients:

1. **Forensic Audit Thinking:** It involves the critical assessment throughout the audit of all evidential matter and maintaining a higher degree of professional skepticism that for example fraud or financial irregularity may have occurred, is occurring, or will occur in the future.
2. **Forensic Audit Procedures:** They are more specific and driven toward detecting the possible material misstatements in financial statements resulting from fraudulent activities or error. These procedures are of both types - proactive and reactive. Audit Procedures should align with Fraud Risks (Proactive) and Fraud Risk Assessments (Reactive).
3. **Appropriate use of technology and data analysis:**



Objectives of Forensic Auditing:

- To use the forensic auditor's conclusions to facilitate a settlement, claim
- To avoid fraud & theft
- To restore the downgraded public confidence
- To formulate & establish a comprehensive corporate governance policy
- To create a positive work environment



Role of Forensic Auditor:

1. Investigation is carried out by the auditor focusing on the suspicion of the client.
2. Evidence to be provided at the end of full procedure of an audit showing the type of fraud carried out, effect of such fraud to the company and the people involved in the fraud. Techniques to gather evidences are:-
 - Substantive Procedure where the auditor reviews the entire documentation of the company to find out if there is any material statement which is not accurate, the validity of the materials and review on the accuracy of the financial records.
 - Analytical Procedure to understand the client's businesses and changes in the business and to compare the different period of time on the expenditure of the company.

- Software Programs that have with the forensic auditors to able to detect fraud using technological devices like computers.
 - Internal Controls System are to be tested by forensic auditor to find out if there are any loop holes in the system that would have allowed the fraud took place.
 - Interviews to be taken by auditors to try to get additional information about the fraud.
3. Forensic Audit Report is to be made by the forensic auditor at the end of the audit regarding the fraud to the client. Report should include:
 - Findings of the report
 - Evidence summary
 - Information on the manner in which the fraud was carried out
 - Recommendations on how the fraud can be avoided from occurring in the future
 Forensic Audit Report is one that the client uses as evidence in the Court if he decides to file a case.
 4. During the Court Proceeding, the auditor must be present in order to explain how he collected the evidence and also how he identified the suspects. He should explain all the process using simple terms.

Thus, A Forensic Auditor plays a very big role in such financial frauds, embezzlement, etc.

Forensic Accounting and Audit in India:

The Reserve Bank of India (RBI) has made forensic accounting and audit mandatory for all banks within the country because of -

- The growing list of online criminal offences
- Breakdown of regulators to trace and detect cyber-security frauds

Examples of cases of Satyam scam, PNB Scam in Nirav Modi case, Yes Bank, etc. which gives rise to the requirement of Forensic Accounting and Audit in India.

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Advanced to Fellow Membership (WIRC) October 2021

M.No.	NAME	CITY
22565	Md Fareed Dhiyan	MUMBAI
29796	Shrigini Suchit Naidu	AURANGABAD
33596	Namit Jain	MUMBAI
39435	Venkateshkumar Surendranth	MUMBAI

Management Wisdom

Article 11: Why and How

(This article is based on author's forthcoming book "Making of a CEO")

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I was in the seventh standard of my schooling. 'British Raj' was the main topic in the subject of History. I was not able to reconcile between the great intellectual background of India and the British ruling us. So, I asked my father, "We always boast about our heritage. Then how was it possible for five thousand British to rule a country of thirty-three crore people?" My father, without any hesitation would answer my question at length. We were always allowed to ask "why and how". Right from my childhood I knew how to differentiate between 'faith' and 'reasoning'. Gautam Buddha would always tell his disciples to practice 'reasoning'. It has been the influence of Buddhism that Japanese schools allow their students to raise questions like "why & how". In India, it has been the hierarchical ego (both, in society & the corporate world) which didn't allow the juniors to raise 'why & how' questions to their seniors. Even today many corporate seniors take the shelter of seniority, self - claimed experience and typical hierarchical respect to avoid the logical questions raised by the younger generation. It is the ego and fear of getting exposed, that most of the time we tactically avoid these questions. It is customary in our culture that beyond a point no questions to be raised. We insist more on 'faith' than 'reason'.

We need to inculcate the culture of "curiosity and courage". Inquisitiveness leads to inquiry. Inquiry gathers information. Information ignites courage & confidence. A courageous mind and a confident brain should work together on a great idea. The base of inquisitiveness is very important. The 'why' is about 'purpose' and the 'how' is about 'process'. Europe separated religion from science in the 15th century. This was simply because there was little scope for inquisitiveness in religion. People in almost all religions do not dare to critically evaluate their 'holy books'. Those religions which confine to their holy books and claim to have answers for all the questions of mankind, could not promote inquisitiveness. Their so-called spiritual processes didn't enable mankind to have simple answers for everyday problems. "Faith" to a point may be allowable, as long it doesn't hinder the effort of reasoning. During the ancient days, people embodied the powerful elements of nature into gods and goddesses, as they couldn't work enough on scientific analysis of the power of nature.

In system - driven companies owning big brands or technological monopoly, young executives mostly are expected to perform robotically. Family - owned enterprises too do not encourage inquisitiveness as the promoters interpret it as an entrepreneurial interference. Crony capitalists, by definition, do not believe in "why & how". For them every employee is a mere 'executor' of instructions. It is only the great companies aspiring to gain the status of an institution, encourage the environment of inquisitiveness across all the levels of organisational hierarchy. Intentionally they emphasize and instil the competencies of scientific reasoning, analytical ability, perseverance, creative thinking and networking for alternate solutions. These powerful enterprises democratically believe that great performers too can make mistakes. They also admit that 'idea' is not anyone's monopoly. They encourage an attempt of higher benchmarking which automatically compels an employee to perform better, using newer ideas. Obviously newer ideas are a result of inquisitiveness.

Our bright young managers should be allowed to challenge some of the set theories of 'promotion' based on potential & performance, free cash flow, shopfloor productivity, the ethos based on shareholder value appreciation, sanctity of business processes versus entrepreneurial freedom, financial capital versus the power of ideas etc. etc. The facilitation of raising the questions "why & how" will have to be institutionalised, so that the attempt becomes serious and it is also taken seriously. One such structure I always suggest my clients is "Strategy Evaluation Groups" (SEGs). There can be five such groups of the young brilliant executives, headed by the executive directors or business heads or functional heads. These groups should cover five important areas of business performance & strategy formulation viz business growth, employee performance, technological competence, cost control and resource management. The young members in each group should critically evaluate each strategy and raise the questions about its purpose (why) and process (how). This evaluation should be periodically submitted to the 'executive council' and then to the board.

The other important people raising the question "why & how" are the independent directors. They need to evaluate both, the 'purpose' (entrepreneurial objectives) and the 'process' (ethical framework). Unfortunately, these important people are not very independent. Same is the story about the statutory (external) auditors. If an examinee decides the choice of examiner & his remuneration, what kind of fairness in evaluation can be expected? A statutory auditor most of the times, unwillingly takes care of the 'recruiter'. The question 'why & how' becomes a mere formality. This "adjustment" is a common practice between many companies and their representatives like dealers & distributors. The principal rarely asks his agent 'why & how'. Even our political & administrative system is so rotten that people can't ask the elected politicians and powerful bureaucrats the question 'why & how'. So, things are taken for granted because in our very childhood we are not encouraged to raise these questions fearlessly. Certain institutions and their heads are considered to be so sacred and special, that they are never expected to answer these stupid (!) questions 'why & how'?

A senior friend of mine was heading the finance function in a reputed automobile company. He used to ask all "why & how" questions while assessing a new project. His knowledge of automobile engineering was terrific. The CEO would not accept any project unless it was approved by my friend. Another COO, an engineer would raise absolutely right questions while conducting a financial appraisal of new projects. A CHRO of an FMCG was a great negotiator while agreeing on the financial aspects of every LTS. So, raising the questions "why & how" basically requires a reasonably sound knowledge of the relevant subject. One needs to know what appropriate questions are to be raised. If the average intelligence quotient of the members of the board or executive council is high and they are well bonded with each other, the quality of the questions "why & how" could be very high and absolutely pragmatic!

Virtual CFO Services (vCFO)



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Article 10: Virtual CFO and Other Services

In this article we will see if vCFO can give other services and which are those services can be given. Usually Practicing professionals set up their organization in such a way that besides being vCFO other services can also be given. Once we gain expertise in vCFO services, expertise in other services may also come along with it since this is very comprehensive work. Many a time's companies/ organizations enter into such an agreement with other services included into it. This helps CF (vCFO Firms) to achieve excellence in many other services. I will not enumerate any such services here as we all are having full knowledge of those services but will try to give some or other tasks handled by vCFO and giving examples of how to complete those tasks and alongside expertise can be developed.

Types of Services

Providing CFO services for Short Period – Organizations may ask for CFs to provide a CFO for short time. This is good opportunity for vCFOs to work for shorter period and still make a maximum impact on management. Short period services makes a way to various other services like, payroll accounting, tax consulting and other consulting assignments. vCFO should be able to impress upon his/her utility for such kind of small work as well. I have seen many CF who are associated with companies even for short time leaves their impact for longer period as well. This may not include audits as tenure to work in companies can be shorter, but surely immediate needs of the company can be fulfilled by vCFO after his assignment is over or may be during the assignment also. Usually this type of assignment is until new CFO joins hence it usually comes with expiry date as I narrate this on popular note. However, one must take into account that, these types of services can be of short term but can be renewed also. In such cases chances of any other assignment also increases.

Short Term Associate CFO – In this type of Assignment Company management wants their CFO to be assisted in day to day manner also. There are most likely 2 reasons, earlier you might have worked with company on similar assignment and company knows that their policies can be

effectively monitored by you with outgoing CFO or incoming CFO needs support which you or your firm may provide the same due to prior experience. In both scenarios it's your prior experience with company matters. The difference between first and this scenario is presence of regular CFO. In first case mentioned above is due to void in company for one CFO going out and another one may be not yet selected or maybe he is selected but will take time to join. In this scenario new or outgoing CFOs are on job and very much on payroll of company but still your assistance are sought. Any other services during this period may not be taken in good sense by Company management and hence better not to promote any other services during this period. However in case of assistance to new CFO, your skills can be shown and some services can be promoted but that too after official tenure as Associate CFO is over. We must understand that these services are for shorter period and in the presence of outgoing or incoming CFO.

Assistance to CFO – This type of assignments are atypical and mostly consulting on nature. Full time CFO Works on various objectives to be achieved entrusted on him by company management. While performing his duties, assistance is needed from out-side to complete his objectives and also support to his projects. Company management is not always keen to employ a full time person for projects or achieving some objectives which are short term e.g listing on Stock Exchanges, ERP Backlog work etc. This type of work automatically comes to outsiders and instead of calling it as consultant it may be called as Support CFO Services. Wherein, besides additional work, CFO is assisted by Virtual CFO or Virtual CFO Firm. This may be the best chance of vCFO to promote other services and should be successful in it. It is more or less like shadow support services to CFO and helping to achieve objectives.

Virtual CFO Biome

Virtual CFO comes with its own Eco-System or Biome. This Biome includes many professionals and also professionals in the network which helps him to give all kind of services. The Virtual CFO services in India can be a game changer for most businesses and MSMEs. With over 400 Virtual CFOs

and corporate services firms in India alone supporting this ecosystem, there is tremendous scope for the Virtual CFO industry to thrive in India's MSMEs ecosystem by offering them financial assistance and becoming an important partner and growth driver for success. The concept of Virtual CFOs has mushroomed in the last three to four years, primarily catering to the needs and affordability of startups and SMEs. A virtual CFO is an outsourced service

same as their full-time counterparts offering high-quality assistance in all financial services-build sustainable business model, robust financial processes & control, ensure regulatory compliances but at one-fifth to one-seventh charge. Hence while starting with VCFO services professionals needs to build their own Biome and plethora of services must be provided to Client which is need of the Industry. The following diagram will focus on the same.



Diagram 1: Virtual CFO Biome

From the above diagram I have tried to enumerate ecosystem of vCFO and may be vCFO Firms (CF). In the centre or top of the system it's going to be vCFO who gives the services and may be also the face of services to client. He/She is the one responsible for execution of all kinds like planning, strategic, budgeting, compliance etc. In the second layer all experts in network should find the place. Whenever any expertise is needed, it's always better to call for from own network rather than trying for unknown. However same

is not the choice many times wherein one needs to call for experts from outside network like Fire Audit, Safety Audit, ISO Audit etc. which may be out of the reach for Accountants but for client that needs to be performed and satisfactory report must be given to management/ authorities. Finally, all vCFOs needs to have a network of professionals and also must be able to provide all kinds of services needed for the client.



Are You Thinking To Go Public Through SPAC



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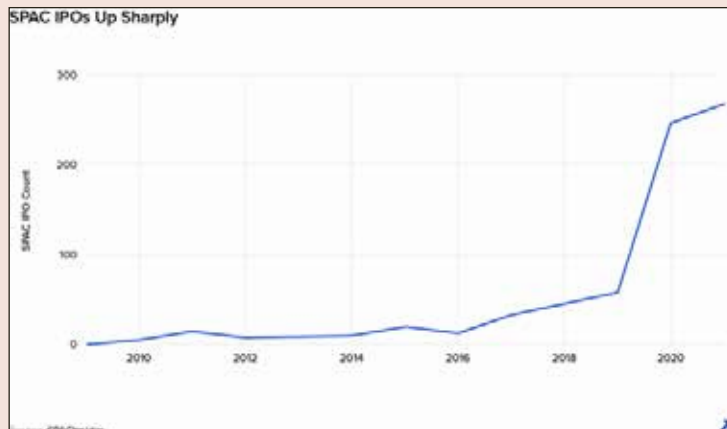
Article No. 3

In 2020, 248 special purpose acquisition company (SPAC) IPOs gathered \$75.3 billion. It is huge extra money compared to all the earlier years after 2010 consolidated (figure), as per IPO expert of University of Florida professor.

How did SPAC such a magical job? There are 3 parties in SPAC deals that are pushing the admiration and acceptance by public.

1. Retail investors are fed of observing tech IPOs increase over 40% in their initial few days of trading. As small investors, they are not allowed to take part in conventional IPOs. SPACs give chance to small investors for putting money in a swift-growing, junior company.
2. SPAC sponsors (the company that originates the deal) receive a blank cheque with massive upside and hardly downside if the deal does not click (such a deal mostly always clicks). Sponsors invest minimum risk capital and mostly retain holding a 20% or more stake known as the “promote.” The logic for the “promote” is they (these professionals) are consolidating the deal at a go.
3. Private companies go to public swiftly—in few months compared to a conventional IPO, which can consume over a year—and relieve themselves of the risk of timing the IPO opening. Moreover, the underwriter fees are few % lower, as some of the massive IPO deals have already been materialised by the SPAC.

So, are SPACs a ONE STOP solution for all parties engaged in the deal? Whether other companies that are superior compared to SPACs? Let us review swiftly what a SPAC is and how they operate practically?. Afterwards, we will approach to scrutiny of pluses and minuses from the viewpoint of the SPAC looking to go public.



What Are SPACs?

A SPAC is a company that gathers funds from investors before realising how it will invest it. The SPAC approach to public swiftly ahead of conventional IPO (who takes months together). These SPACs as it has no functioning history to reveal. When they go public, the SPAC start searching for a company that desires to go public and they amalgamate (merge) termed as de-SPAC-ing transaction. As a result, the investors in the SPAC now owner of a real asset.

Why Privates Are Opting SPACs

Improved reputation. Around 1980s, SPACs had a dark image of deceiving investors. Afterwards, SPACs have completely transformed their way to deal with customers. They have introduced new steps to safeguard the interest of investors such as permitting investors to retreat if they do not accept terms and conditions of the proposed merger. The boost in investor protection, along with the fact that additional VCs disgusted with the conventional IPO process, make way to established and reputed companies who have opted for becoming SPAC sponsors. In the history of SPACs, in October 2019, Virgin Galactic pioneered the way when it amalgamated with VC Chamath Palihapitiya's SPAC. This was the first time that a company that Wall Street considered reputed and lawful moved public through SPAC. Afterwards, then many successful tales have come after, amidst them like Draft Kings, which went IPO through SPAC and has fetched 776% as of March 2021.

Increased market fluctuation. The markets have been unstable. The CBOE Volatility Index (VIX) attained a 10-year at the top in May 2020. The IPO platform appears wide open and then closes with a crash swiftly. This fluctuation by nature is not like to the conventional IPO procedure, which can consume over a year.

Small investors are keen in high-boost companies. One major problem of a SPAC for investors is that the sponsor takes slice of big ownership from the transaction which some times goes to two digits. In most cases, small investors do not like this approach. These SPACs offer small (retail) investors an opportunity to invest in fiery IPOs with high growth and many positive prospects. There is no access for ordinary persons in conventional IPOs and direct listings. During 2020, the average inauguration day was margin in IPOs was 41.6%, as per report of the University of Florida's Ritter.

How a SPAC Practically Operates

As explained earlier, SPACs are created by sponsors. A sponsor can be a Private equity or hedge fund manager, or a group of prosperous/affluents managers. The sponsor may have a goal in mind, but they cannot legally have moulded term sheets or definitive agreements operated with that target.

Once the price of SPAC IPO is fixed and invested, in contrast of conventional IPO, the company does not receive the fund. The amounts are deposited into a trust account which fetches a normal interest rate.

Afterwards, the sponsor starts to detect, scrutinise, and have negotiation for reaching a deal with likely targets. Thus starts the de-SPAC-ing mechanism—the merger of the concerned company and with the publicly traded SPAC. Once the deal is done after signature on letter of intent and merger documents, the consolidated company may declare the M&A as closed and fund is deposited in the trust account. Often, however, deals are associated by private investment in public equity financing (PIPE). As an example, if the SPAC originally gathered \$400 million but goal is \$750 million in capital, the sponsor may raise that gap of \$350 million via a PIPE from institutional investors, normally at a reduced price.

When the target is declared, the SPAC shareholders approve the acquisition. The approvers of this deal will continue to be present and finally participate as shareholders in the merged company. In this meeting, who give positive nod (Yes), it is assumed, it is a vote by majority shareholders. This deal is done. Those investors who say “NO” will receive back their individual contribution. In some cases, some SPAC investors “go away” from the M&A meeting, PIPE financing will raise capital to bridge the gap with contribution by the private companies.

IPO vs. SPAC From the Perspective of the Company Going Public

Traditional IPO		SPAC IPO
Pros	Publicity and credibility	Faster path to becoming public
	Fundraising	Lower execution risk
		Strategic partnership with sponsor
		Lower banking fees
Cons	Lengthy process	Due diligence risk
	Execution risk	Lack of readiness for public scrutiny
	Higher banking fees	May be considered lower quality
		Dilution from the sponsor's promote (~20%)

Source - <https://www.toptal.com/finance/ipo-consultants/spac-ipo>

Advantages of SPACs

1. Faster

Since, the SPAC was made, filed, and operated with the object of finalising a merger, it is faster (and cheaper) compared to a conventional IPO for the target company. The normal IPO process can consume more than one year. On the other hand, a SPAC merger only requires three to four months.



2. Cheaper Banking Fees

Since the money is already gathered, the banking fees may be cheaper than a conventional IPO's which on average 7%. The underwriting discount for a SPAC IPO is about 5.5%, with 2% disbursed at the time of the IPO and the rest 3.5% paid at the time of the de-SPAC transaction (i.e., merger).

3. Lower Dependence on Market Conditions

With a SPAC, the capital formation transaction is disconnected from the exchange listing exercise. The money is already gathered and in the a trust account. The sponsor can disclose to investors and persuade them to nod the merger irrespective whether during economic crisis or in bear market.

4. Shell With Cash

Cash is a massively core asset for M&A transactions involving private companies looking to reach to public markets. SPAC resolve for that swiftly.

5. Clean

From the angle of the due diligence, SPAC is the spotless and one can expect for. Though we will have make due diligence on its capital structure, contracts, and structure of governance, however, but in a major way, it is not expected many RED FLAGS will appear specially in the areas with touchy contingent or litigation-tied liabilities. With hardly any history (short) of these companies are really non-operating shells, hence diligence of the entities are very easy without any controversy.

SPAC Disadvantages

1. Poor Returns Once Public

A review of the 30 recent SPACs revealed, their average return margin is

-0.2%, according to data from SPAC Analytics. As per report of IPO information from the University of Florida's

Ritter shows that from 2015 through 2020 the average initial return (measure from the offer price to the first close) for conventional IPOs was 41.6% versus 0.7% for SPACs. For founders, this could be a push, expressing that there was minimal capital left on the table. However, the management group will be required to assess investor hopes ahead, as retail investors may think they arrived in initial stage on a “hot” IPO.

