

# The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)



## Bengaluru Branch (SIRC) e-Newsletter

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### New Torch Bearers for the Year 2024-25



CA. Ranjeet Kumar Agarwal  
President, ICAI



CA. Charanjot Singh Nanda  
Vice-President, ICAI



CA. Geetha A. B  
Chairperson, SIRC of ICAI

### Newly Elected Office Bearers - 2024-25



CA. Pramod R. Hegde  
Chairman



CA. Hallur Manjunath Mahanthappa  
Vice-Chairman



CA. Kavitha Paramesh  
Secretary



CA. Tuppada Virupakshappa Muppanna  
Treasurer

JNANA  
PRAVARTANAM

Navigating this Journey with Compass of Knowledge



### CPE MEETINGS

- Study Circle Meeting  
**TDS and TCS - A Master Class**  
6<sup>th</sup> March 2024
- CPE Program at Tumkur  
**1. Year end Tax round up- things to take care before closure of books**  
**2. Year end tax round up – GST**  
**3. Discussions on few provisions of Income Tax Act and preparedness for tax audit**  
**4. First wave of GST reassessments - discussing few common and uncommon observations and case law analysis**  
9<sup>th</sup> March 2024
- Study Circle Meeting  
**Related Party Auditing and Accounting issues**  
13<sup>th</sup> March 2024
- Women CAs Conference  
16<sup>th</sup> March 2024
- Study Circle Meeting  
**Companies Act Mandatory Demat of Shares of Pvt. Ltd.**  
20<sup>th</sup> March 2024
- Hands on Training on  
**Excel for Bank Branch Audit**  
26<sup>th</sup> March 2024
- Seminar on  
**New State Gratuity Rules & intricacies with Income Tax & Accounting Standards**  
27<sup>th</sup> March 2024
- One Day Seminar on  
**Bank Branch Audit**  
30<sup>th</sup> March 2024
- CPE Program at Tumkur  
**TDS and TCS - A Master Class**  
30<sup>th</sup> March 2024
- Study Circle Meeting  
**Recent updates in GST (incl. ISD)**  
3<sup>rd</sup> April 2024
- Study Circle Meeting  
**CBcR – Some Nuances & Recent Developments**  
10<sup>th</sup> April 2024
- Study Circle Meeting  
**Ind AS and its interplay with Fair Valuation**  
17<sup>th</sup> April 2024
- Study Circle Meeting  
24<sup>th</sup> April 2024
- Seminar on  
**IBC**  
27<sup>th</sup> April 2024



**Dear Esteemed Members of the Beloved Bengaluru Branch,**

**A**s I pen down my first message for our revered journal, a deep sense of honour and responsibility envelops me. To be elected as the 55th Chairman of the Institute of Chartered Accountants of India - Bengaluru Branch (SIRC), and to lead the largest, most vibrant branch in our prestigious institution for the term 2024-25, is a privilege that I accept with both humility and eagerness. Our branch, a colossal family comprising over 20,057 members and 40,000 students, stands as a testament to the dedication, diversity, and dynamism that defines the very essence of our profession.

The theme of my tenure, 'JNANA PRAVARTANAM - Navigating the Journey with the Compass of Knowledge,' articulates our collective aspiration to lead through enlightenment and expertise. It is a beacon that will guide our efforts to empower

every member and student to excel amidst the rapidly evolving landscapes of our profession. Our commitment is to cultivate a culture of continuous learning, to pioneer innovative solutions, and to uphold the highest standards of ethics and professionalism that have long distinguished us.

The recognition of our branch as the second-best branch nationally, in both the members and students categories for two consecutive years, is a remarkable honour that underscores the responsibility we carry. This accolade challenges us to reach further, to innovate more boldly, and to lead with even greater purpose.

In this transformative year, marked by digital advancement, environmental consciousness, and the imperative for incessant innovation, our branch is poised to make significant contributions. We are committed to leading dialogues, initiatives, and collaborations that not only keep us at the forefront of professional excellence but also contribute meaningfully to the global discourse on these critical issues.

I stand before you immensely proud of our collective achievements and inspired by the unwavering spirit of our community. Your engagement, expertise, and enthusiasm are the foundation upon which our branch thrives. As we embark on this journey together, I invite each of you to participate actively, to share your insights, and to contribute to our collective mission. Our success is a reflection of our unity, our strength, and our commitment to excellence.

Allow me to extend my deepest gratitude to each member of our community and to introduce the dedicated office bearers who will join me in steering our branch towards its ambitious goals:

- Vice Chairman – CA. Hallur Manjunath Mahanthappa
- Secretary – CA. Kavitha Paramesh
- Treasurer – CA. Tuppad Virupakshappa Muppanna
- SICASA Chairman - CA. Shripad Hulgol Narayan

Additionally, I want to acknowledge the invaluable contributions of our other esteemed Committee Members:

CA. Chandra Prakash Jain T

CA. Rejo J Johnson

I also extend a special note of gratitude to the Past Chairman, CA Srinivasa T, with whom I have closely worked with.

A special note of appreciation to the Outgoing Chairperson, CA. Divya S and the immediate Past team, whose efforts have been instrumental in our Branch's achievements.

I would