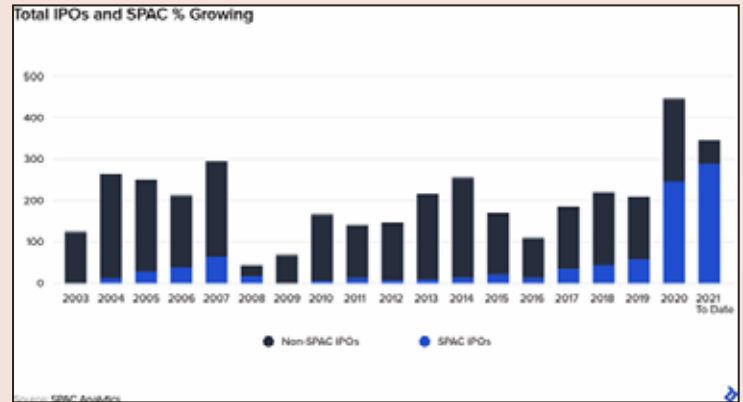
2. Lack of Readiness for Compliance and Regulatory Requirements

Once a company is public, it has to work in compliance with regulatory requirements like publishing of financial reports and disclosures periodically, conducting shareholder meetings, or working within strict governance and financial controls frameworks imposed by the securities laws and enforced by the SEC and exchanges (e.g., Nasdaq). Moreover, in IPO, management groups have the easy way of conducting trial runs and committing errors when the company is gearing for the IPO, SPAC managers do not have an easy life. Errors may be expensive and have long effects. Sponsors should start preparing in initial stage, working as a public company when it is still private.

3. Fees and Dilution for SPAC Investors

A crucial issue often unnoticed is the sponsor's promote. This is a % of stake of the acquired company that the sponsors grasp by default and this % can be as high as 20%. For example, a \$200 million SPAC put fund \$200 million into a target company. In the deal, the SPAC sponsor gets \$40 million of extra shares. Who funds that? Legally, the acquired company disburses it. However, depending on the valuation, the retail investor is virtually paying this. The acquired company definitely knows of the promote prior they close the deal, so they are aware the additional percentage they will be sacrificing. Therefore, the private company must bargain in tough ways for elevated valuation to grab the value diluted by the promote.

It is expected that in the next 12-18 months, as a result



of a massive craze of SPAC IPOs in 2020, the increasing thrust on sponsors to consummate deals will likely make a compulsion environment to bargain deals. While the massive supply to SPACs results in a favorable supply/demand balance for private companies, if the 430 US SPACs hunting or acquisitions begin to run out of reasonable targets, the trend will create tension. As per report, by INSEAD professor Ivana Naumovska in the Harvard Business Review, more than 300 of those SPACs require to look for assets to merge with in 2021 or they will be required to be dissolved. As per report, there were 450 total IPOs in 2020, the highest number in at least 17 years. Whether a private company goes for SPAC, direct list, or a conventional IPO, it is required to have a professional CFO or IPO consultant in these companies. As such, they do not get fees on the amount of the deal, small of the equity, or an underwriter's fee. Their target is plainly to make the superior results for their client.

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51340	Pawankumar Santraj Prajapati	Ahmedabad
51351	Bhavesh Batukbhai Lakhani	Surat

Industry Knowledge Series

A. Sugar Industry–2 The Sugarcane

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A. Preface

Sugar is available in tissues of many trees, fruits and vegetables. The various types of sugar are derived from different sources. It is generally being cultivated in field in the forms of fruits or vegetables. But sucrose is especially concentrated in sugarcane and sugar beet, making them ideal for efficient commercial extraction to make refined sugar.

Sugarcane and sugar beet are two major raw materials of Sugar Industry. The sugar that's extracted from sugar beet or sugar cane plants is identical. The sugar beet is not cultivated in India for sugar manufacturing. It is mainly used in European union

Sugarcane cultivation is a biggest employer in rural sector of India and an engine to boost economic conditions of farmers. Sugarcane, being a traditional crop of India, is cultivated since immemorial time as one of the many crops in the villages for local consumption of 'gur' (Jaggery). The refiners in the towns produced a coarse sugar which was known as 'Khandsari'.

B. Introduction

a. Sugar cane - Sugarcane is a type of grass falling under bamboo series. The plants of sugarcane can be divided into three parts (Tops, leaves and stalks). The tops and leaves are having low sugar and high salt. These parts are not useful to sugar Industry. The stalks are rich in sugar and low salt.

The rind (outer layer) of sugarcane stalk is consisting of hard layer coated with wax. The inner portion of stalk is off white sponge like material, which contain juice (Water & soluble material). The stalks are divided into nodes and internodes. The nodes are rich in fibre and internodes are rich in sugar. Bigger the internodes sugar content will be higher.

Sugarcane or Sugar cane plants are 10 to 13 ft in height and about 2 inch (5 cm) in diameter. A sugarcane crop is sensitive to climate, soil type, irrigation, fertilizers, insects, varieties and the harvest period. The important parameters of sugarcane process are as under.

The bulk density of sugarcane varies from 200 to 400 Kg / M3 depending upon loading method. The density of Mechanical harvested sugarcane is 350-380 Kg / M3.

b. Sugar Beet - It is cultivated as a root crop in regions with adequate rainfall and requires a fertile soil. The crop is harvested mechanically in the autumn and the crown of leaves and excess soil removed. The roots do not deteriorate rapidly and may be left in the field for some weeks before being transported to the processing plant where the crop is washed and sliced, and the sugar extracted by diffusion method. Further processing is similar to sugarcane juice. Sugar beat is generally not cultivated in India for commercial sugar production.

C. Sugar production Process in Brief

- Green plants produce sugar through photosynthesis process and transform solar energy into sugar & fibre. Photosynthesis is a process in which the sun's energy is stored as photosynthate. The green leaf contains cells with chlorophyll that regulates the photosynthetic reactions. Light energy from sun is used to combine water (and nutrients) with carbon dioxide from the air into carbohydrate (sugars). These sugars are then loaded into phloem cells and transported to various parts of the plant. Sugarcane plants have a unique ability to store these sugars as sucrose in their stems.
- Plants produce glyceraldehyde-3-phosphate (G3P), a phosphate 3-carbon sugar that is used by the cell to make monosaccharides such as glucose (C6H12O6) or (as in cane and beet) sucrose (C12H22O11).

D. Sugarcane Constituents

- When sugarcane mature, it constitutes of 11-16% fibre, 12-16% soluble sugars, 2-3% non-sugars, and 63-73% water. The sucrose % reduces with increasing cut to crush time.
- Fully mature sugarcane juice is a rich medium which contains about 15-18% sucrose 0.5 % reducing sugars and adequate amounts of organic nitrogen and mineral salts for microbial growth, its pH ranges from 5.0 to 5.5.

E. Important Parameters

- Climate conditions** - Most of the rainfed and irrigated commercial sugarcane is grown between 35°N and S of the equator. The crop flourishes under a long, warm growing season with a high incidence of radiation and adequate moisture, followed by a

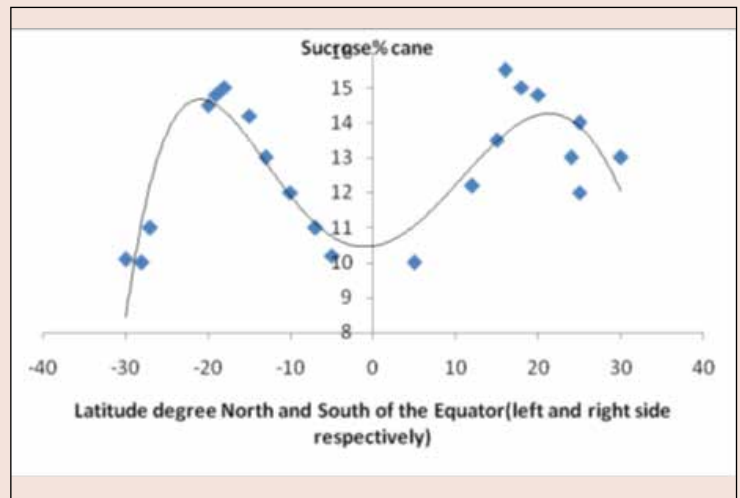
dry, sunny and fairly cool but frost-free ripening and harvesting period.

- a. Optimum temperature for sprouting (germination) of stem cuttings is 32 to 38°C.
 - b. Optimum growth is achieved with mean daily temperatures between 22 and 30°C. Minimum temperature for active growth is approximately 20°C.
 - c. For ripening, however, relatively lower temperatures in the range of 20 to 10°C are desirable, since this has a noticeable influence on the reduction of vegetative growth rate and the enrichment of sucrose in the cane. It requires an average temperature of 75 degrees Fahrenheit (23.9 degrees Celsius).
 - d. Maximum temperature between 23 and 30 degree Celsius and minimum temperature between 7 and 14 degree Celsius are most favourable for better yield and juice quality.
- b) Soil Condition - Sugarcane can grow on a variety of soils including loams, clayey loams, black cotton soils, brown or reddish loams and even laterites. In fact, sugarcane can tolerate any kind of soil that can retain moisture. But deep rich loamy soils are ideal for its growth. Flat plain or level plateau is an advantage for sugarcane cultivation because it facilitates irrigation and transportation of cane to the sugar mills.
- a. The soil should not be either too acidic or too alkaline. Sugarcane has high nitrogen and potassium needs and relatively low phosphate requirements. For a yield of 100 ton/ha cane it requires
 - b. 100 to 200 kg/ha N (Nitrogen)
 - c. 20 to 90 kg/ha P (Phosphate)
 - d. 125 to 160 kg/ha K (Potassium)
 - e. Application rates are sometimes higher. At maturity, the nitrogen content of the soil must be as low as possible for a good sugar recovery, particularly where the ripening period is moist and warm.
- c) **Water requirement** - Uniform rainfall of about 80 inches (203 centimetres) per year is required for sugarcane cultivation. Since crop takes around one year, water requirement is high and frequent. Reliable irrigation is one of the pre-requisites of sugarcane cultivation.
- d) **Rain falls** - 75-150 cm rainfall is ideal rainfall. Too heavy rainfall results in low sugar content and deficiency in rainfall produces fibrous crop. Short cool dry winter season during ripening and harvesting is ideal. Frost is detrimental to sugarcane. Therefore, it must be harvested before frost season. On the other hand, hot dry winds are also inimical to sugarcane.
- e) **Condition in North India** - The summer

temperatures ranges from 30° to 40°C and dry scorching winds called 'loo' in May and June hamper the normal growth of the cane. In the winter months of December and January the sugarcane crop is likely to be damaged by excessively cold weather accompanied by frost. Consequently, the yield / hectare is low.

- f) Condition in South India - The absence of 'loo' during the summer and reasonably high temperature during the frost-free winter, coupled with the maritime winds in the coastal areas are some of the climatic factors which are extremely beneficial to this crop.
- g) Lead Time - It is considered as a cash crop and it is also used as livestock fodder. Sugarcane takes about seven months to mature in a tropical area and about 12-22 months in a subtropical area. In India, the crop takes approx. 11 to 15 months to grow and mature.
- i) Yield - The average yield of cane stalk is 60–70 tonnes per hectare per year. However, yield generally varies between 30 and 180 tonnes per hectare depending on various factor and crop management applied in sugarcane cultivation.

Source



[Graph 1 - Effect of Latitude on Sucrose content; Source – Manual for Sugar Cane Industry (IFC) Page 33]

- j) Harvesting - To maximize and maintain uniform recovery continuously throughout the season, cane fields which have recorded above 16% pol and 85% purity are to be selected for harvest. In India, harvesting is done manually and also by machine harvester.

Sugarcane deteriorates very fast after harvesting the crop. Cane must be crushed within 24 hours of being cut. After this time the sugar begins to 'invert' into different sugars that can't be extracted. It is necessary to process the cane as fresh as possible, probably within 16 hours.



[Photo 1 – Sugarcane Harvesting; Contributed by CMA Sunil Shitole]

- k) **Sucrose Content** - The sucrose content near the roots is maximum and it reduces as move towards top. The sugar contents at node will be lower and between the node will be higher.
- l) **Transport** - Harvested cane stalks are loaded into trucks, Tractor or Bull kart and taken to mills for processing into sugar.



[Photo 2 – Sugarcane transportation; Contributed by CMA Swapnil Maid]

- m) **Juice Extraction** – Generally Tandem mill are used to extract cane juice from Sugarcane. However, diffuser process is also being used for sugar extraction. The diffuser process consumes less power and secure high yields.

F. Growth stages of sugarcane - sugarcane vegetative growth into four distinct different stages.

- a. **Propagation (germination and emergence)** – The sugar canes are cut into small pieces. Cane with node is planted in a plastic bag, filled with mud and compost. The plant germinates from the nodes and emerge out.



[Photo 3 – Bene preparation i.e. Germination of sugarcane]

- b. **Tillering and canopy establishment** – In this phase bene (Seed) are planted in ground and it start spreading its roots in the soil. It grows less above ground. Multi crop can be harvested during this phase.
- c. **Grand growth or full canopy phase** – It grow mainly above ground and cover all vertical and horizontal space available.
- d. **Crop maturation or ripening** - Sugar first accumulates at lower portion of stalks, which spread to upper layer of stalk with approaching the maturity. The difference in sugar levels at bottom and top portion of stalk will be negligible for matured sugarcane. The sugar level of sugarcane will drop after maturity. Over mature sugarcane contains more fibre and less sugar. The sucrose gets decompose into non sucrose compound and cellulose.

G. Economics of Sugarcane cultivation – The expenses and revenue per acre of land in North India (Bihar) are as under. However, this figure may change from state to state and region to region.

- a. The cost to grow sugarcane from land preparation to harvesting per acre are around Rs 30K. (K is Rs Thousand)
- b. The yield per acre is around 30 MT and price of sugar cane is Rs 2,200 per MT. So, the revenue per acre is Rs 66 K and the earning (Revenue less expense) per acre will be around (Rs 66K – Rs 30K) Rs 36 K.

H. Types of Sugarcane –

Sugarcanes are categorise based on various parameters. Like type of varieties and sowing period.

1. **Type of Varieties** –
 - a. **Early Maturing Group** – Varieties like CoS 96268, CoS 95255, CoSe 98231 etc. are more popular.
 - b. **Mid late Maturing Group** – Varieties like CoS 767, CoSe01424, CoSe 95422 are more popular.
2. **Based on Sowing season** –
 - a. In Maharashtra & South India sugar cane showing

is done in three periods (1) July – Aug, known as Adsali (2) Oct- Nov, known as Pre-seasonal (3) Nov – Jan, known as Suru..

- In north India sugar cane sowing is done in Oct and other in Feb-Mar. The yield per acre and recovery are dependent on duration of crop growth
- After harvesting the crop, new germination takes place from the roots of old crop, which is called as Khodva / Ratoon. The yield per Hectare of Khodva is lower than 1 st crop. Generally, two crops are harvested from Khodva
- Crop wise Adsali will have maximum yield per hectare and recovery %, followed by pre-seasonal and Suru. The yield and recovery of Ratoon / Khodva is lower than the fresh crop. In India generally one or two crops of Ratoon are harvested before clearing the field.
- Water requirement and lead time for various category sugarcane are as under

Crop Type - Water required, Crop duration and Crop Recovery

Sr.	Type	Water Required Lac Litre/ Hec	Recovery %	Agriculture Duration (Month)
1	Adsali	243.75	12.30	17.00
2	Pre seasonal	206.25	12.00	14.50
3	Suru	168.75	11.85	12.00
4	Ratoon	168.75	10.50	11.00

[Table 1 – Water requirement & Recovery for various type of sugarcane]

- Sugarcane yield in MT per hectare for various type of cane differ from area to area. Below pertains to two regions of same district (Ahmednagar) of Maharashtra

Figures in MT / Hectare

Sr. No.	Particulars	2020-21 Plant 1	2020-21 Plant 2	2019-20 Plant 1	2019-20 Plant 2
1	Plant	85.81	99.27	79.50	56.81
2	Adsali	118.66	131.84	94.17	65.06
3	Ratoon	74.88	83.93	58.17	40.73
4	Average Yield	91.85	99.95	74.91	46

Area, Production, Productivity of sugarcane and sugar recovery in India

Year	Area under Sugarcane cultivation (*000 Hac)	Sugarcane cultivation (Million Tons)	Sugar Production (Million Tons)	Sugarcane Yield (Ton / Hac.)	Sugar (Quintal/ Hac.)	Sugar Recovery %
1930-31	1,176	36.354	0.120	30.90	27.69	8.96%
1940-41	1,617	51.978	1.113	32.10	31.14	9.70%
1950-51	1,707	54.823	1.100	32.10	32.07	9.99%
1960-61	2,415	110.001	3.021	45.50	44.32	9.74%
1970-71	2,615	126.368	3.740	48.30	47.29	9.79%
1980-81	2,667	154.248	5.150	57.80	57.68	9.98%
1981-82	3,193	186.358	8.437	58.40	56.41	9.66%
1982-83	3,358	189.505	8.229	56.40	56.12	9.95%
1983-84	3,110	174.076	5.917	56.00	56.11	10.02%
1984-85	2,953	170.319	6.144	57.70	58.97	10.22%
1985-86	2,850	170.648	7.016	59.90	61.28	10.23%
1986-87	3,079	186.090	8.502	60.40	60.28	9.98%
1987-88	3,279	196.737	9.110	60.00	58.20	9.70%
1988-89	3,329	203.037	8.752	61.00	62.34	10.22%
1989-90	3,439	225.569	10.990	65.60	64.88	9.89%
1990-91	3,686	241.045	12.047	65.40	64.35	9.84%

1991-92	3,844	253.995	13.405	66.10	66.17	10.01%
1992-93	3,572	228.033	10.609	63.80	65.71	10.30%
1993-94	3,422	229.660	9.833	67.10	67.10	10.00%
1994-95	3,867	275.540	14.643	71.30	70.73	9.92%
1995-96	4,147	281.100	16.453	67.80	63.87	9.42%
1996-97	4,174	277.560	12.905	66.50	65.84	9.90%
1997-98	3,930	279.541	12.852	71.10	70.74	9.95%
1998-99	4,055	288.722	15.539	71.20	70.20	9.86%
1999-00	4,220	299.324	18.200	70.90	72.32	10.20%
2000-01	4,316	295.956	18.511	68.60	71.89	10.48%
2001-02	4,430	298.422	18.528	67.40	69.22	10.27%
2002-03	4,361	281.575	20.145	64.60	66.93	10.36%
2003-04	3,938	233.862	13.546	59.40	60.71	10.22%
2004-05	3,662	237.088	12.690	64.80	65.90	10.17%
2005-06	4,201	281.172	19.267	66.90	68.30	10.21%
2006-07	5,151	355.520	28.328	69.00	70.10	10.16%
2007-08	5,055	348.188	26.357	68.90	72.69	10.55%
2008-09	4,415	285.029	14.539	64.60	64.79	10.03%
2009-10	4,175	292.302	18.912	70.00	71.33	10.19%
2010-11	4,886	342.382	24.394	70.10	71.29	10.17%
2011-12	5,038	361.037	26.343	71.70	73.49	10.25%
2012-13	4,998	341.198	25.141	68.30	68.50	10.03%
2013-14	4,993	352.141	24.360	70.50	72.12	10.23%
2014-15	5,067	362.333	28.313	71.50	74.15	10.37%
2015-16	4,927	348.448	25.125	70.70	75.08	10.62%

Source - ICAR-SBI Sugar Cane Breeding Institute data

[Table 3 – Production & Productivity of sugarcane cultivation]

I. Comparison of Sugarcane with another Crop.

It is considered as cash crop because its produce is sold for cash. The produce has to be either sold to sugar plant or sold in market after converting to jaggary / Khand sari. The financial condition of farmers cultivating sugarcane are generally better than farmers not cultivating sugar cane. Sugar plants also support farmers with new research & development in sugar cane cultivation, which is absent for other farmers.

- Water Requirement -- The sugar cane seeded along with Kharif or Rabi crop. The time taken to harvest the sugar cane is one year or more than that. So, it is necessary to irrigate the field regularly in off rainy season. The rice, Cotton etc. can be cultivated from rain water because of lower harvest time.

Sr.	Crop	Unit	Water (Lit)
1	Rice	Per Kilo	3000-5000
2	Cotton	Per Kilo	22,500
3	Sugarcane	Per Kilo	1500-3000
4	Soya	Per Kilo	900
5	Wheat	Per Kilo	900
6	Sugarbeat	Per Kilo	550-750

[Table 4 – Water required for various crop in India]

- Labour Requirement – The labour requirement for sugarcane cultivation is higher than another crop. The requirement of man power requirements are increasing over the time because of high yield crop, which require more attention and care. The northern states require less man power and southern states require more man power per hectare

Labour-use in sugarcane and other competing crops in major cane-growing states of India

Crop	UP	Haryana	Maharashtra	Tamil	Karnataka	Andhra	Average
Sugarcane	166.43	173.14	260.15	295.39	275.09	325.13	249.22
Wheat	60.04	37.32	-	-	-	-	48.68
Paddy	105.92	71	-	117.56	150.88	104.35	109.94
Groundnut	-	-	87.2	87.58	58.2	80.31	78.32
Cotton	96.21	-	104.96	148.8	87.1	103.06	108.03

[Table 5 – Region wise labour required for various crop]

- c. Process wise requirement of manpower with comparison to another crop – The manpower required to cultivate sugarcane is higher with comparison to all crop mainly because of its longer period of growth.

Operation wise manpower required per Hactare of cultivation

Crop	Prepration	Sowing	Interculture	Harvesting	Miscellaneous	Total
Paddy	16	33	29	50	9	137
Cotton	19	9	43	58	9	138
Chillies	21	21	31	47	16	136
Groundnut	14	8	25	44	4	95
Sugarcane	18	34	51	86	16	205

[Table 6 – Operation wise labour required for various crop]

- d. Region wise variation in productivity & water requirement

Sr.	Particulars	Unit	Maharashtra	UP
1	Land Prodctivity	Quintal/Hec	800.97	595.83
2	Average Recovery Rate	%	11.32%	9.16%
3	No of Irrigation	No	25	7.6
4	Average height of water	CM	7.5	7.5
5	Average water Requirement	M3 /Per Hect	18750	5700
6	Water required/ Quintal	M3/ Quintal Cane	23.41	9.57
7	Water required/ Quintal	M3 / Qtl Sugar	2.65	0.88

[Table 7 – Region wise productivity & resource required]

J. Conclusion –

Sugarcane is a native of tropical Indian subcontinent i.e. Southeast Asia. Sugar is being used in the Indian subcontinent since ancient times and its cultivation spread all along India including modern-day Afghanistan till the Khyber Pass

- a. Sugars are produced in field and not in factories. Sugars are only preserved and converted in factories. It is necessary to take most care of sugarcane in field.
- b. It is possible to develop alternatives (sugar beet) of

sugarcane as source of sugar, needs to be explored further in India.

- c. Well prepared cultivation field and sowing in proper season will always yield high.
- d. Sugar lost in process from field to factory needs to be minimise.
- e. Sugarcane cultivation is labour intensive cultivation. Shortage of cheap labours are promoting the mechanisation of cultivation process, which can reduce the sugar cane cultivation cost.

Jay Hind

Projection Intro-Part 2



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Introduction:

Now we will discuss about “Annexures” to be required in Project Report for the detail understanding to financial Institutions / Banks / Investor / Landers etc. In the inception of financial report there should be a “cover page” for the introduction of borrower. it may include name of entity, Place of business, Name & Address with contact details of Proprietor/Partners/Directors/ Borrowers, Date of application of proposal etc.

After that there should be a “cover page from Professional” making Proposal with his/her Name, Address, contact details and certificate issued with UDIN/Digitally signed on report.

In any kinds of PR always there should be “Index” indicating Sr. No., Particulars and name of annexures. It's always helps to refer the report as required page to turn and it becomes easy to appraise, remarks, on the report. it's also helps to estimate length of report. The appraiser of PR refers the annexures which is most important to him like Ratios, Profitability, costing parts etc.

From the inception of practice, we are making proposals as required & submitted to under various purposes like Banks loan under Mudra scheme, Start-ups or raising fund from Investors. There are around 20 annexures as required & relates to apprise the project.

Annexure (A) Cost of Project & Means of finance:

It includes own contribution made by promoters of the company. there is a condition of landers to contribute owned fund under the proposal. it's may variate from 10 % to 20 % of total project cost & rest is contributed by landers in forms of (CC) Cash credit, (TL) Term loans etc.

The term loan duration for business under project may be 3 years, 5 years & 7 years or the landers & Borrowers mutually decide. The rate of Interest on term loan, CC presently variate from 10% to 16% as borrowers credit history or CIBIL reports produce credit history. The rate of interest is nowadays decided trough CIBIL reports indicators/ parameter.

Under own contribution borrowers has to specify the area where he/ she is investing like Preliminary expenses, payment of token money, purchase of furniture's, payment of Security deposit as required. So, we can say under the total project cost minus own contribution equals the remaining landers parts to be appraised under the project for Term Loan.

For Example, Refer Annexure

Annexure "A"			
Cost of project & Means of Finance			
Sr.No	Sources of Funds	Rs.(Lacs)	%
1	Own Contribution	4.00	33%
2	Term Loan	8.00	67%
Total (INR)		12.00	100%
Breakup of Cost of Capital			
		Rs.(Lacs)	%
1	Furniture & Fittings	0.08	1%
2	Tour M CNG Passenger car (Eritiga)	10.10	84%
3	Erection & Comm/ works	0.44	4%
4	Airconditioner	0.40	3%
4	Computer & Printer	0.30	3%
5	Other Equipments	0.08	1%
6	Office Deposit	0.32	3%
7	Preliminary & Pre-operative	0.28	2%
Total (INR)		12.00	100%
DEBT EQUITY RATIO TIMES		3	: 1
Debt to quasi Equity Ratio		0.67	

Annexure "A-I"			
OWN CONTRIBUTION			
Sr.No	Particulars	(Rs in Lacs)	%
1	Security Deposit, Regn -Shop & Factory	0.60	15%
2	Airconditioner	0.40	10%
3	Furniture & Interior	0.08	2%
4	Erection of building	0.44	11%
5	Downpayment & Initial Bookings	2.10	53%
6	Computer & Printer	0.30	8%
7	Other Equipments	0.08	2%
Total Rs. In Lacs		4.00	0.15

Annexure (B) Preliminary & Preoperative expenses:

These are such kinds of expenses incurred before incorporation of organization like legal / professional / registrations under various act. these are amortized in four to five years.

For Example, refer annexure.

Annexure "B"

Preliminary & Pre-operative Expenses

Sr. No.	Particulars	(Rs. in Lacs)	%
1	Websiter creation	0.05	18%
2	Pemplets & Visiting cards	0.05	18%
3	Legal	0.02	7%
4	Professional fees for Projection (Registrations Shop Act, MSME, Udyog Aadhaar)	0.16	57%
Total .. Rs. in Lacs		0.28	100%
Years	Written Off schedule	P/A	Bal
1		0.05	0.23
2		0.05	0.19
3		0.05	0.14
4		0.05	0.09
5		0.05	0.05
6		0.05	0.00

Annexure (C) Fixed assets acquired under the Project :

Under the project assets Is purchased for commercials operation or activity under the object of company. In the manufacturing or service industries assets with respect to there commercial operation machineries used & depreciation charged on SLM/RBM as applicable.

For Example, Refer Annexure

Annexure "C"				
List of Fixed Asset to be Acquired under the Project				
Sr. No.	Particulars	Qty	Rate	(Rs. in Lacs)
I	Furniture & Fittings			
01.	Office Furniture	1.00	0.05	0.05
02.	Tables & chairs	2.00	0.02	0.04
Total Cost . Rs. in Lacs				0.09
II	Passenger Car			
01.	Tour M CNG Car (Eritiga)	1.00	10.02	10.02
02.	Accessories	1.00	0.08	0.08
Sub Total				10.10
Less:- Adv. Paid (03/09/2021)				
Total Cost . Rs. in Lacs				10.10
III	Airconditioner			
01.	Airconditioners	1.00	0.38	0.38
02.	Installation	1.00	0.02	0.02
Total Cost . Rs. in Lacs				0.40
IV	Erection & Comm./works			
01.	Electrical items / works	1.00	0.14	0.14
02.	Erection & Commissions	1.00	0.30	0.30
Total Cost . Rs. in Lacs				0.44
V	Computer & Printer			
01.	Laptops	1.00	0.25	0.25
02.	Printer & Billing Equipments	1.00	0.05	0.05
Total Cost . Rs. in Lacs				0.30
VI	Other Equipments			
01.	Fire Fighting Equipments	1.00	0.03	0.03
02.	Water cooler	1.00	0.05	0.05
Total Cost . Rs. in Lacs				0.08
Grand Total .. Rs. in Lacs (I-II-III-IV-V-VI)				11.40

Annexure "C-I"

CALCULATION OF DEPRECIATION

PARTICULARS	Furniture & Fittings	Tour M CNG Car (Eritiga)	Airconditioner	Erection & Comm./works	Computer & Printe	Other Equipment	TOTAL	YEARS
Purchase Cost	0.08	10.10	0.40	0.44	0.30	0.08	11.40	
1st Year - WDV	0.08	10.10	0.40	0.44	0.30	0.08	11.40	
DEPRECIATION	0.01	1.51	0.06	0.07	0.12	0.01	1.78	2021
2nd Year - WDV	0.07	8.58	0.34	0.38	0.18	0.06	9.62	
DEPRECIATION	0.01	1.29	0.05	0.06	0.07	0.01	1.48	2022
3rd Year - WDV	0.06	7.30	0.29	0.32	0.11	0.05	8.13	
DEPRECIATION	0.01	1.09	0.04	0.05	0.04	0.01	1.24	2023
4th Year - WDV	0.06	6.20	0.25	0.27	0.06	0.05	6.89	
DEPRECIATION	0.01	0.93	0.04	0.04	0.03	0.01	1.05	2024
5th Year - WDV	0.05	5.27	0.21	0.23	0.04	0.04	5.84	
DEPRECIATION	0.01	0.79	0.03	0.03	0.02	0.01	0.88	2025
6th Year - WDV	0.05	4.48	0.18	0.20	0.02	0.03	4.96	
DEPRECIATION	0.00	0.67	0.03	0.03	0.01	0.00	0.75	2026

Till now we have discussed the basic or initial stages required to start preparation of (PR) Project Reports. sometime it's also happened to update PR as per appraiser or lander suggestion. According to landers or appraiser the standard in ratios, % profitability has to be set and then

revised reports prepared and submitted.

Further, under next coming articles remaining annexures will be elaborated.

Note: The Author views are personal & not responsible for any financial loss.

Insolvency Process against the taxpayer and provisions of GST thereof



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The Insolvency and Bankruptcy Code, 2016 (IBC) is the bankruptcy law of India which seeks to consolidate the existing framework by creating a single law for insolvency and bankruptcy. The Insolvency and Bankruptcy Code, 2015 was introduced in Lok Sabha in December 2015. It was passed by Lok Sabha on 5 May 2016 and by Rajya Sabha on 11 May 2016. The Code received the assent of the President of India on 28 May 2016. Certain provisions of the Act have come into force from 5 August and 19 August 2016. The bankruptcy code is a one stop solution for resolving insolvencies which previously was a long process that did not offer an economically viable arrangement. The code aims to protect the interests of small investors and make the process of doing business less cumbersome.

Liability prior to the period of appointment of CIRP

Any tax liability of Goods & Service Tax and taxes under earlier laws, which are subsumed in GST namely Central Excise Act 1944, Finance Act 1994 (For Service Tax), Central Sales Tax, Maharashtra Value Added Tax 2002 / State Value Added Tax, Luxury Tax, Entertainment Tax & Amusement Tax, Local Body Tax, Duties of Excise (Medicinal and Toilet Preparations), Additional Duties of Excise (Goods of Special Importance), Additional Duties of Excise (Textiles and Textile Products), Cesses and surcharge in so far as they relate to supply of goods and services, Taxes on advertisements, Taxes on lotteries, betting and gambling, State cesses and surcharges in so far as they relate to supply of goods and services etc. etc. has to be borne by the company and dues has to be settled as per the provisions of Section 53 of Insolvency & Bankruptcy Code 2016, which is reproduced below:

Quote :

53. Distribution of assets:

- 1) Notwithstanding anything to the contrary contained in any law enacted by the Parliament or any State Legislature for the time being in force, the proceeds from the sale of the liquidation assets shall be distributed in the following order of priority and within such period as may be specified, namely: -
 - a) the insolvency resolution process costs and the liquidation costs paid in full;
 - b) the following debts which shall rank equally between and among the following:
 - i. workmen's dues for the period of twenty-four months preceding the liquidation commencement date; and

- ii. debts owed to a secured creditor in the event such secured creditor has relinquished security in the manner set out in section 52;
- c) wages and any unpaid dues owed to employees other than workmen for the period of twelve months preceding the liquidation commencement date;
- d) financial debts owed to unsecured creditors;
- e) the following dues shall rank equally between and among the following: -
 - i. any amount due to the Central Government and the State Government including the amount to be received on account of the Consolidated Fund of India and the Consolidated Fund of a State, if any, in respect of the whole or any part of the period of two years preceding the liquidation commencement date;
 - ii. debts owed to a secured creditor for any amount unpaid following the enforcement of security interest;
- f) any remaining debts and dues;
- g) preference shareholders, if any; and
- h) equity shareholders or partners, as the case may be.
- 2) Any contractual arrangements between recipients under sub-section (1) with equal ranking, if disrupting the order of priority under that sub-section shall be disregarded by the liquidator.
- 3) The fees payable to the liquidator shall be deducted proportionately from the proceeds payable to each class of recipients under sub-section (1), and the proceeds to the relevant recipient shall be distributed after such deduction.

Explanation. – For the purpose of this section-

- i. it is hereby clarified that at each stage of the distribution of proceeds in respect of a class of recipients that rank equally, each of the debts will either be paid in full, or will be paid in equal proportion within the same class of recipients, if the proceeds are insufficient to meet the debts in full; and
- ii. the term “workmen’s dues” shall have the same meaning as assigned to it in section 326 of the Companies Act, 2013 (18 of 2013).

Un-Quote

Further, CBIC also clarified in the circular no 134/04/2020-

GST dtd 23.03.2021 that In accordance with the provisions of the IBC and various legal pronouncements on the issue, no coercive action can be taken against the corporate debtor with respect to the dues for period prior to insolvency commencement date. The dues of the period prior to the commencement of CIRP will be treated as 'operational debt' and claims may be filed by the proper officer before the NCLT in accordance with the provisions of the IBC. The tax officers shall seek the details of supplies made / received and total tax dues pending from the corporate debtor to file the claim before the NCLT.

Moreover, section 14 of the IBC mandates the imposition of a moratorium period, wherein the institution of suits or continuation of pending suits or proceedings against the corporate debtor is prohibited.

Therefore, it is very important to determine and crystalized duty liabilities prior to appointment of CIRP period and such claim has to be accepted by respective department.

Post appointment of CIRP Period:

In terms of provisions of IBC 2016, Resolution Professionals, so appointed is solely responsible for managing the affairs of the company including statutory compliances of corporate debtors, which includes filing of returns and payment of tax dues. However, most CDs defaulted in filing of GST returns and/or payment of dues at the commencement of CIRP. This made it impossible for IRP/RP to file GST returns and discharge dues for the CIRP period. Based on some of the judicial pronouncements, the GST department directed acceptance of GST returns in hard copies from IRP/RP. However, there was no uniform approach and the IRP/RP struggled to comply with filing requirements of GST returns Under an IBC, an IRP/RP has the responsibility for managing affairs including statutory compliances of the corporate debtor (CD). This includes filing of returns and payment of tax dues. However, most CDs defaulted in filing of GST returns and/or payment of dues at the commencement of CIRP. However, there was no uniform approach and the IRP/RP struggled to comply with filing requirements of GST returns. However, GST Registration prior to the appointment of CRP period should not be cancelled. It is clarified that the GST registration of an entity for which CIRP has been initiated should not be cancelled under the provisions of section 29 of the CGST Act, 2017. The proper officer may, if need be, suspend the registration. In case the registration of an entity undergoing CIRP has already been cancelled and it is within the period of revocation of cancellation of registration, it is advised that such cancellation may be revoked by taking appropriate steps in this regard.

Returns for Pre-appointment of CIRP to be filed by earlier management and RP should not file the return for pre-appointment period. It has been clarified in the circular by CBIC in accordance with the provisions of IBC, 2016, the IRP/RP is under obligation to comply with all legal requirements for period after the Insolvency Commencement Date. Accordingly, it is clarified that IRP/RP are not under an obligation to file returns of pre-CIRP period.

Need of New Registration :

Considering the difficulties as mentioned above faced by Resolution Professionals, government issued the Notification No. Notification No. 11/2020 Central Tax dtd 21st March 2020 specifying the separate procedure for registration, Return, Input Tax Credit and also clarified the same vide Circular No.134/04/2020-GST dtd 23rd March 2020.

Registration:

In terms of the said Notification, IRP / RP was treated as distinct person of a corporate debtor and made liable to take new registration of each of the States or Union territories where the corporate debtor was registered earlier, within thirty days of the appointment of the IRP/RP. However, in cases where the IRP/RP has been appointed prior to the date of this notification, he shall take registration within thirty days from the commencement of this notification, with effect from date of his appointment as IRP/RP.

The corporate debtor who is undergoing CIRP is to be treated as a distinct person of the corporate debtor and shall be liable to take a new registration in each State or Union territory where the corporate debtor was registered earlier, within thirty days of the appointment of the IRP/RP. Further, in cases where the IRP/RP has been appointed prior to the issuance of notification No.11/2020- Central Tax, dated 21.03.2020, he shall take registration within thirty days of issuance of the said notification, with effect from date of his appointment as IRP/RP.

GST procedures for corporates under IBC

Under an IBC, an IRP/RP has the responsibility for managing affairs including statutory compliances of the corporate debtor (CD). This includes filing of returns and payment of tax dues. However, most CDs defaulted in filing of GST returns and/or payment of dues at the commencement of CIRP. This made it impossible for IRP/RP to file GST returns and discharge dues for the CIRP period. Based on some of the judicial pronouncements, the GST department directed acceptance of GST returns in hard copies from IRP/RP. However, there was no uniform approach and the IRP/RP struggled to comply with filing requirements of GST returns Under an IBC, an IRP/RP has the responsibility for managing affairs including statutory compliances of the corporate debtor (CD). This includes filing of returns and payment of tax dues. However, most CDs defaulted in filing of GST returns and/or payment of dues at the commencement of CIRP. This made it impossible for IRP/RP to file GST returns and discharge dues for the CIRP period. Based on some of the judicial pronouncements, the GST department directed acceptance of GST returns in hard copies from IRP/RP. However, there was no uniform approach and the IRP/RP struggled to comply with filing requirements of GST returns

Need for separate GST registration

A registered person (referred to as erstwhile/existing registered person), who is CD under the provisions of IBC and presently undergoing CIRP, shall be liable to obtain

new registration (referred to as new registered person) in each of the states/UTs where it was registered earlier, within 30 days of the appointment of IRP/RP and in case, where the IRP/RP was appointed prior to the issuance of this notification, then within 30 days of the issue of this notification. Recently, CBIC has extended [3], the due date for obtaining new registration is 30 June 2020.

The CBIC has further clarified that existing registration of an entity for which CIRP has been initiated should not be cancelled. If required, the proper officer (PO) may suspend the registration. However, where the registration of an entity undergoing CIRP has been cancelled already and the period of revocation of cancellation (i.e., 30 days from the date of service of cancellation order) has not yet lapsed, then such cancellation order needs to be revoked.

How to file First Return after obtaining new registration

The IRP/RP will be liable to furnish returns, make payment of tax and comply with all the provisions of the GST law during CIRP period. The IRP/RP is required to ensure that the first return is filed under section 40 of the CGST Act, for the period beginning the date on which it became liable to take registration till the date on which registration has been granted.

Relaxation measures amidst COVID-19

Initially, insolvency filings could be initiated against the amidst the coronavirus pandemic, the default threshold company/LLP failing to make the payment above INR 1 lakh. limit has been raised to INR 1 crore to prevent triggering all. However, in order to bring some relief to the company/LLP insolvency filings.

How to avail ITC for invoices issued to the erstwhile registered person in case the IRP/RP has been appointed before issuance of notification No.11/2020-Central Tax, dated 21.03.2020 and no return has been filed by the IRP during the CIRP?

In terms of the aforesaid notification to avoid the losses and avoid the cascading effect of tax due to a taxpayer, where IRP / RP has been appointed. Input tax credit accumulated in earlier GST registration of pre-appointment period should not get lapsed and invoices where old GST number is appearing, ITC should not be deprived of. Therefore, law has been amended.

Input tax credit:

(1)The said class of persons shall, in his first return, be eligible to avail input tax credit on invoices covering the supplies of goods or services or both, received since his appointment as IRP/RP but bearing the GSTIN of the erstwhile registered person, subject to the conditions of Chapter V of the said Act and the rules made thereunder, except the provisions of sub-section (4) of section 16 of the said Act and sub-rule (4) of rule 36 of the Central Goods and Service Tax Rules, 2017 (hereinafter referred to as the said rules).

(2)Registered persons who are receiving supplies from the

said class of persons shall, for the period from the date of appointment of IRP / RP till the date of registration as required in this notification or thirty days from the date of this notification, whichever is earlier, be eligible to avail input tax credit on invoices issued using the GSTIN of the erstwhile registered person, subject to the conditions of Chapter V of the said Act and the rules made thereunder, except the provisions of sub-rule (4) of rule 36 of the said rules.

(3) Any amount deposited in the cash ledger by the IRP/RP, in the existing registration, from the date of appointment of IRP/RP to the date of registration in terms of this notification shall be available for refund to the erstwhile registration.

Explanation.- For the purposes of this notification, the terms “corporate debtor”, “corporate insolvency resolution professional”, “interim resolution professional” and “resolution professional” shall have the same meaning as assigned to them in the Insolvency and Bankruptcy Code, 2016 (31 of 2016).

The special procedure issued under section 148 of the CGST Act has provided the manner of availment of ITC while furnishing the first return under section 40.

The said class of persons shall, in his first return, be eligible to avail input tax credit on invoices covering the supplies of goods or services or both, received since appointment as IRP/RP and during the CIRP period but bearing the GSTIN of the erstwhile registered person, subject to the conditions of Chapter V of the CGST Act and rule made thereunder, except the provisions of sub-section (4) of section 16 of the CGST Act and sub-rule (4) of rule 36 of the CGST Rules. In terms of the special procedure under section 148 of the CGST Act issued vide notification No.11/2020- Central Tax, dated 21.03.2020. This exception is made only for the first return filed under section 40 of the CGST Act.

The CBIC has further clarified that the above exception has been made only for the first returns filed under the relevant GST Legislation.

Illustration

ABC Ltd. is registered under GST in Maharashtra and is undergoing the CIRP process. IRP was appointed on 1 April 2020. Company applied for new registration in Maharashtra and the same was duly granted on 2nd April 2020. Company received supplies with invoices dated 2 February 2020 and 3 April 2020 carrying ITC under IGST amounting to INR 45 lakh and INR 90 lakh respectively bearing the erstwhile registration of entity. What would be the eligible ITC under both the erstwhile and new registration of ABC Ltd., considering the recent amendments made under GST law?

Solution

The new registration was availed within the period prescribed in the notification.

Therefore, the IRP shall avail only the ITC accrued since the date of his appointment in the first return to be filed for the new registered person. Accordingly, ITC of INR 90 lakh will

be available to the new registered person in its first return. ITC of INR 45 lakh pertaining to the prior period may be eligible under the registration of erstwhile registered person; however, there are no specified procedures with respect to its availment, adjustment/utilisation.

Further, the registered buyers receiving supplies from the new registered person will be eligible to avail the ITC on invoices issued using the GST details of erstwhile registered person on or after the date of appointment of IRP/RP till the date the new registration is granted or 30 days from the date of this notification, whichever is earlier, subject to provisions of the ITC.

Balance in electronic cash ledger

Any amount deposited by IRP/RP in the electronic cash ledger of erstwhile registered person shall be eligible for refund. However, the refund shall be eligible, only if the amount has been deposited after the date of appointment of IRP/RP till the date the new registration is granted.

Illustration

Under the erstwhile registration, the IRP/RP has deposited an amount of INR 20 lakh under the IGST head of electronic cash ledger on 31st March 2020. What shall be the correct treatment considering the procedures recently notified by the government?

Solution

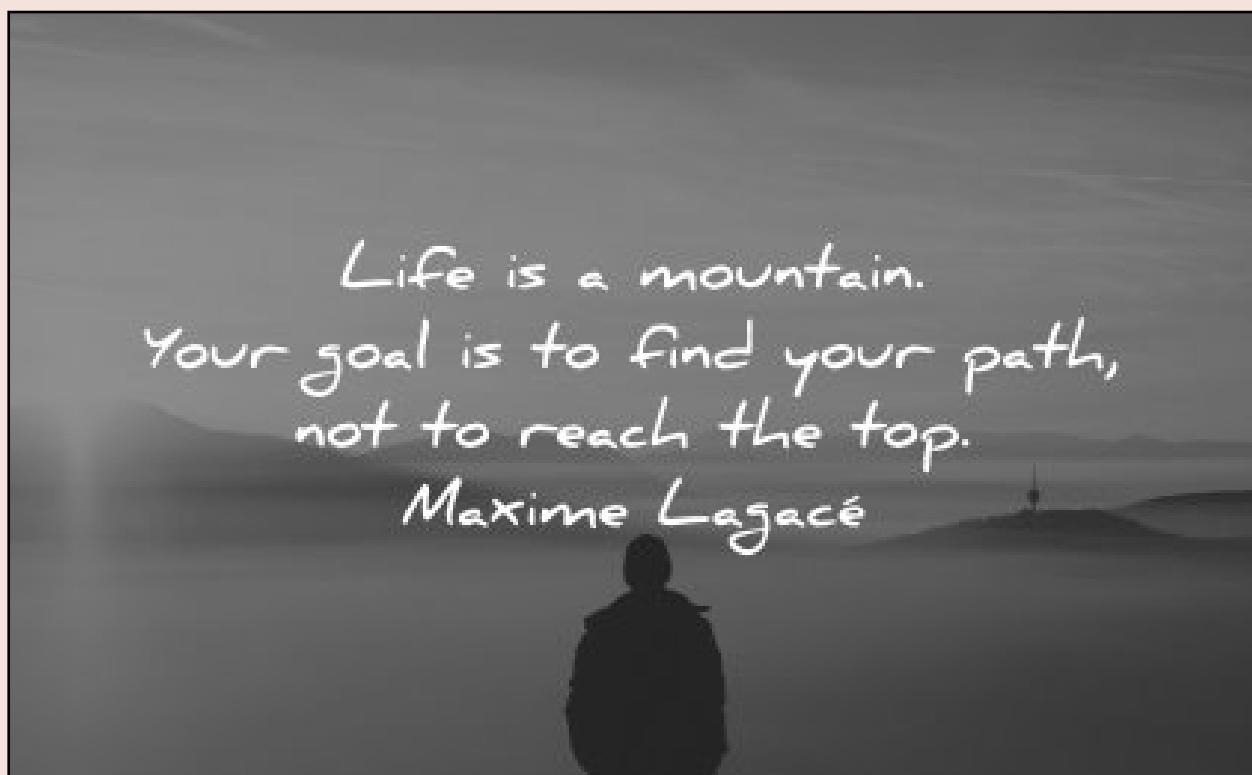
Any amount deposited in electronic cash ledger of erstwhile registered person from the date of appointment of IRP/RP to the date the new registration is granted shall be eligible for refund. Accordingly, an amount of INR 20 lakh deposited on

31st March 2020 will be eligible for refund in the erstwhile registration under 'refund from electronic cash ledger'.

The CBIC has further clarified that erstwhile registered person can file refund application under the head 'refund from electronic cash ledger', even though the relevant Form GSTR-3B/GSTR-1 is not filed for the said period.

Important Takeaways :

- 1) When IRP has been appointed and approved by NCLT, the date of order of such approval will be the relevant date for the purpose of determination of dues, pre-IRP period and any govt. dues will be paid in accordance with provisions of Section 53 of Insolvency & Bankruptcy Code 2016.
- 2) IRP is not accountable for non-filing of returns or any non-payment of taxes pre-approval period
- 3) RP is required to take new registration within 30 days of his appointment and such new registration will be treated as a distinct entity
- 4) IRP / RP is accountable for compliances under GST Law including penal provisions
- 5) Accumulated ITC pre-IRP period can be carried forward in the new GST registration, which is obtained post CIRP period.
- 6) During the transitional period, but prior to the date of registration, obtaining the registration by IRP, any invoices of inward supplies on which GST is charged, ITC will be allowed in the new registration during the period of RP.
- 7) It is utmost important to determine the duty liability for the prior period of appointment of IRP/RP.



“Trends In Financial Services Industry”: 2021

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2020 is the turning year for the Financial Technology Industry (Fintech). Due to the deadly COVID-19 pandemic, consumers' households all depend upon the digital world as compared to earlier this year. Accordingly, demand for Fintech solutions suddenly increased, and that makes 2021 a crucial year for the revolution in the Financial Services Industry.

Digital Banking:

Prior to the epidemic, demand for visits to brick-and-mortar businesses had dropped precipitously. Consumers can now access a wide range of personal financial information and complete crucial tasks with only a few touches of their smart devices, making digital banking simpler than ever. During the COVID-19 crisis, 44 percent of 18-to-34-year-olds joined online or mobile banking for the first time, according to a Boston Consulting Group (BCG) study done in 15 countries and published in May. Furthermore, the increase of digital banking should be accompanied by a fall in paper-based banking. The pandemic has certainly accelerated the shift towards a paperless world, and with customers increasingly comfortable communicating with their banks through apps and online messaging—as well as finalising agreements using such paperless solutions as Docu Sign — it seems likely that digital banking will play an even greater role after 2021.

Digital Currency:

Crypto currency is a digital currency used to buy goods and services and work as a medium of exchange. The crypto currency market saw a resurgence of interest in 2020, after more than two years of relatively quiet activity. And, to round off the year, bit coin recently soared to new all-time highs. The current patterns raise the possibility of another spectacular market crash, similar to the one that occurred three years ago when bit coin was at these levels. There are over 6000 crypto currencies as of 2021 and new coins keep appearing. It is gaining worldwide acceptance. Coin Market Cap has listed out the recent addition of crypto currencies in the market.

E-commerce:

“COVID-19 has forever revolutionised online shopping.” According to a study conducted by the UN Conference on Trade and Development (UNCTAD) and the NetComm Suisse e-Commerce Association, “the COVID-19 outbreak has accelerated the change to a digital society.” As the global economy begins to revive, digitization will have long-term consequences. Over the next few years, most

countries are likely to experience exponential development in e-commerce. According to survey conducted by UNCTAD and Net Comm, the biggest gainers are pharmaceuticals, education, household products, cosmetics / personal care products etc. According to India Brand Equity Foundation (IBEF), India E-commerce will reach \$ 99 billion by 2024, growing at a 27% CAGR over 2019-2024, with grocery and fashion / apparel like to be the Key Drivers of incremental growth. India's E-commerce order volume increased by 36% in the last quarter of 2020, with the personal care, beauty & wellness (PCB & W) segment being the largest beneficiary. E-commerce in India at an all – time high in 2021 owing to the country's 780.27 million internet users of May 2021.

According to Indian E – commerce Industry Report published in August 2021, The Indian online grocery market is estimated to reach US\$ 18.2 billion in 2024 from US \$1.9 billion in 2019, expanding at a CAGR of 57%. India's consumer digital economy is expected to become a US\$ 800 billion market by 2030, growing from US\$ 537.5 billion in 2020, driven by strong adoption of online services such as e-commerce and edtech in the country.

Further, the recent rise in digital literacy has led to an influx of investment in E – commerce industry. Indian consumers are increasingly adopting 5G smartphones even before roll out of the next-gen mobile broadband technology in the country. Smartphone shipments reached 150 million units and 5G smartphone shipments crossed 4 million in 2020, driven by high consumer demand post-lockdown. According to a report published by IAMAI and Kantar Research, India internet users are expected to reach 900 million by 2025 from 622 million internet users in 2020, increasing at a CAGR of 45% until 2025.

In festive season FY20, the Indian e-commerce GMV was recorded at US\$ 8.3 billion, a significant jump of 66% over the previous festive season. Similarly, the Indian e-commerce market recorded 88 million users in festive season FY20, a significant jump of 87% over the previous festive season. Flipkart, India's e-commerce company, announced in July 2021 that it has raised US\$ 3.6 billion in new funding from various sources including sovereign funds, private equities and Walmart (parent company).

Contactless Payments:

The coronavirus epidemic is pushing a substantial global movement away from cash and toward contactless digital payments, despite social-distancing limitations still in place in some parts of the world. “We've seen cash usage drop even lower, and I believe that trend will continue,” Jodie Kelley,

CEO of the Electronic Transactions Association (ETA), told CNBC. “When the pandemic hit, people became much more aware of how literally they were spending money, and they learnt not to touch or exchange currency.” Dan Schulman, the CEO of PayPal, feels that contactless digital payment is moving from an optional capacity to a necessary one, and that it will only grow more so in the future.

Artificial intelligence:

The most important technology category is artificial intelligence (AI). AI will be used more liberally in fintech apps in 2021 than in prior years. Whether it’s chatbots answering banking clients’ queries, fraud-prevention technology, confirming the validity of KYC (know your customer) documentation, or analytics engines evaluating massive volumes of data, AI’s potential in fintech will continue to grow. Artificial intelligence will have reached the stage where more complex chatbots and extra features, such as switching utilities and credit providers and fraud prevention, will be standard, according to Lubaina Manji, senior programme manager of the Nesta Challenges. “This will improve the accuracy and customization of financial services,” she says. Individuals might now have easier access to personal finance solutions due to artificial intelligence.

The global AI-in-fintech market was valued at \$6.67 billion in 2019 and is expected to increase to \$22.6 billion by 2025 at a compound annual growth rate (CAGR) of 23.37 percent, according to Research and Markets’ “AI in Fintech Market — Growth, Trends, Forecasts (2020-2025).” According to the survey, the market is being pushed by “growing demand for process automation among financial organisations.” Process automation is a primary driver of artificial intelligence in the banking business. On the other hand, cognitive process automation is improving, allowing AI systems to perform progressively more difficult automation tasks.

Conclusion:

Despite a downturn in consumer spending and the economic uncertainty brought on by COVID-19, E-commerce firms expect significant sales growth in 2021. Online food, e-pharmacy, and personal care items are projected to grow substantially in the near future. The government has approved 100 percent FDI in B2B E-commerce, as well as 100 percent FDI through the automated route. Needless to say, the financial technology industry has tremendous potential in years to come and will be an integral part of Digitize India.

General Circular No.18/2021

F. No.01/40/2013-CL-V (Pt.I)
Government of India
Ministry of Corporate Affairs

5th Floor, A Wing, Shastri Bhawan,
Dr. R.P. Road, New Delhi-110001.

Dated: 29th October 2021

To


The DGCOA,
The Cost Audit Branch,
All Regional Directors,
All Registrar of Companies,
All Stakeholders.

Sub: Extension of last date of filing of Cost Audit Report to the Board of Directors under Rule 6(5) of the Companies (Cost Records and Audit) Rules, 2014-reg.

Sir/Madam,

In continuation to this Ministry’s General Circular No.15/2021 dated 27.09.2021, in view of the disruption caused by the COVID-19 pandemic and after due examination of the representations received from stakeholders, it has been decided to substitute the word and figures “31st October 2021” with the word and figures “30th November, 2021” in the said General Circular.

2. The other requirements as mentioned in the said General Circular shall remain unchanged.
3. This issues with the approval of the competent authority.


(V. M. Prasanth)
Joint Director

Whether Social Welfare Surcharge is payable by importers under exports schemes?



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In the Finance Budget 2018, Social Welfare Surcharge was introduced vide Section 110 of Finance Act 2018 and thereafter Social Welfare Surcharge was levied on the custom duty levied and collected to the extent of 10% of such amount.

Off let, Directorate of Revenue Intelligence (DRI) initiated the enquiries against the importers, who has imported duty free goods under Advance Authorization or duty-free import authorization or Export Oriented Unit (EOU) / EHTP / STP etc., where custom duties are exempted against the certain obligations and therefore, no custom duty were levied and collected, but department now asking such importers to appear before the authorities against the summons issued by them for non-payment of SWS on imported goods in respect of which whole of the Basic Customs Duty exempted.

DRI have issued various letters asking major importers to pay the duty on imports, where Social Welfare Surcharge (SWS) is calculated on Custom Duties, which is otherwise exempted vide various notifications issued for duty free imports by exporters under advance authorization, Export Promotion Capital Goods Authorizations or who are under EOU / EHTP / STPI Scheme raising the following issues :

- i. Section 110 Finance Act, 2018 has introduced new levy of SWS on the goods specified in the First Schedule of Customs Tariff Act, 1975 with intent to fulfill commitment of Government to finance education, health & social security
- ii. Sub-section (3) provided the computation of such levy and stipulates that the SWS shall be calculated at the rate 10% of aggregate of duties, taxes and Cesses which are leviable. However, in reality such SWS was made payable on the Basic Customs Duty levied only and at the rate of 10% of such duty leviable.
- iii. On examination of data pertaining to imports made by you during the period 02.02.2018 onwards, that exporters have availed exemption from basic customs duty under notification No. 52/2003 Cus. Dated 31.03.2003 and exemption provided from payment of SWS vide notification No. 11/2018 Cus dated 02.02.20218 is not applicable to us. The logic primarily put forth for not paying SWS is that, SWS being a duty of Customs and computable as a percentage of the BCD is not payable when BCD itself is exempted. It automatically assumed to be that SWS is also exempted.
- iv. Modality of computation of SWS cannot be a ground for non-payment of duty. When particular kind of duty is exempted, other types of duty or cess imposed by different legislation for a different purpose cannot be said to have been exempted.

- v. Exporters have been further asked to submit the data as per format given in the letter.

On behalf of trade and industry, we submit our view for non-payment of SWS in case of imports made by major importer under EOU or against Advance Authorisation or EPCG Authorisation scheme.

- a. Exporters have been operating under Export Oriented Unit (EOU) Scheme / obtaining Advance Authorization or EPCG Authorization, they have been allowed to import goods without payment of Customs Duty. For an EOU Customs Duties have been exempted under relevant notifications.
- b. Exporters would like to invite your kind attention on the provision of Section 110 of Finance Act 2018, wherein it is very clearly mentioned that SWS shall be calculated at the rate of ten percent on aggregate of duties which are levied and collected by the Central Government under section 12 of Customs Act, 1962. In your letter it is mentioned that SWS is payable on basic customs duty levied only, in fact SWS is payable on the basic customs duty levied and collected. It appears that the word “collected” is ignored while reading the entire provision of law. Exporters reproduce the section for ready reference:

Section 110 of Finance Act 2018

- 1) *There shall be levied and collected, in accordance with the provisions of this Chapter, for the purposes of the Union, a duty of Customs, to be called a Social Welfare Surcharge, on the goods specified in the First Schedule to the Customs Tariff Act, 1975 (hereinafter referred to as the Customs Tariff Act), being the goods imported into India, to fulfil the commitment of the Government to provide and finance education, health and social security.*
- 2) *The Central Government may, after due appropriation made by Parliament by law in this behalf, utilise such sums of money of the Social Welfare Surcharge levied under this Chapter for the purposes specified in sub-section (1), as it may consider necessary.*
- 3) *The Social Welfare Surcharge levied under sub-section (1), shall be calculated at the rate of ten per cent. on the aggregate of duties, taxes and cesses which are levied and collected by the Central Government in the Ministry of Finance (Department of Revenue) under section 12 of the Customs Act, 1962 and any sum chargeable on the goods specified in sub-section (1) under any other law for the time being in force, as an addition to, and in the same manner as, a duty of customs, but not including—*

The inquiry has been initiated on below points which has been referred in DRI letter:

Para No.	Content of the para	Submissions
2	<p>2. In the Finance Act, 2018, under Section 110, the Government of India introduced a new levy in the name of Social Welfare Surcharge (SWS), on the goods specified in the First Schedule to the Customs Tariff Act, 1975, with intent to fulfil the commitment of the Government to provide and finance education, health and social security. Sub-section (3) of the said Section, provided for computation of such levy and stipulates that the Social Welfare Surcharge shall be calculated at the rate of ten per cent on the aggregate of duties, taxes and cesses which are levied. However, in reality such SWS was made payable on the Basic Customs duty levied only and at the rate of 10% of such duty leviable. So far as other components of Customs duties are concerned, like IGST, Anti dumping duty, Safeguard duty etc, the same were kept outside the ambit of the duties of Customs on which SWS was to be paid either by the Act itself or by notifications issued for that purpose.</p>	<p>The law has very clearly mentioned that SWS shall be calculated at the 10% of Basic Customs duty which levied and collected. Exporters would like to mention that the wording used in the levy section is not “leviable” as stated in your letter. In other words, unless Basic Customs duty is collected on imported goods SWS is not payable. Provision of section 110 is clear and intention of legislatures is unambiguous. Exporters would like to mention that, Exporters have calculated the SWS, which works out to nil as per the levy section, since no basic custom duty is levied and collected from import made by us.</p>
4 & 5	<p>4. Upon examination of the data pertaining to imports made by you during the period of 02-02-2018, onwards, it is revealed that you have availed benefit of full exemption of Basic Customs duty (BCD) in respect of certain goods imported by you on the strength of some Customs notifications. However, such Customs notification(s) does(do) not extend exemption from SWS. Exemption from Social Welfare Surcharge (SWS) has been extended by the Customs Notification No.11/2018 dated 02-02-2018. It is also noticed that despite not being covered by the said exemption notification meant for SWS, you did not pay SWS on the goods imported by you, for which BCD was exempted. The logic primarily put forth for not paying SWS is that, SWS being a duty of Customs, and computable as a percentage of the BCD, is not payable when the BCD itself is exempted. In other words, exemption of BCD was automatically assumed to be extended in respect of SWS too.</p> <p>5. However, this contention does not have any legal backing. Once a duty is levied by force of an Act, such duty becomes payable at the rate specified in the Act, subject to availability of specific exemption, if any. All other goods that are not specifically exempted will suffer such duty, irrespective of the fact whether or not such duty is straight away ascertainable on the basis of another duty, which is exempted. Modality of computation of such duty cannot be a ground for non-payment of duty, as it can be clearly determined and computed. When a particular kind of duty is exempted, other types of duty or cess imposed by different legislation for a different purpose cannot be said to have been exempted.</p>	<p>In our opinion, there is absolutely no need for any specific exemption notification in the present case, since there is exemption on BCD in terms of applicable Notifications for duty free import under Advance Authorization / EPCG Authorization / EOU / EHTP / STPI Scheme, SWC works out to nil. Exporters reiterate that Exporters have not claimed any exemption of SWS but by virtue of charging section, it works out to be Nil.</p> <p>Further, there was no specific exemption notification required to exempt SWS, when exemption is provided to the basic custom duty in terms of Section 12 read with Customs Tariff Act 1975 and such exporters including EOU, no basic customs duty is collected and hence the wording in the section 110 of Finance Act, 2008 is levied and collected.</p>
6,7,8, 9 & 10	<p>6. Your attention is invited to the judgment of the three-member Bench of the Supreme Court in the matter of M/s Unicorn Industries Ltd. It has set aside the decisions of the Division bench of the Supreme Court passed in the cases of SRD Nutrients Private Limited vs Commissioner of Central Excise, Guwahati, (2018)1SCC (105) and Bajaj Auto Limited v. Union of India & others, 2019 SCC (online) SC 421, decided on 27-3-2019, for being clearly per-incurium, i.e for not considering the findings of the decision of another three Judge Bench of the Supreme Court, in the case of Modi Rubber Limited, which was also followed by the decision of another three Judge Bench in Rita Textiles Private Limited.</p> <p>7. The Apex Court in the case of M/s Unicorn Industries held that “In the absence of a notification containing an exemption to such additional duties in the nature of education cess and secondary and higher education cess, they cannot be said to have been exempted.”</p> <p>This clearly necessitates the requirement of having a specific notification exempting goods from a particular category of duty levied. In the present case, there is a notification exempting certain goods from payment of SWS, but the goods imported by you</p>	<p>Further, in your letter decision of Hon’ble Supreme Court in case of UNICORN INDUSTRIES Versus UNION OF INDIA, 2019 (370) E.L.T. 3 (S.C.) has been referred which was in relation to payment of duty. In the said case refund of Central Excise paid after utilizing the Cenvat credit was granted by way of exemption notification. There was no absolute exemption of Excise duty was granted hence there was a duty to calculate Ed. Cess. Other cases referred in letter are on the same subject. There are no relevant judgement covering similar facts i.e. calculation of Cess where duty is absolutely exempted has been cited in your office letter.</p>

	<p>are not covered by the subject notification and you did not claim for any such exemption either. Therefore, it is your responsibility to pay SWS on such goods in the course of import of the same, but records indicate that you did not pay such duty in the form of SWS and wrongfully availed a non-existent and imaginary exemption, suo-motu.</p> <p>8. The said order further held that “The reason employed in SRD Nutrients Private Limited (supra) that there was nil excise duty, as such, additional duty cannot be charged, is also equally unacceptable as additional duty can always be determined and merely exemption granted in respect of a particular excise duty, cannot come in the way of determination of yet another duty based thereupon. The proposition urged that simply because one kind of duty is exempted, other kinds of duties automatically fall, cannot be accepted as there is no difficulty in making the computation of additional duties, Moreover, statutory notification must cover specifically the duty exempted. When a particular kind of duty is exempted, other types of duty or cess imposed by different legislation for a different purpose cannot be said to have been exempted.</p> <p>9 Therefore, three different three-member bench of the Supreme Court, on different occasions consistently held that exemption in respect of a particular kind of duty does not extend parallel exemption in respect of another type of duty levied by a different legislation with a different purpose. While BCD is levied by force of the Customs Tariff Act, 1975, as amended, SWS was levied by the Finance Act, 2018. The purposes of both were different and therefore, exemption in respect of BCD cannot be considered to be an exemption in respect of SWS. Therefore, non-payment of SWS on the imported goods, on the ground that the BCD on such goods is not payable by virtue of some notification, is outright violation of the provisions of the Customs Act, 1962, read with the Finance Act, 2018, and such duties are recoverable in terms of the provisions of law in force.</p> <p>10. In this context your attention is also invited to the order passed by the Madras High Court that dealt with an issue pertaining to payment of SWS through debit of scrips in the case of M/s Gemini Edible Oils Ltd. In the final judgment, the High Court relying on the aforesaid decision of the Apex Court has specifically held that – “exemption granted in respect of a particular excise duty cannot be a bar for determination of yet another duty levied and collected under different enactment, even though such levy and collection was based upon the particular excise duty exempted. The Hon’ble Supreme Court has clearly held that when a particular kind of duty is exempted, other types of duty or cess imposed by legislation for a different purpose cannot be said to have been exempted. Therefore, I am of the firm view that assuming the subject matter exemption notifications grant exemption in respect of the customs duty in toto, the petitioner is not justified in contending that the other duties or levy payable under different enactment are also exempted.</p>	
11	<p>11. Your attention is also drawn to the Customs Notifications under which the goods have been imported by you in particular including the Notification Nos. 18/2015-Cus dated 01-04-2015, 16/2015-Cus dated 01-04-2015, 52/2003-Cus dated 31-03-2003, 46/2011-Cus dated 01-06-2011 etc. None of these notifications extends exemption in respect of SWS. Most importantly, all these notifications were issued long before the SWS came into being. Quite naturally, it was not possible for the Policy makers to presume future levy of certain duty and extend exemption in respect of the same in anticipation. The duty in the form of SWS was required to be paid but it appears that you did not pay such duty on the pretext that BCD is exempted, and you assumed that the exemption extended to SWS too.</p>	<p>From the wording of the charging section, the foresightedness of policy makers is evident about the method of levy and collection of SWS. The section is drafted in such a way that there is no requirement of issuance of specific exemption notifications when the BCD is exempted. This intent of the policy maker needs to be appreciated in toto. The law has been rightly worded to clearly spell out the intent of legislature to not to collect SWS where basic custom duty or custom duty under Section 12 of Customs Act 1962 read with Customs Tariff Act 1975 is exempted. Therefore, provisions in section 110 of Finance Act correctly provides the wording “levied & collected” and not “leviable” to obviate from issuance of additional exemption notifications.</p>

To conclude, based on the above submission, it has to be appreciated and agreed on the followings:

- a. The law has very clearly mentioned that SWS is leviable shall be calculated at the 10% of Basic Customs duty which levied and collected. Unless Basic Customs duty is collected on imported goods SWS is not payable. Provision of section 110 is clear, and intention of legislatures is unambiguous.
- b. Since no duties are required to be paid by the EOUs and modality of payment is also made in such a way that if Customs duty is payable then SWS is also required to be paid and exception is provided for specified goods by way of exemption Notification. Kindly note that Exemption Notification No. 11/2018 Cus dated 02.02.2021 is issued to provide exemption to specified goods and not to any specific person or to scheme. Legislatures and policy maker has clear understanding that SWS is payable on the Customs duty to be paid at the time of imports which is linked to Basic Customs Duty levied and collected by the Government.
- c. Export Oriented Units are allowed to bring Customs duty, Cesse and GST free imported goods for the purpose of exports under Notification No. 52/2003 Cus. Dated 31.03.2003, said notification exempts the duty leviable under section 12 of Customs Act. In case said imported goods are cleared in DTA, Exporters are

paying all duties, (BCD, Cess, IGST, SWS) saved at the time of imports. In case Exporters pay SWS and exports the goods, the SWS paid on imported goods is getting exported and this is against the policy of Government that Taxes shall not be exported.

- d. In view of above submissions, the SWS is not at all payable in case of above imports.

It will not be out of place to mention based on the article of WTO Agreement, no taxes are required to be exported and this principle seems to be not appreciated by DRI, Kolkatta.

If government really feels that they have to honor WTO agreement on the article, where it was agreed that no taxes should be part of value of goods & services to be exported and if government is serious for implementing ease of doing business and achieve the dream of Hon Prime Minister, Shri Narendrabhai Modi to make India USD 5 Trillion economy then CBIC should come out with necessary circular and stop such enquiries which leading to the harassment. Department of Commerce has worked out a detailed strategy to reach the \$400 billion target this fiscal which will include focus on existing and new markets, existing and new products and also on lost market shares in the past few years, both in countries and in products. With such type of inquiry / investigation and levy charged then the export pricing will hamper and the export target for the country will not be achieved.



Indian Banks' Association

Corporate & International Banking

CIB / FA / July 19, 2021

The Institute of Cost Accountants of India
12, Sudder Street Kolkata - 700 016

Dear Sir / Madam,

Empanelment of Audit Firms for conducting Forensic Audit for the period 2021-2023

In line with the Reserve Bank of India guidelines, IBA has been empaneling the Forensic Auditors since 2019. The empanelment was for two categories of borrowal accounts having exposures (Fund based and Non Fund based) (i) upto Rs.50 crores and (ii) above Rs.50 crores. Presently, the IBA list of empanelment consist of 213 audit firms having validity upto August 27, 2021.

2) We have initiated the process of renewing the empanelment of the firms. Alongside we are also inviting fresh applications from firms / entities who desire to apply for the IBA empanelment in the process.

3) IBA has released advertisements in leading newspapers viz. Economic Times and Times of India in major cities on July 19, 2021 for inviting applications from Forensic Auditors for both, renewal and fresh cases. In the backdrop of the Covid-19 pandemic, this time, the applications will be collected through the IBA web portal at <https://ibanet.xyz/efa21>. The last date for receipt of applications is August 2, 2021. The details of the eligibility criteria and process flow have been furnished on the said portal.

4) We request you to take note of the same and bring to the notice of your members / affiliates through your communication channels. This would facilitate all eligible firms / entities who desires to be empaneled with IBA to send in applications for conducting Forensic Audit for the period 2021 - 2023.

Yours faithfully,

D. Shivakumar Sharma

Senior Advisor

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Price Variation in Power (Electrification) Project

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Abstract

Price Variation (PV) is important part of project cost. Project cost is increased or decreased due to PV element. Price variation is safeguard to both parties i.e. Contractor and Contractee from increase or decrease in price of raw material. PV clause under tender is used mostly long term tender having duration more than one year. Price variation also called as Price Escalation. In Power sector, huge amount of investment is required in power projects. MSEDCL is one the discom operational in Maharashtra having huge consumer base like as Industrial, residential, commercial etc. MSEDCL is running infra projects for electrification in urban as well as rural areas like as building substations, HT lines, LT lines etc. How Price variation is important element of contract in eyes of contractor and contractee, will analysis through this article.

Price Variation Clause

This clause, essentially, acts as a safeguard against the risk and uncertainty associated with the sudden change in the price of materials, needed to give effect to the contractual obligations. The uncertainty could be in terms of increased labour wages, cost of materials, equipment, and other overhead charges. It is external and beyond the control of the parties. An important point that is to be noted is that the price fluctuation needs to be a stark surge and not a regular fluctuation of market prices. Price Variation under electrification contract is totally based on Index published by IEEMA on monthly basis.

Importance of PV in contract-

- For contractor** - Increase in price of input would lead to increase in project cost for contractor and it will result in reduction in profit. So while quoting rate for tender, PV clause is so important for contractor. It is safeguard against increase in price.
- For Contractee** - If reduction in raw materials prices, Negative PV can be recovered from contractor by contractee, So it will reduce cost of project.

So we come to know the importance of PV clause for both parties.

IEEMA - Indian Electrical and Electronic Manufacturer's Association

Established in 1948, IEEMA is the apex association of manufacturers of electrical, industrial electronics and allied equipment in India. It is the only association in India which supports its members with top-notch technical processes

with support of its divisions. Recognised as the first point of reference for anything pertaining to Power and Electrical Equipment, IEEMA has strengthened its policy advocacy. The Government officials laud IEEMA for its data backed representations. It also continues to represent the interests of its members, in consonance with National interest. The association plays a primary role to facilitate creation of a conducive environment for the growth of electrical industry by providing key services like Policy Advocacy, Price Variation Clause and is the best source of latest global electrical tenders.

IEEMA is publishing index for various types materials like as transformers, cables, Switchgears, Conductors, Steels etc used in electrification contract on monthly basis.

How to calculate the PV-

PV is calculated as per Price Variation Appendix mention under Standard Bidding Document (SBD) issued at the time of tender floating. Materials for which PV applicable, Formula of PV, sub clause for PV and other condition regarding PV would mention under SBD.

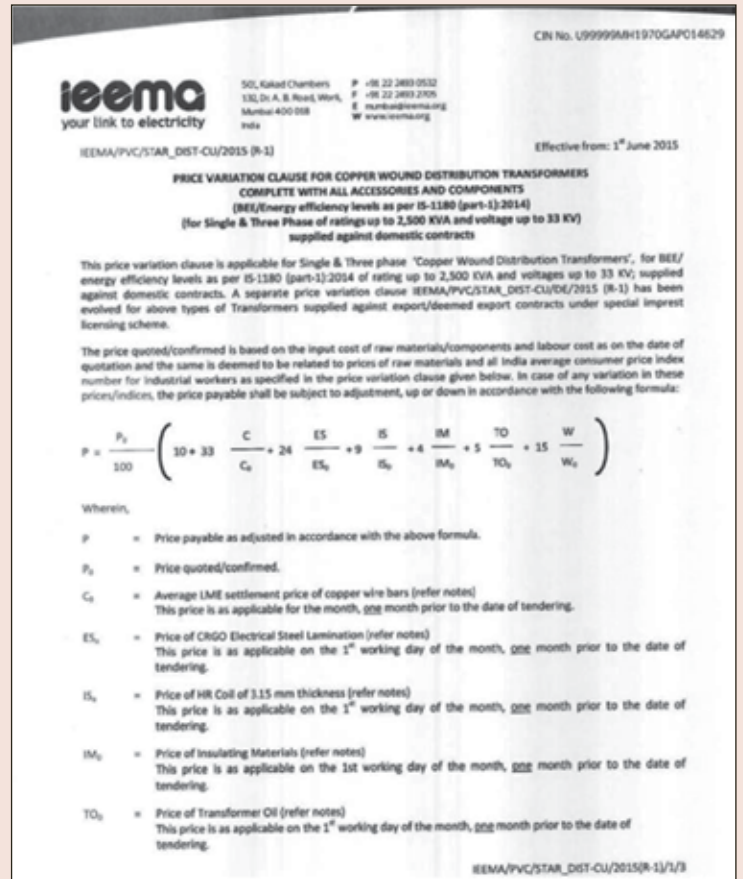
Following are the requirements for PV-

- PV Formulas** - IEEMA has issued formulas for calculation of PV under electrification Contract, We can say its standard formulas used in India for PV.
- PV Base Date** - Base date is start date for checking variation. Price Indices on the base date is always "0". Up and down calculation would start from this base. Base date is date prior to 30 days from date of bid opening as per Formula issued by IEEMA. E.g. Bid opening date is 1st July then Base date is 1st June
- Shipment Date** - Up to this point PV is calculated, Shipment date is earlier of Date of shipment and date of readiness as per IEEMA. Readiness date means date on which inspection call letter issued by contractor to contractee.
- Price "P0"** - "P0" term used to mentioned basic price of materials. Its estimated price increased or decreased by applying quote rate.
- Price "P1"** - If P0 is increased / decreased by variation then we will get P1. Its price including variation.
- IEEMA Circulars** - IEEMA is publishing price index for numbers of materials, these circulars are key element for PV.

Sample PV calculation for Copper wound transformer having rating 5-MVA

Tender Opening Date- 2 Feb 2020
 PV Base Month/Date – Jan 2020
 Quote Rate- 5% +
 Estimate rate of 5MVA Transformer- Rs 35,00,000
 Date of Shipment/readiness- July 2020
 PV calculation month (1 months prior to date of shipment) - June 2020

PV Formula Reference - *IEEMA Circular No: 147/DIV/TRF/05 dated 31-08-2015 and IEEMA/PVC/Star-Dist-CU/2015(R-1) dated 01-06-2015*



Calculated PV Indices for above data-

Price variation indices for copper wound transformer (5 MVA Transformer)													
Period	Price variation formula								Schedule rate	P0	P1	P(PV)	PV %
				6MM									
		C o	ES o	IS o	IM o	TB o	W0	Fixed					
	100	33	24	9	4	5	15	10					
Jan-2020	Base	451043	293500	39716	559.93	85676	330		Quoted Rate	5.00%			
		C	ES	IS	IM	TB	W	F					
Jan-2020	100.00	33.000	24.000	9.000	4.000	5.000	10.000	15	3500000.00	3675000.00	3675000.00	0.00	0.00%
Feb-2020	98.46	31.099	23.918	9.422	3.950	5.066	10.000	15	3500000.00	3675000.00	3618233.29	-56766.71	-1.54%
Mar-2020	96.80	29.454	24.000	9.317	3.955	5.075	10.000	15	3500000.00	3675000.00	3557444.18	-117555.82	-3.20%
Jun-2020	100.59	33.265	24.327	8.868	4.202	4.925	10.000	15	3500000.00	3675000.00	3696586.04	21586.04	0.59%

Formula

[P = Po/100 (10 + 33 C/Co + 24 Es/Es0 + 9 Is/Iso + 4 IM/Im0 + 5 T/To + 15 W/W0)]

Abbreviation

P = Price payable as adjusted in accordance to the formula
 Po = Price quoted / Confirmed
 C = Average LME settlement price of copper wire bars (1 Month prior to shipment)
 ES = Price of CRGO electrical steel laminations (1 Month prior to shipment)

IS = Price of Plates 6 mm thickness (1 Month prior to shipment)
 Im = Price of insulating materials (1 Month prior to shipment)
 T = Price of transformer oil (1 Month prior to shipment)
 W = All India average consumer price index number for industrial workers as published by Labour Bureau, Ministry of labour, Government of India (three months prior to Shipment).
 Fixed Component is “10”

“0” Refers to 1 month (3 months for Labour-W) prior to date of tendering (Bid Opening)

So If shipment date is July 2020 then PV Indices of the June 2020 will consider for for PV i.e. Rs 21586.04 (0.59%)

Like above PV would be derived on the basis of IEEMA formula for each items to which PV clause is applicable in Electrical contract.



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Gr. No.: IEEMA(PVC)/PWR_DIST_TRF/01/2020
January 2020

To: All members of Transformer division, Subscribers and all utilities & listed purchasing organizations.
Basic prices of raw materials, components used in the manufacture of Transformers supplied against Domestic Contracts Prevailing as on 3rd working day of the month of December 2019 and January 2020 and All India average consumer price index number for November 2019 and December 2019

This is for the application in IEEMA's Price Variation Clauses as under:

1. Power Transformers: IEEMA/PVC/PWR_TRF_Upto 400 KV/2015 effective from 1st April 2015
2. Power Transformers: IEEMA/PVC/PWR_TRF_Above 400 KV/2015 effective from 1st April 2015
3. Distribution Transformers: IEEMA/PVC/STAR_DIST-AL/2015 (R-1) effective from 1st June 2015
4. Distribution Transformers: IEEMA/PVC/STAR_DIST-CU/2015 (R-1) effective from 1st June 2015
5. Distribution Transformers: IEEMA/PVC/DIST-AL/2015 (R-2) effective from 1st June 2015
6. Distribution Transformers: IEEMA/PVC/DIST-CU/2015 (R-2) effective from 1st June 2015
7. Distribution Transformers: IEEMA/PVC/DIST-CU_2.5-10MVA/2015 effective from 1st June 2015
8. Distribution Transformers: IEEMA/PVC/DIST-OT/2015 (R-2) effective from 1st June 2015

Sr. No.	Description	Price/Index	Variation over previous month
1.a	ALUMINIUM : (AI) EC grade Aluminium rods (proper rods) conforming to specification IS-5484-1978	Rs. 1,56,296.00 /MT	+ 1,486.00
1.b	LME ALUMINIUM : (AI) LME Average Settlement Price including Premium for hedge for the month of January 2020	Rs. 1,44,645.00 /MT	+ 3.00
2	COPPER: (C) Average LME settlement price of copper wire bars for the month of December 2019 Average LME settlement price of copper wire bars for the month of January 2020	Rs. 4,51,238.00 /MT Rs. 4,51,043.00 /MT	+ 8,856.00 (-) 195.00
3	CRGO ELECTRICAL STEEL LAMINATION: (IS) For Transformers of rating up to 2500 kVA and voltage up to 33 kV as per BEE and Energy efficiency levels not as per IS - 1180 (part - 0:2014 for January 2020	Rs. 2,30,250.00 /MT	(-) 3,750.00
a.	For Transformers of rating up to 2500 kVA and voltage up to 33 kV as per BEE / Energy efficiency levels as per IS - 1180 (part - 0:2014 and For Transformers above 2500 kVA up to 10 MVA and voltage up to 33 kV and For Transformer above 10 MVA and voltage above 33 kV for the month of December 2019 for the month of January 2020	Rs. 2,94,500.00 /MT Rs. 2,93,500.00 /MT	(-) 3,000.00 (-) 3,000.00

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Gr. No.: IEEMA(PVC)/PWR_DIST_TRF/01/2020
January 2020

Sr. No.	Description	Price/Index	Variation over previous month
4	STEEL: (IS) - For the month of January 2020 Plates 10 mm thick Plates 6 mm thick HR Coil 3.15 mm thick	Rs. 39,733.00 /MT Rs. 39,719.00 /MT Rs. 40,163.00 /MT	+ 1,723.00 + 1,837.00 + 2,214.00
5	INSULATING MATERIAL: (IM) 1. Average of pre-compressed pressboards of size 3 mm and 10 mm thick, 3200 mm x 4100 mm C&F price converted into Indian Rupees 2. Pre-compressed pressboard of size 10mm thick, 3200 mm x 4100 mm C&F price converted into Indian Rupees For the month of December 2019 For the month of January 2020	Rs. 516.86 /Kg Rs. 552.76 /Kg Rs. 559.93 /Kg	+ 7.88 + 1.96 + 7.17
6	Epoxy Resin: Grade CT-5900: (ER)	Rs. 500.00 /Kg	NIL
7	TRANSFORMER OIL: (TO) Transformer Oil conforming to IS: 335-1993 supplied in drums (Ex Refinery, Mumbai)	Rs. 85,676 /K.Ltr	(-) 407.00
8	CONSUMER PRICE INDEX NUMBER: (W) All India average consumer price index number for industrial workers (Base: 2001=100) for the month of November 2019 for the month of December 2019	328 330	+ 3.00 + 2.00

Authorized Signatory

ISSUED DATE: 07.02.2020

Note: Unauthorised circulation of IEEMA PV Circulars by anyone other than authorized Users, without prior approval of IEEMA in any form including photocopying or re-typing except for internal circulation within their own organization, is prohibited. Users found violating this agreement are liable to be removed from the subscribers list.

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Additional Clauses needs to be incorporated for reduction of cost-

Following clauses needs to be incorporated by contractee to avoid overburden of Positive PV-

- 1) **Ceiling cap for PV-** This is most useful when market fluctuation is very high, and prices are drastically increased, this upper cap limit will save contractee from high payment of variation. E.g. PV will be applicable for each item with ceiling of 20%.
- 2) **No Positive PV after tender completion date -** Most of contractee will never offer positive PV after tender completion date, but they retain right to recover negative PV after tender completion date. This is one of the strategy to reduce cost of PV as well as project also this clause will ensure timely completion of project.

PV and GST-

As per Para 6 (a) of Schedule II to the CGST Act, 2017, works contracts as defined in section 2(119) of the CGST Act, 2017 shall be treated as a supply of services. So PV invoice to be issued by contractor in same manner invoice issued for services. If PV is applicable for only supply of materials then such cases PV invoice to be issued using same HSN of materials with GST rate applicable for that materials.

PV and its accounting-

If Positive PV paid for project then project cost will increase with positive PV and vice versa for contractee. Same cost will added/loaded with respective assets and capitalised.

Role of CMA in PV-

PV is one of the cost element of project, so role of CMA comes in PV. Preparation of PV index as per Formulas, revision of its as per updated IEEMA notifications, accurate application of indices are crucial things needs to be handle professionally, When word profession is come, We well known about CMA. This is big opportunity for CMA profession to practice in this field. Power sector is one of the biggest sector where N number contracts get executed, most of the contracts are long term having PV clauses. There are small contractors who does not have such intelligence man power to derive accurate PV their contract, So Role of CMAs comes into picture to provide professional service regarding PV and its becoming need of current era.

Conclusion-

Price variation in electrical contract is totally based on IEEMA's formulas and IEEMA price index published on monthly basis. PV is one of cost element of projects so this is needs to be handled very carefully to avoid extra burden of cost. Accurate application of PV formulas with respective IEEMA index is one of important tool for cost reduction or cost control. Preparation of PV Indices to application of indices with necessary update on time to time as issued by IEEMA are tasks in PV monitoring.



What's New

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GOODS & SERVICE TAX

CGST Rate

- No GST will be applicable on Seeds, fruit and spores, of a kind used for sowing falling under chapter 1209. This entry does not cover seeds meant for any use other than sowing. **[Notification No. 9/2021-Central Tax (Rate) dtd 30th September 2021, Notification No. 9/2021-Integrated Tax (Rate) dtd 30th September 2021 and Notification No. 9/2021-Union Territory Tax (Rate) dtd 30th September 2021]**
- GST under Reverse Charge is payable by the recipient of following goods supplied by unregistered person.

33012400, 33012510, 33012520, 33012530, 33012540	Following essential oils other than those of citrus fruitnamely: - a) Of peppermint (Menthapiperita); b) Of other mints : Spearmint oil (exmenthaspicata), Water mint-oil (exmentha aquatic), Horsemint oil (exmenthasylvestries), Bergament oil (ex-mentha citrate).
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[Notification No. 10/2021 -Central Tax (Rate) dtd 30th September 2021, Notification No. 10/2021 -Integrated Tax (Rate) dtd 30th September 2021 and Notification No. 10/2021 -Union Territory Tax (Rate) dtd 30th September 2021]

- GST Rate 5% is made applicable for Fortified Rice Kernel (Premix) supply for ICDS or similar scheme duly approved by the Central Government or any State Government. **[Notification No. 11/2021 Central Tax (Rate) dated 30.09.2021, Notification No. 11/2021 Integrated Tax (Rate) dated 30.09.2021 and Notification No. 11/2021 Union Territory Tax (Rate) dated 30.09.2021]**
- Concessional GST Rate for Covid 19 relief items have been notified effective from 1st October 2021 to 31st December 2021.

Sl. No.	Chapter, Heading, Subheading or Tariff item	Description of Goods	Rate
(1)	(2)	(3)	(4)
1	30	Tocilizumab	Nil
2	30	Amphotericin B	Nil
3	30	Remdesivir	2.5%
4	30	Heparin (anti-coagulant)	2.5%
5	30	Itolizumab	2.5%

6	30	Posaconazole	2.5%
7	30	Infliximab	2.5%
8	30	Bamlanivimab & Etesevimab	2.5%
9	30	Casirivimab & Imdevimab	2.5%
10	30	2 - D e o x y - D - Glucose	2.5%
11	30	Favipiravir	2.5%

[Notification No. 12/2021 Central Tax (Rate) dated 30.09.2021, Notification No. 12/2021 Integrated Tax (Rate) dated 30.09.2021 and Notification No. 12/2021 Union Territory Tax (Rate) dated 30.09.2021]

- Increase in GST Rate on Information Technology software from 12% to 18%.

[Notification No. 13/2021-Central Tax (Rate), Notification No. 13/2021-Integrated Tax (Rate) and Notification No. 13/2021-Union Territory Tax (Rate) dtd 27th Oct 2021]

CGST

- No New Notifications

IGST

- No New Notifications

Circulars

- Clarification has been issued regarding GST rates and classification on various goods -
 - Exemption from GST to fresh fruits and nuts covers only such products which are not frozen (whether or not previously cooked by steaming or boiling in water or containing added sweetening matter) or dried (including dehydrated, evaporated or freeze-dried) or otherwise processed.
 - W.e.f 1st October 2021, tamarind and other seeds falling under heading 1209, (i.e. including tamarind seeds), if not supplied as seed for sowing, would attract GST at the rate of 5%.
 - The exemption available to Coconut, fresh or dried, whether or not shelled or peeled, vide entry at S. No. 47 of notification No. 2/2017- Central Tax (Rate) dated 28th June, 2017, is not available to Copra. Accordingly, Copra, classified under heading 1203, attracts GST rate of 5%.
 - Pure henna powder and henna leaves, having no

additives, is classifiable under tariff item 14049090 and shall attract GST rate of 5% and GST rate on mehndi paste in cones falling under heading 1404 and 3305 shall be 5%.

- Scented sweet supari falls under tariff item 21069030 as “Betel nut product” known as “Supari” and attracts GST rate of 18%.
- Flavored and coated illaichi is distinct from illaichi or cardamom and will fall under heading 09082106 with GST rate at 18%.
- Brewers’ spent grain (BSG), Dried distillers’ grains with soluble [DDGS] and other such residues are classifiable under heading 2303, attracting GST at the rate of 5%.
- All pharmaceutical goods falling under heading 3006 attract GST rate of 12% under entry 65 in the 12% rate schedule.
- All laboratory reagents and other goods falling under heading 3822 GST rate of 12% is applicable on all goods falling under heading 3822.
- The original/ import Essentiality certificate, issued by the Directorate General of Hydrocarbons (DGH) is sufficient and there is no need for taking a certificate every time on inter-state movement of goods within the same company / stock transfer so long as the goods are the same as those imported by the company at concessional rate. The importer is required to maintain records and should be able to establish nexus between the stock transfer of goods and the description in the essentiality certificate.
- UPS/ inverter would attract GST rate of 18% under heading 8504, while external batteries would attract the GST rate as applicable to it under heading 8507 (28% for all batteries except lithium-ion battery), being separately identifiable products.
- GST on Solar PV Power Projects can be paid in terms of the 70:30 ratio for goods and services, respectively, for the period of 1st July, 2017 to 31st Dec, 2018, in the same manner as has been prescribed for the period on or after 1st January, 2019, as per the explanation in the Notification No. 24/2018 dated 31st Dec, 2018. However, it is specified that, no refunds will be granted if GST already paid is more than the amount determined using this mechanism.
- Uniform GST rate of 18% on all goods classifiable under heading 4819 (corrugated boxes and cartons)
- Rates on Fibre Drums, whether corrugated or non-corrugated, even if made at 12% GST (during the period from 1st July, 2017 to 30th Sept, 2021), would be treated as fully GST-paid. Therefore, no action for recovery of differential tax (over and above 12% already paid) would arise.

[Circular No. 163/19/2021-GST dtd 6th Oct. 2021]

- Clarifications has been issued regarding GST rates and exemption on certain services:

- Service provided by way of cooking and supply of food, by cloud kitchens/central kitchens are covered under restaurant service and attract 5% GST (without ITC).
- Where ice cream parlors sell already manufactured ice-cream and do not cook/prepare ice-cream for consumption like a restaurant, it is supply of ice cream as goods and not as a service, even if the supply has certain ingredients of service and GST would attract at the rate of 18%.
- Services provided by any institutions/ NGOs under the central scheme of Scholarships for students with Disabilities” where total expenditure is borne by the Government is covered under entry 72 of notification No. 12/2017-Central Tax (Rate) dated 28th June, 2017 and hence exempt from GST.
- As the satellite launch services supplied by NSIL are similar to those supplied by ANTRIX Corporation Ltd, the said circular No. 2/1/2017-IGST dated September 27, 2017, is applicable to them. If the place of supply (POS) is outside India and other conditions under section 2(6) w.r.t. export of services are satisfied, then such would be considered as export of services as zero rated supply.
- Overloaded vehicles were allowed to ply on the national highways after payment of fees with multiplying factor of 2/4/6/8/10 times the base rate of toll. It is clarified that overloading charges at toll plazas would get the same treatment as given to toll charges.
- Renting of vehicles to State Transport Undertakings and Local Authorities Services will be covered under exemption notification No. 12/2017-Central Tax (Rate) dated 28.06.2017. Sr. No. 22
- The licensing services for the right to use minerals including its exploration and evaluation” falling under service code 997337 were taxable @ 18% during July 01, 2017 to December 31, 2018
- 28% rate [entry 34 (iiia)] applies on admission to a place having casino or race club [even if it provides certain other activities] or admission to a sporting event like IPL. Entry 34 (iii), having a rate of 18%, covers all other cases of admission to amusement parks, or theme park etc or any place having joy rides, merry-go rounds, go-carting etc, whether indoor or outdoor, so long as no access is provided to a casino or race club.
- Alcoholic liquor is not considered as food. Accordingly, services by way of job work in relation to manufacture of alcoholic liquor for human consumption are eligible for the GST rate of 18%.

[Circular No. 164 /20 /2021-GST dtd 6th Oct. 2021]

Others

- GSTR-2B statement indicates availability and non-availability of input tax credit to the taxpayer against

each document filed by their suppliers and is made available to the taxpayers in the afternoon of 14th of every month. (GSTN advisory dated 18th Oct 2021)

The update declared by GSTN is neither in accordance with rules nor in accordance with law being implementation of section 16(2) (aa) is not yet notified so far.

- No taxpayer shall take input tax credit in respect records (invoices and debit notes) for supply of goods or services (or both) for Financial Year 2020-21 after the due date of furnishing the return for the month of September 2021.(GSTN update dated 17th Oct 2021).

It is important to note that vide circular no 160 dated 20th September 2021 it was clarified that w.e.f. 01.01.2021, in case of debit notes, the date of issuance of debit note (not the date of underlying invoice) shall determine the relevant financial year for the purpose of section 16(4) of the CGST Act.

Customs:

Tariff

- Life saving drugs used in treatment of Spinal Muscular Atrophy or Duchenne Muscular Dystrophy exempted from levy of Customs Duty as well as IGST when imported for personal use subject to condition specified in the notification **[Notification No. 46/2021-Customs dtd. 30th Sept 2021]**
- IGST exemption on specified goods when imported into India for sale in Border Haats in Tripura at Indo-Bangladesh border.

IGST exemption on all goods imported from Antarctica into India which were used or are related to the Indian Antarctic Expedition or the Indian Polar Science Programme **[Notification No. 47/2021-Customs dtd. 30th Sept 2021]**

- Basic Custom Duty (BCD) and Agriculture Infrastructure and Development Cess (AIDC) has been reduced on crude and refined soya, sunflower and palm oils as follows till 31.03.2022 mainly to control inflation

Sr. No.	HSN	Description	Reduced BCD Rate	Reduced AIDC Rate
1	15071000	Crude Soya-bean oil, whether or not degummed	Nil	5%
2	15079010	Soya-bean oil, edible grade	17.50%	-
3	15111000	Crude Palm Oil	Nil	7.50%
4	151190	Refined bleached deodorized(RBD) palm oil, RBD palmolein, RBD palm stearin and any palm oil other than crude palm oil	17.50%	-
5	15121110	Crude Sunflower seed oil	Nil	5%
6	15121910	Sunflower oil, edible grade	17.50%	-

[Notification No 48/2021-Customs and 49/2021 dtd 13th Oct 2021]

- CBIC includes Sierra Leone in list for tariff concession on import from specified countries. **[Notification No. 50/2021-Customs dtd 22th Oct 2021]**
- TariffRate Quota Quantity has been changed when items mentioned in trailing table are imported in India from Republic of Mauritius. Notification 25/2021-Customs, dated the 31st March, 2021 amended to said extent. (Exemption provided from customs duty on quantity of total imports of such goods in a year, which is in excess of the amount calculated at the rate specified in the corresponding entry in column (5) & (6) of Table 4)

“TABLE 4

S. No.	HS 8 digit	Description	Tariff Rate Quota Quantity	In-quota Tariff Rate	In-quota AIDC rate	Condition	Bizsol Remark
-1	-2	-3	-4	-5	-6	-7	-5
1	6031900	All goods	15 tons	30%	-	1	No Change
2	8043000	All goods	1000 tons	10%	-	1	No Change
3	8109060	All goods	250 tons	10%	-	1	No Change
4	9051000	All goods	15 tons	10%	-	1	No Change
5	9052000	All goods	1 ton	10%	-	1	No Change
6	16041410, 16041490, 16042000	All goods	7000 tons combined for all goods	0%		1	Change in Tariff Rate Quota Quantity Earlier was 7000 tons for every HSN
7	17011490	Specialty Sugar	15000 tons	10%	-	1	No Change
8	22030000	All goods	2,000,000 litres	25%	-	1	No Change
9	22060000	Fruit Wine	5000 litres	0%	50%	1	No Change
10	22084011, 22084012, 22084091, 22084092	All goods	1.50 million litres combined for all goods	0%	50%	1”;	Change in Tariff Rate Quota Quantity Earlier was 1.50 million litres for every HSN

[Notification No.51 / 2021-Customs dtd. 22th Oct 2021]

Non Tariff

- Transitional provision of regulation 15 in relation to authorized sea carrier have been further extended to 31.12.2021 [Notification No. 78/2021-Customs (NT) dated 30th Sept 2021].
- Updated Tariff value for specified goods -

TABLE-1

Sl. No.	Chapter/heading/sub-heading/tariff item	Description of goods	Tariff value (US \$Per Metric Tonne)
(1)	(2)	(3)	(4)
1	1511 10 00	Crude Palm Oil	1203
2	1511 90 10	RBD Palm Oil	1214
3	1511 90 90	Others – Palm Oil	1209
4	1511 10 00	Crude Palmolein	1221
5	1511 90 20	RBD Palmolein	1224
6	1511 90 90	Others – Palmolein	1223
7	1507 10 00	Crude Soya bean Oil	1388
8	7404 00 22	Brass Scrap (all grades)	5300

TABLE-2

Sl. No.	Chapter/heading/sub-heading/tariff item	Description of goods	Tariff value (US \$)
(1)	(2)	(3)	(4)
1.	71 or 98	Gold, in any form, in respect of which the benefit of entries at serial number 356 of the Notification No. 50/2017-Customs dated 30.06.2017 is availed	575 per 10 grams
2.	71 or 98	Silver, in any form, in respect of which the benefit of entries at serial number 357 of the Notification No. 50/2017-Customs dated 30.06.2017 is availed	739 per kilogram
3.	71	(i) Silver, in any form, other than medallions and silver coins having silver content not below 99.9% or semi-manufactured forms of silver falling under sub-heading 7106 92; (ii) Medallions and silver coins having silver content not below 99.9% or semi-manufactured forms of silver falling under sub-heading 7106 92, other than imports of such goods through post, courier or baggage. Explanation. - For the purposes of this entry, silver in any form shall not include foreign currency coins, jewellery made of silver or articles made of silver.	739 per kilogram
4.	71	(i) Gold bars, other than tola bars, bearing manufacturer's or refiner's engraved serial number and weight expressed in metric units;	575 per 10 grams

4.	71	(ii) Gold coins having gold content not below 99.5% and gold findings, other than imports of such goods through post, courier or baggage. Explanation - For the purposes of this entry, "gold findings" means a small component such as hook, clasp, clamp, pin, catch, screw back used to hold the whole or a part of a piece of Jewellery in place.	
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TABLE-3

Sl. No.	Chapter/heading/sub-heading/tariff item	Description of goods	Tariff value (US \$ Per Metric Tonne)
(1)	(2)	(3)	(4)
1	080280	Areca nuts	5252

[Notification No. 81/2021-Customs (NT) dated 14th Oct 2021].

- Customs Tariff (Identification, Assessment and Collection of Countervailing Duty on Subsidised Articles and for Determination of Injury) Rules, 1995 amended to introduce Anti-Absorption provisions in these rules ***[Notification No. 83/2021-Customs (NT) dtd 27th Oct 2021]***
- Customs Tariff (Identification, Assessment and Collection of Anti-dumping Duty on Dumped Articles and for Determination of Injury) Rules, 1995 amended to introduce the Anti-Absorption provisions and make certain other miscellaneous changes ***[Notification No. 84/2021-Customs (NT) dtd 27th Oct 2021]***
- Courier Imports and Exports (Electronic Declaration and Processing) Regulations, 2010 amended w.r.t. surrender of registration, validity of registration, Form-K (application for renewal of deemed invalidated registration of Authorised Courier and time line for review the registration granted. ***[Notification No. 85/2021-Customs (NT) dtd 27th Oct 2021]***
- Courier Imports and Exports (Clearance) Regulations, 1998 amended w.r.t. surrender of registration, validity of registration, Form-A1(Application for renewal of deemed invalidated registration of Authorised Courier. ***[Notification No. 86/2021-Customs (NT) dtd 27th Oct 2021]***

Anti Dumping Duty

- Levy of anti-dumping duty on "Glazed/Unglazed Porcelain/Vitrified tiles in polished or unpolished finish with less than 3% water absorption" from China PR extended upto 28th February, 2022 ***[Notification No. 54/2021-Customs (ADD) dtd. 30th Sept 2021]***
- Anti-dumping duty shall not be levied for the period upto 31st day of January, 2022 on import of "Straight Length Bars and Rods of Alloy Steel", falling under heading

7228 originating in or exported from People's Republic of China. **[Notification No. 55/2021-Customs (ADD) dtd. 30th Sept 2021]**

- Anti-dumping duty shall not be levied for the period upto 31st day of January, 2022 on import of “High-Speed Steel of Non-Cobalt Grade”, falling under heading 7228 1010 or 7228 1090 originating in, or exported from Brazil, People's Republic of China and Germany. **[Notification No. 56/2021-Customs (ADD) dtd. 30th Sept 2021]**
- Anti-dumping duty shall not be levied for the period upto 31st day of January, 2022 on import of “Flat rolled product of steel, plated or coated with alloy of Aluminium and Zinc”, falling under heading 7210, 7212, 7225 and 7226 originating in or exported from People's Republic of China, Vietnam and Republic of Korea. **[Notification No. 57/2021-Customs (ADD) dtd. 30th Sept 2021]**
- Anti-dumping duty levy extended for the period upto 31st day of May, 2022 on imports of “Jute products” namely, Jute Yarn/ Twine (multiple folded/cabled and single), Hessian fabric, and Jute sacking bags, falling under heading 5307, 5310, 5607 or 6305 originating in or exported from Bangladesh and Nepal. **[Notification No. 58/2021-Customs (ADD) dtd. 01st Oct 2021]**
- Anti-dumping duty levy extended on imports of ‘Ceramic Tablewares and Kitchenwares’, falling under heading 6911, 6912 originating in or exported from Malaysia. **[Notification No. 59/2021-Customs (ADD) dtd. 04th Oct 2021]**
- Anti-dumping duty is levied on “Aceto Acetyl Derivatives of aromatic or hetrocyclic compounds also known as Arylides” falling under tariff items 2924 29 20 or 2924 29 90 originating in or exported from the People's Republic of China for a period of five years (unless revoked, superseded or amended earlier) **[Notification No. 60/2021-Customs (ADD) dtd. 14th Oct 2021]**
- Anti-dumping duty imposed on “Phenol”, originating and imported from European Union, Singapore and Korea RP has been revoked. **[Notification No. 61/2021-Customs (ADD) dtd 20th Oct 2021]**
- CBIC removes ADD on Polytetrafluoroethylene import from Russia. **[Notification No. 62/2021-Customs (ADD) dtd 20th Oct 2021]**
- CBIC removes ADD on Polytetrafluoroethylene import from Korea RP **[Notification No. 63/2021-Customs (ADD) dtd 20th Oct 2021]**
- Anti-dumping duty on ‘Seamless tubes, pipes and hollow profiles of iron, alloy or non-alloy steel (other than cast iron and stainless steel), whether hot finished or cold drawn or cold rolled of an external diameter not exceeding 355.6 mm or 14” OD’ originating in or exported from China PR for a period of 5 years. **[Notification No. 64/2021-Customs (ADD) dtd 28th Oct 2021]**

Countervailing Duty

- Countervailing duty imposed on “Certain Hot Rolled and

Cold Rolled Stainless Steel Flat products” falling under heading 7219 or 7220 originating in or exported from People's Republic of China shall not be levied for the period upto 31st day of January, 2022. **[Notification No. 05/2021-Customs (CVD) dtd. 30th Sept 2021]**

Circulars & Others

- Till the facility is operationalized for making claim of RoSCTL on export of apparels/garments/made-ups, the exporter can claim RoDtep and Duty Drawback. **[Circular No. 22/2021-Customs dtd 30th Sept 2021]**
- Process clarified for smooth implementation of RoDTEP:
 1. Remission of RoDTEP is as a percentage of the FOB value of eligible export product with caps for certain HS codes
 2. Exporter is required to make declaration on shipping bill that it would abide by the scheme provisions
 3. Scroll will be generated which will contain details of shipping bill, amount of duty credit allowed etc.
 4. Exporter has option of combining duty credits available in scroll or a numbers of scroll at a particular customs station of export
 5. Exporter has option to generate e-scripts within one year of generation of scroll. E scrip is valid for one year from the date of generation
 6. E scrip is freely transferable
 7. E scrip shall be used for payment of basic customs duty only on imports made through customs automated system
 8. Duty credit scrips allowed under RoDTEP scheme is subject to realisation of sale proceeds within the period allowed by RBI

[Circular No. 23/2021-Customs dtd 30th Sept 2021]

- Amendments has been made in Courier Imports and Exports (Electronic Declaration and Processing) Regulations, 2010 and Courier Imports and Exports (Clearance) Regulations, 1998 to simply the registration requirement of authorized couriers. Amendments provides lifetime validity to a registration, voluntary surrender of registration, power to Commissioner for renewal of deemed invalid registration. **[Circular No. 24/2021-Customs dtd 27th Oct 2021]**
- CBIC instruction on Submission of Intimation of Arrest Report under Customs. **[Instruction No. 21/2021-Customs dtd 05th Oct 2021]**
- Provision in Para 6 of General Notes Regarding Import Policy, Schedule – I (Imports) of the ITC(HS), 2017 are relaxed and will not apply to the import of 12 Lakh Metric ton of crushed and de-oiled GM soya cake (only Non-living organism) under ITC HS codes 23040020 and 23040030 till October 31, 2021 or until further orders, whichever is earlier. Above mentioned is allowed only from Nhava Sheva (INNSA1) port, LCS Petrapole (INPTPB), Mumbai Sea Port (INBOM1), Tuticorin Sea Port (INTUT1), Vishakhapatnam Sea Port (INVTZ1),

Ghojadanga LCS (INGJXB), Kolkata Port (INCCU1) and Ranaghat Railway Station (INRNG2). **[Instruction No. 22/2021-Customs dtd 27th Oct 2021]**

- Where multiple requests made for change in CFS (Container Freight Station) for particular bill of lading / consignments, the latest request for change of CFS shall be taken as final request.

[Advisory Note F. No. S/22-Gen-402/2017-18 AM(I) DPD Cell dtd. 20.10.2021]

Foreign Trade:

Notifications:

- The ports of Ghojadanga LCS (INGJXB) and Kolkata (INCCU1) have been additionally included for allowing imports of 12 Lakh Metric ton of crushed and de-oiled GM soya cake **[Notification No.32/2015-20 dtd. 25th Sept 2021]**
- The existing Foreign Trade Policy 2015-2020 which is valid upto 30th September, 2021 is extended upto 31st March, 2022 **[Notification No.33/2015-20 dtd. 28th Sept 2021]**
- Export of Syringes with or without needles falling under HS 90183100 or any other HS has been put under 'Restricted' category with immediate effect. **[Notification No.34/2015-20 dtd. 04th Oct 2021]**
- Prohibition on export of Red Sanders woods in log form has been relaxed for export of 810.1894 MT of Red Sander wood in log form by Forest, Environment and Climate Change Department, Government of Odisha **[Notification No.35/2015-20 dtd. 07th Oct 2021]**
- Port of Ranaghat Railway Station (INRNG2) has been additionally included for allowing imports of 12 Lakh Matric Ton of crushed and de-oiled GM soya cake (only non-living organism under ITCHS codes 23040020 and 23040030). **[Notification No.36/2015-20 dtd. 08th Oct 2021]**
- The Melt Blown Fabric of any GSM has been made freely exportable with immediate effect. **[Notification No.37/2015-20 dtd. 14th Oct 2021]**
- The Export of Syringes with or without needles of denominations (i) 0.5 ml/ 1ml AD syringes (ii) 0.5 ml/ 1ml / 2ml / 3ml disposable syringes (iii) 1ml / 2ml / 3ml RUP Syringes falling under HS code 98013100 or any other HS code has been put under Restricted category with immediate effect. All other syringes falling under HS codes specified above or any other HS code are freely exportable. **[Notification No.38/2015-20 dtd. 14th Oct 2021]**
- The export policy of all diagnostic kits and reagents (including instruments / apparatus), made restricted vide notification no 09/2015-20 dated 10.06.2020 and notification no 18/2015-20 dated 16.08.2021 is being made free with immediate effect. **[Notification No.39/2015-20 dtd. 14th Oct 2021]**

Public Notices

- Validity of the existing Hand Book of Procedures, 2015-20 is extended upto 31st March, 2022 **[Public Notice No.25/2015-20 dtd. 28th Sept 2021]**
- The timelines for installation and operationalisation of Radiation Portal Monitors and Container Scanners in the designated sea ports is extended from existing 30.09.2021 to 31.03.2022 **[Public Notice No. 26/2015-2020 dated 29th Sept 2021]**
- Quantity of 5841 MT sugar (raw and / or white sugar) to be exported to EU under TRQ scheme from 01.10.2021 to 30.09.2022 has been notified. **[Public Notice No.27/2015-20 dtd. 04th Oct 2021]**
- Quantity of 8424 MT sugar (raw and / or white sugar) to be exported to USA under TRQ scheme from 01.10.2021 to 30.09.2022 has been notified. **[Public Notice No.28/2015-20 dtd. 14th Oct 2021]**
- All agencies enlisted under Appendix 2E of FTP-2015-20, who have on-boarded on Common Digital Platform for electronic Certificate of Origin (Non – Preferential), can issue CoO (NP) on all India basis w.e.f. 01.11.2021. **[Public Notice No. 29/2015-2020 dtd 18th Oct 2021]**
- Following three new agencies are enlisted under Appendix 2E of FTP, 2015-2020 for issuing Certificate of Origin (Non-Preferential).
 - i) Export promotion council for EOU and SEZ (Delhi)
 - ii) Urban Exim care association (Gujarat)
 - iii) Federation of industries and associations (Gujarat)**[Public Notice No. 30/2015-2020 dtd 18th Oct 2021]**
- TRQ (Tariff Rate Quota) quantity for the items listed in Table 4 of Notification No. 51/2021-Customs dated 22nd October, 2021 on India-Mauritius CECPA has been revised. The date for submission of online applications with DGFT has been extended from 31.10.2021 to 31.12.2021 **[Public Notice No. 31/2015-2020 dtd 28th Oct 2021]**

Trade Notices and Others

- Extension of Date for Mandatory electronic filing of Non-Preferential Certificate of Origin (CoO) through the Common Digital Platform to 31st October 2021 **[Trade Notice No.19/2021-22 dtd. 01st Oct 2021]**
- Procedure and Criteria for submission and approval of applications for export of Syringes (with or without needles) has been defined **[Trade Notice No.20/2021-22 dtd. 05th Oct 2021]**
- Extension of Date for Mandatory electronic filing of Non-Preferential Certificate of Origin (CoO) through the Common Digital Platform to 31st October 2021. **[Trade Notice No. 21/2021-2021 dtd 18th Oct 2021]**

Company Law:

- Extension of last date of filing of Cost Audit Report

to Board of Directors is 31st October 2021. **[General Circular No. 15/2021 dtd 27th Sept 2021]**

- MCA allows LLPs to file form 8 (Statement of accounts and solvency) without additional fees till 30.12.2021 **[General Circular No. 16/2021 dtd 26th Oct 2021]**
- No additional fees shall be levied upto 31.12.2021 for the filing of e-forms AOC-4, AOC-4 (CFS), AOC-4 XBRL, AOC-4 Non-XBRL and MGT-7/MGT-7A in respect of the financial year ended on 31.03.2021 **[General Circular No. 17/2021 dtd 29th Oct 2021]**
- Extension of last date of filing of Cost Audit Report to Board of Directors is 30th November 2021. **[General Circular No. 18/2021 dtd 29th Oct 2021]**
- Draft Delhi Shops and Establishments (Amendment) Rules, 2021 notified. **[Notification No. 15(52)/Lab/2021/3618-3626 dated 24th Sept 2021]**

SEBI:

- SEBI authorizes practicing Cost Accountants to issue share reconciliation capital audit report vide Securities and Exchange Board of India (Depositories and Participants) (Second Amendment) Regulations, 2021. **[Notification No. SEBI/LAD-NRO/GN/2021/53 dtd 25th Oct 2021]**

IBC:

- Liquidators are, are required to upload the public notice of every auction of any liquidation asset, with effect from 1st October, 2021, at www.ibbi.gov.in on the day of its publication in newspapers, through their designated login page **[Circular No IBB/LIQ/44/2021 dtd 30th Sept 2021]**

Income Tax

Notifications

- Income Tax Rules on 'No Retrospective Taxation' of 'Indirect Transfer' notified for implementing the amendments made by the Taxation Laws (Amendment) Act, 2021 - no tax demand shall be raised in future on the basis of the amendment to section 9 of the Income-tax Act made vide Finance Act, 2012 for any offshore indirect transfer of Indian assets if the transaction was undertaken before 28th May, 2012.

[Notification No. 118/2021/F. No. 370142/47/2021-TPL dtd 1st October 2021]

- Exemption to class of persons ((i) a non-resident, not being a company; or (ii) a foreign company and a non-resident, being an eligible foreign investor) from the requirement of furnishing a return of income from assessment year 2021 2022 onwards subject to condition specified on the notification.

[Notification No. 119/2021-Income Tax dtd 14th October 2021]

- CBDT notifies Tax Exemption under section 10(46) to 'Punjab State Electricity Regulatory Commission', Chandigarh in respect of the specified income for Financial Years 2021-2022, 2022-2023, 2023-2024, 2024-2025 and 2025-2026

[Notification No. 121/2021-Income Tax dtd 15th October 2021]

- CBDT designates Special Court in the Karnataka under Section 280A(1) of Income Tax Act 1961 for the purposes of sub-section (1) of section 280A (If a public servant furnishes any information or produces any document in contravention of the provisions of sub-section (2) of section 138], he shall be punishable with imprisonment which may extend to six months, and shall also be liable to fine) and section 84 of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015.

[Notification No. 122/2021 – Income Tax dtd 25th Oct 2021]

- CBDT designates Special Court in the Goa under Section 280A(1) of Income Tax Act 1961 for the purposes of sub-section (1) of section 280A (If a public servant furnishes any information or produces any document in contravention of the provisions of sub-section (2) of section 138], he shall be punishable with imprisonment which may extend to six months, and shall also be liable to fine) and section 84 of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015.

[Notification No. 123/2021 – Income Tax dtd 25th Oct 2021]

- CBDT designates Special Court in the Manipur under Section 280A(1) of Income Tax Act 1961 for the purposes of sub-section (1) of section 280A (If a public servant furnishes any information or produces any document in contravention of the provisions of sub-section (2) of section 138], he shall be punishable with imprisonment which may extend to six months, and shall also be liable to fine) and section 84 of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015.

[Notification No. 124/2021 – Income Tax dtd 25th Oct 2021]

Circulars and Others

- CBDT has issued the Clarification regarding clause (xvii) in sub-section (1) of section 36 of the Act deduction on account of the amount of expenditure incurred by a co-operative society engaged in the business of manufacture of sugar for purchase of sugarcane at a price which is equal to or less than the price fixed or approved by the Government

It is clarified that the phrase 'price fixed or approved by the Government' above clause includes price fixation by State Governments through State-level Acts/Orders or other legal instruments that regulate the purchase

price for sugarcane, including State Advised Price, which may be higher than the Statutory Minimum Price/ Fair and Remunerative Price fixed by the Central Government.

[Circular No. 18 of 2021-CBDT dtd 25th Oct 2021]

- CBDT has issued guidelines on exemption to Sovereign Wealth & Pension Funds on their income in the nature of dividend, interest and long-term capital gains arising from investment in infrastructure in India made between 01.04.2020 and 31.03.2024 **[Circular No. 19 of 2021-Income Tax dtd 25th Oct 2021]**
- **Eight new information which can be uploaded in Form 26AS:**

CBDT authorizes Director General of Income-tax (Systems) to upload information in Annual information statement in Form 26AS relating to:

1. Foreign remittance information reported in Form 15CC,
2. Information in Annexure II of the 24Q TDS Statement of the last quarter,
3. Information in ITR of other taxpayer,
4. Interest on Income Tax Refund,
5. Information in Form 61/61A where PAN could be populated,
6. Off Market Transactions Reported by Depository/ Registrar and Transfer Agent (RTA),
7. Information about dividend of mutual fund reported by Registrar and Transfer Agent RTA)
8. Information about purchase of mutual fund reported by Registrar and Transfer Agent (RTA)

[F. No. 225/155/2020/ITA-11 Order under section 285BB of the Income-tax Act, 1961 dtd 27th Oct 2021]

Other important updates:

- Due date of submission of Form 5 (Annual Report on statement of accounts) for the year 2020-21 is being

extended from 30th September 2021 to 31st December 2021.

[MahaRERA Order No:- 25/2021 dtd 18th Oct 2021]

- Guidelines regarding reorganization including change of name, change of shareholding pattern, business transfer arrangements, court approved mergers and demergers, change of constitution, change of Directors, etc. of SEZ Developers / Co-developers as well as SEZ Units shall be as follows:
 - iv) Reorganization may be undertaken by the Unit Approval Committee (UAC) concerned subject to the condition that the Developer / Co-developer / Unit shall not opt out or exit out of the Special Economic Zone and continues to operate as a going concern. All liabilities of the Developer / Co-developer / Unit shall remain unchanged on such reorganization
 - v) Such reorganization shall be subject to the following safeguards:
 - Seamless continuity of the SEZ activities
 - Fulfilment of all eligibility criteria applicable,
 - Applicability of and compliance with all Revenue / Company Affairs / SEBI etc. Acts / Rules
 - Full financial details relating to change in equity / merger, demerger, amalgamation or transfer in ownership etc. shall be furnished immediately to Member (IT&R), CBDT, Department of Revenue and to the jurisdictional Authority
 - The AO shall have the right to assess the taxability of the gain / loss arising out of the transfer of equity or merger, demerger, amalgamation, transfer and ownerships etc
 - The applicant shall comply with relevant State Government laws
 - The applicant shall furnish details of PAN and jurisdictional assessing officer of the unit to CBDT
 - The applicant shall be recognised by the new name or such arrangement in all the records.

[SEZ Instruction No:- 109 dtd 18th Oct 2021]

Theme for December 2021

Theme for December 2021 is **Looking Beyond Pandemic-Financing the growth of Indian Economy**

Articles on the theme as well as other professional matters are invited along with scanned copies of their recent passport size photograph, email id, mobile no and scanned copy of declaration stating that the articles are their own original and have not been considered for anywhere else.

Please send your articles by e-mail to wirc.admin@icmai.in before 18th November 2021.

Pls. Note the final decision to consider Article/Paper is left with Chairman – Editorial Board.

CHAPTER NEWS

AHMEDABAD

Swachhta Abhiyan Program

As Government of India is celebrating Bharat Ki Azadi ka Amrit Mahotsav (AKAM) to commemorate the 75 years of India's Independence. As per the guideline of Institute and as a part of celebration, Chapter organized Swachhta Abhiyan on Friday, 1st October, 2021 by undertaking cleanliness activities in the office premises and its surroundings. Committee members, staff members and students actively participated in the program.

Felicitation function

Chapter organized felicitation function at Haribhai Auditorium for all the students, who have passed Foundation Examination of December 19, June'20, Dec'20 & June'21 term. CMA Aparna Bhonde, Treasurer of Chapter welcomed dignitaries on Dias, Managing Committee members, Students and their parents. Lighting of Lamp was performed by dignitaries on Dias and after that prayer was performed. CMA Malhar Dalwadi, Chairman of Chapter gave greeting speech and congratulates all the students. He also informed about the activities of chapter and explained about opportunities for the CMAs. RCM, CMA Ashish Bhavsar felicitate the Chief Guest CMA Marzun Jokhi, Director-GLS University by offering bouquet and memento. CMA Malhar Dalwadi, Chairman of Chapter felicitates the RCM, CMA Ashish Bhavsar by offering bouquet. Chief Guest CMA Marzun Jokhi gave inspiration speech to students and explained about opportunities for CMAs. Felicitation of successful students was done by the hand of dignitaries on Dias and committee members. At the end of the program, CMA Mitesh Prajapati, Secretary & Chairman-Oral Coaching Committee of Ahmedabad Chapter proposed vote of thanks.

Residential Program at Dwarka

Chapter had organized Residential Program at Dwarka during 21st to 23rd October 2021. The theme of program was "75th year of Independence towards Atmanirbhar CMAs." There were esteemed presence of President CMA Biswarup Basu, Vice President CMA P Raju Iyer, CMA Chittaranjan Chattopadhyay and CMA Ashwin Dalwadi, Central Council members of the institute in the program. The 1st ever Residential Program at Dwarka was inaugurated by the President, Vice President, Central Council members, Chairman of Ahmedabad Chapter CMA Malhar Dalwadi and Chairman of Professional Development Committee CMA Uttam Bhandari. The inaugural speech was delivered by Chairman CMA Malhar Dalwadi. Three technical sessions arranged on the topic Mind Management, Custom clearance procedures for Imports and Exports and Opportunities to CMAs in Banking, Finance and Insurance sectors. The vote of thank proposed by Secretary & Chairman-Oral Coaching committee of Ahmedabad chapter CMA Mitesh Prajapati. The inaugural session was concluded by National Anthem. All the sessions were very interactive and found useful to the participants.

A press conference was also organized at Dwarka to promote CMA professions.. Leading Electronic and press media peoples have participated in press conference and also invited

Ahmedabad Chapter to visit schools and colleges in Dwarka for the career counselling.

Career Counselling Activities

During the month of October 2021, Chapter has done promotional activities for CMA course. As part of Career counselling activity, CMA Mitesh Prajapati, Secretary and Oral Coaching Committee Chairman along with admin person met principals of different schools, Colleges, universities and owner of Private classes.

BARODA

Webinar FEMA Overview

Chapter organised a webinar on 3rd September on "FEMA Overview", which was presented by CA Yash Bhatt. Many Members actively participated and were benefitted.

Webinar on Emerging Power Sector and Role of CMA

With the emergence of the Power Sector, the role of CMAs in the sector also increases. CMA Kiran Sharma, the speaker of the Webinar hosted by chapter on 4th September 2021 threw light on the topic, which resulted in benefiting a number of members.

Webinar on Multi-Disciplinary Partnership New Horizon of Practice

With the introduction of Multi-Disciplinary Partnership which proves to be a New Horizon of Practice, A Google Meet was hosted by the Chapter on 5th September, 2021. CMA Ashish Bhavsar & CMA Sharad Puranik were the speakers.

Meeting with Bank of Baroda Gramin Bank official

CMA Mihir N Vyas and CMA Priyank Vyas, Vice-Chairman and Secretary of Baroda Chapter of ICAI, had a meeting with Senior officials of Baroda Gujarat Gramin Bank for inclusion of Cost Accountants for stock audit.

Webinar on Cybercrime and cyber security in Current Scenario

Chapter organised webinar on "Cyber Crime and Cyber Security in Current Scenario" on 18th September, 2021. The Keynote speaker on the issue was PI M.K. Motwani and the Chief Guest was ACP Dr. H.K. Makadia.

True Cost through ABC

CMA Kailash Sanklecha was invited to address the topic of "True Cost Through ABC Costing" on 23rd October, 2021. The lively event was attended by 87 members.

Webinar on Practical Approach to Ind AS implication

CA Preen Shah was invited to a Google Meet by the Baroda Chapter to address the topic Practical Approach to INDAS Implication" on 22nd October, 2021. Many members actively participated in the meet.

NAVI MUMBAI

Oral Coaching Inauguration

Chapter conducted the Oral Coaching inauguration online function on August 14, 2021 via Google Meet app. The Chief

Guest for this event was Shri Nilesh Dange –Chief Human Resource Officer L&T Financial Services.

The programme commenced with Chairman CMA Ajay Mohan introducing the Chief Guest and welcoming him to the function. CMA Vaidyanathan Iyer Vice Chairman and CMA Sushant Ghadge Secretary welcomed the dignitaries to the program.

CMA Sirish Mohite, Immediate Past Chairman briefed the students and other members present, on the Oral Coaching course curriculum.

CMA Vivek Bhalerao, PD Committee Chairman emphasised that teachers will tutor the students, but the individual effort of the students will take them through

CMA Amit Mahajani, Treasurer welcomed the students and mentioned that CMA course is one of the best professional courses and the role of CMA is growing rapidly in this fast paced world. He then proposed the vote of thanks.

CEP on Senior Citizens–Financial Planning & Taxation

Chapter conducted a Webinar on “Senior Citizens –Financial Planning & Taxation” on 29th August, 2021 via Google Meet app.

The speaker for this event was CMA K. M. Riyazuddin Practising Cost Accountant, Registered Valuer & Certified Arbitration Professional

CMA Vivek Bhalerao PD Chairman of the Chapter welcomed the audience and CMA Sushant Ghadge Secretary welcomed the speaker. CMA Ajay Mohan, Chairman of the Chapter introduced the speaker and spoke on the importance of the topic for CMA's. Vote of thanks being proposed by CMA Vaidyanathan Iyer Vice Chairman of the Chapter

CEP on Internal Controls & Risk Management

Chapter conducted a webinar on “Internal Controls & Risk Management” on 26th September, 2021 via Google Meet app.

The speaker for this event was CMA Ramprasad G Manager Continuous Improvement Group(IA), Colgate Palmolive India Ltd.

CMA L Prakash, Past Chairman of the Chapter welcomed the audience and introduced the speaker and spoke on the importance of Internal Control.

The speaker then demonstrated the need for Internal Control in an organization by showcasing various strategies namely – Self assessment Check list, Test of Design & Control, Trial Balance Analysis, Information Security, Risk Categories etc. Vote of thanks being proposed by CMA Vaidyanathan Iyer Vice Chairman of the Chapter.

PIMPRI-CHINCHWAD-AKURDI

Webinar on “Yield Management, an Extension of Marginal Costing”

Chapter conducted webinar on ‘Yield Management, an Extension of Marginal Costing’ on 2nd October 2021 through Google Digital platform.

CMA Dhananjay Kumar Vatsyayan, Chairman of PCA Chapter welcomed the audience and CMA Sagar Malpure, Chairman-PD Committee introduced the speaker CMA Sreehari Chava, Practising Cost Accountant.

CMA Sreehari Chava in his speech covered various topics such

as Indian Railway Model, Agri Yield Management, Hospital Graphics, News Paper Stall etc.

Webinar on “Personal Finance and its management”

Chapter conducted webinar on ‘Personal Finance and its management’ on 9th October 2021 through Google Digital platform.

CMA Sagar Malpure, Chairman – PD Committee has welcomed all audience and introduced the speaker CMA Ranjan Gunjal, Practising Cost Accountant.

CMA Ranjan Gunjal in his speech explained about Personal Finance. He also focused on how do we start and when do we start personal finance. He suggested about the various income sources and security of life such as Real Estate, Gold, Purchase House and give it on Rent, Purchase Car and give it to OLA/UBER on rent for transportation, Insurance Plan for the security of life and health cover etc.

Felicitation Function of CMA Sport’s Event 2021

Chapter has conducted Sports Events 2021 in the month of September 2021. The felicitation function for the same was conducted through Google Meet on the auspicious day of “DASSEHRA”. Hon’ble Shri. Tushar Hinge, Vice-Mayor, Pimpri-Chinchwad Municipal Corporation was the Chief Guest of the function. CMA Dhanankay Kumar Vatsyayan, Chairman of Chapter welcomed Chief Guest and all the participants. CMA Ashish Deshmukh introduced the chief guest Shri. Tushar Hinge. CMA Pradeep Deshpande Vice-Chairman briefed on the formation of PCA Chapter and it’s tremendous growth within few years. CMA Bhavesh Marolia, Secretary has explained about the activities of PCA Chapter.

CMA Nikhil Doke, faculty member of the Chapter has given presentation for the prize winners of Chess, Badminton, Box Cricket and Football Tournaments.

All the members of managing committee, Members of the Institute, Staff and Students were present for this function in large numbers. All the member of managing committee congratulated the winners.

Webinar on “Whistle Blowing Policy: A Revered Tool For Corporate Governance”

Chapter conducted webinar on ‘Whistle Blowing Policy: A Revered Tool For Corporate Governance’ on 16th October 2021 through Google Digital platform.

CMA Abhijeet Deshmukh, Member of the managing committee of PCA Chapter has welcomed all audience and introduced the speaker CS Dr. Gunjan Khanna, Assistant Professor, Department of Commerce Lakshmibai College (University of Delhi).

Dr. Gunjan Khanna in her speech briefed on the topics such as Underlying theory of Whistle Blowing, Review of Literature, Whistle Blowing Provisions across the Countries of the World, Whistle Blowing Provision in USA and India, Vigil Mechanism

Webinar on “Changing Dimensions of Finance in 21st Century”

Chapter conducted webinar on ‘Changing Dimensions of Finance in 21st Century’ on 23rd October 2021 through Google Digital platform.

CMA Dhananjay Kumar Vatsyayan, Chairman of PCA Chapter welcomed the audience introduced the speaker CMA Dr. S. K.

Gupta, Managing Director, Registered Valuers Organization of The Institute of Cost Accountants of India.

CMA Dr. Gupta in his speech said the World is changing. It's VUCA (Vulnerable, Uncertain, Complex, Ambiguous) World. Companies need to be competitive simultaneously on Price, Quality, Delivery, Responsiveness, Flexibility; Innovation to compete effectively in today's markets and consistently Creating Value is the essence of business. He further explained on the role of CFOs.

CMA Hanif Shaikh, member of the Chapter gave a vote of thanks.

PUNE

CEP on “Role of CMA in ESG reporting & audit”

Chapter arranged Webinar on the subject “Role of CMA in ESG reporting & audit” on 8th October 2021 through GOOGLEMEET video conferencing tool. CMA Milind Date was Speaker for the Webinar. CMA Rahul Chincholkar, Member Chapter welcomed & introduced the Speaker to the participants. The session was very educative & knowledge sharing. CMA Shrikant Ippalpalli, Managing Committee Member of ICAI-Pune Chapter delivered vote of thanks.

Guidance Session on “Preparation for Intermediate examination, Syllabus of Intermediate and Future for CMA”

Chapter organized a Guidance Session for Foundation passed students on the Subject “Preparation for Intermediate examination, Syllabus of Intermediate and Future for CMA”, on Saturday, 9th October 2021 at Pune Chapter premises.

Guidance Session started with lighting of lamp in the hands of CMA Chaitanya Mohrir - Regional Council member WIRC of ICAI, CMA Dr. Madhuvanti Sathe, Speaker for the session, CMA Meena Vaidya, Advisor, CMA Nilesh Kekan – Treasurer, CMA Abhay Deodhar- Managing Committee Member, CMA Rahul Chincholkar- Chairman, Students Coordination Committee, Ms. Simantini Gokhale (Councilor- Sarthak Foundation) were present for the session.

CMA Dr. Madhuvanti Sathe interacted with students & guided them about syllabus of Intermediate & Final groups subjects & other mandatory training, also she gave important tips for how to success in Exams & become a CMA.

CMA Abhay Deodhar explained the students about the scope for CMAs in the Industries in Private & Public sector in various departments like finance, costing & auditing. CMA Rahul Chincholkar- Chairman, Students Coordination Committee, ICAI-Pune Chapter explained the scope in GST, costing while in Practice. CMA Chaitanya Mohrir - Regional Council member WIRC of ICAI expressed the importance of SAP application while working in industry.

CMA Nilesh Kekan – Treasurer ICAI Pune Chapter guide the participants about benefits of oral coaching like facilities of coaching, library & other communication. CMA Meena Vaidya, Past Chairperson & current advisor of ICAI Pune Chapter concludes the session. At the end in open house discussion students asked various questions to speaker and satisfied with answers to questions raised by them.

CEP on “Role of CMA in ESG reporting & audit”

Chapter arranged webinar on “Recent Important Changes in GST” on 13th October 2021 through Google meet. CMA Rahul Chincholkar was speaker for the Webinar. He explained various important amendments in GST to participants.

CMA Smita Kulkarni, Vice Chairperson of Chapter welcomed & introduced the Speaker to the participants. The session was very educative & knowledge sharing. CMA Shrikant Ippalpalli, Managing Committee Member of Chapter delivered vote of thanks.

SURAT - SOUTH GUJARAT

Webinar on “Climate Change and best Practices for Energy Conservation”

Chapter organized a Webinar on “Climate Change and best Practices for Energy Conservation” on 1st October 2021. The Speaker was CMA Joy Shah- (B.E. (Chem.), IGBC AP, C.EA, F.CMA) Practicing Management Consultant for Sustainable Manufacturing. CMA Nanty Shah- Chairman addressed the members first and then CMA Keval Shah, Vice Chairman introduced the speaker to the members. The Session started with a brief introduction on the topic and continued with the elaborated explanation on various Devices used for Energy Conservation and how to use them for Energy Conservation when the Climate changes. CMA Nanty Shah proposed vote of Thanks.

Gandhi Jayanti Celebration

Chapter-celebrated Gandhi Jayanti at the Chapter's premises on 2nd October 2021. The Program started with a training session on Tally for Foundation, Intermediate and Final Students. Speaker of the Program was CA Vinod Gundarwala, Practicing Chartered Accountant. CMA Nanty Shah – Chairman addressed the students and CMA Keval Shah – Vice Chairman introduced the faculty. CMA Nanty Shah felicitated the CA Vinod Sir. The session begin with a motivational video and the tally training was conducted on latest version of Tally Prime and the students very enthusiastically learned from the practical examples given by the speaker.

On the occasion, a virtual quiz was being conducted for the students on the life of Mahatma Gandhi. Over 36 students participated in the quiz. CMA Nanty Shah, Chairman felicitated the top 3 winners in the quiz. Finally the last but not the least the Cleanliness Oath was being taken amongst the Managing Committee members present and the students under the “Swacch Bharat Abhiyan” a mass movement initiative taken by the Hon. Prime Minister of India Shri Narendra Modi.

Training session on SAP

Chapter conducted a training session on SAP for Foundation, Intermediate and Final Students. The speaker of the session was CMA Darshan Patel – Senior Executive (Finance), EWAC. CMA Mahesh Bhalala- Secretary Introduced the Speaker to the Audience. CMA Nanty Shah, Chairman felicitated CMA Darshan Patel. The session begins and the faculty taught about SAP by illustrating the Practical Examples of various Companies. Around 60 Students attended the Session. CMA Bharat Savani, Immediate Past Chairman proposed vote of thanks.

Webinar on “How to prepare and Pass Insolvency Professional Exams”

Chapter jointly with Nashik- Ojhar Chapter of ICAI, organized a Webinar on “How to prepare and Pass Insolvency Professional Exams” on 16th October 2021. The Speaker was CMA Ashish P. Thatte- Central Council Member- ICAI, FCMA PhD. CMA Kishor Vaghela- Treasurer- Surat Chapter welcomed the dignitaries and the members. CMA Swapnil Kharade- Chairman – Nashik Chapter addressed the members and CMA Keval Shah, Vice Chairman introduced the speaker to the members. CMA Ashish Thatte explained about the Insolvency Professional Exams syllabus, pattern of questions asked in exam and marking criteria in detail. CMA Arif Khan Mansuri –Treasurer- Nashik Chapter formally thanked the faculty and the members. Around 40 members joined the Webinar.



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)

WESTERN INDIA REGIONAL COUNCIL

Announces

CMA CONCLAVE – GOA 2021

Theme: “Unconventional Opportunities under IBC, 2016”

INAUGURATION :

Dr. Pramod Sawant, *Hon. CM Goa, Chief Guest**

Shri Ajai Das Mehrotra, *Member (Technical), NCLT, Guest of Honor**

CMA Biswaroop Basu, *President ICAI*

(* Confirmation awaited)

TOPICS :

- **Quinquennial of Insolvency and Bankruptcy Code, 2016**
- **Cross Border and Group Insolvency” – Practitioner’s perspective**
- **The Insolvency and Bankruptcy Code, 2016**
- **Registered Valuers Ecosystem and Valuation Profession**

After a gap of 18 months, WIRC of ICAI proudly announces two days Seminar at the beautiful Goa, for the benefit of the members of CMA who hitherto were inactive and had minimum interactions with their professional peers, due to Pandemic induced lockdown.

DATES: Saturday 27th & Sunday 28th November 2021

VENUE: Rio Boutique Verem, North Goa, Panjim

DELEGATE FEE:

Rs. 5,000/- + 18% GST (Twin Sharing Accommodation) • Rs. 3,000/-+ 18% GST (For Non-residential Members) • Rs. 3,000/- + 18% GST (For Accompanying Spouse)

(Fees include Participation fees, all meals & Gala Dinner) CEP Credit - 8 Hours

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MICR Code: 400012111 | PAN: AAATT9744L

For registration, please send email to wirc.admin@icmai.in

PROGRAMME SCHEDULE

Saturday, 27th November 2021

Time	Session
09.00 a.m. – 10.00 a.m.	Registration and Tea/Coffee
10.00 a.m. – 11.00 a.m.	INAUGURATION
11.00 a.m. – 12.30 p.m.	Technical Session 1 – Member (Technical), NCLT Quinquennial of Insolvency and Bankruptcy Code, 2016” – The thoughts and perspectives of practitioners, policymakers, subject matter experts and academicians, that elucidate and stimulate thoughts around the journey of the Insolvency & bankruptcy Code, 2016(Code) thus far and the road ahead. It is an attempt to contribute to the scholarly and policy discourse around insolvency law.
12.30 p.m. – 02.00 p.m.	LUNCH
02.00 p.m. – 04.30 p.m.	Technical Session 2 – “Cross Border and Group Insolvency” & Personal & Partnership Insolvency – Enhancing the territories Support services to IBC Ecosystem by CMA IP Dushyant C. Dave , Practicing Cost Accountant, Partner D. C. Dave & Co. Founding Director Decode Resolvency International P. Ltd., CMA Harshad Deshpande , CMA Ashok Nawal
04.30 p.m. – 05.30 p.m.	TEA
08.00 p.m. – 10.00 p.m.	Get together & Gala Dinner

Sunday, 28th November 2021

11.00 am. -12.30 p.m.	Technical Session 3 – Forensic Audit of ‘PUFE’ transactions under IBC 2016: Mr. Arijit Chakraborty IBC 2016 has been a game changer providing an efficient framework to deal with business failures. The Code sets out structured steps with insolvency and liquidation proceedings in a time bound efficient manner in order to maximize possible
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value of stressed assets. Sections 43 to 51 and Section 66 of the Code stipulate that Resolution Professional (RP) has to file avoidance of specified transactions with the adjudicating authority. Specific transactions includes Preferential, Undervalued, Fraudulent / wrongful and Extortionate credit (PUFE) transactions carried out with an intent to defraud creditors. This necessitates a focused Forensic Audit delving deep into the transactions to check for inconsistencies, diversion, manipulation and suspicious trends. The seminar shall address the regulatory framework, key approach of Forensic audit with respect to PUFE transactions in IBC and discuss the red flags, internal controls review, use of IT tools, audit steps and checklists to assist Forensic Auditors and RPs.

12.30 p.m. – 02.00 p.m.
02.00 p.m. – 04.00 p.m.

LUNCH

Technical Session 4 – Registered Valuers Ecosystem and Valuation Profession Panelist CMA R. K. Patel, Registered Valuer **Vr. Kedar Chikodi**, President PVAI RVO,

Registered Valuers Ecosystem and Valuation Profession – History of valuation profession, need of unified regulatory structure for valuation profession, benefits of present regulatory regime under the Rules, practical aspects pertaining to valuation such as duties of valuer, parameters to judge quality of valuation report, extent of limitations, caveats and disclaimers to be used in valuation report and beneficial purpose for which valuation report may be used. The new regulatory framework under the Rules and stressed the need of recognizing context of valuation.

4.00 p.m. – 4.30 p.m.

Valedictory Session:

Cheif Guest **CMA Raju Iyer**, Vice President, ICAI

Host – Goa Chapter – The Institute of Cost Accountants of India
Behind every successful business decision, there is always a CMA

CMA Dinesh Kumar Birla
Chairman WIRC – ICAI

CMA Shriram N. Mahankaliwar
Vice Chairman, WIRC - ICAI

CMA Mahendra Bhombe
Hon. Secretary & Treasurer, WIRC - ICAI

CMA Harshad Deshpande
Chairman, PD Committee WIRC – ICAI

CMA Irudayam Savarimuthu
Chairman – Goa Chapter of ICAI

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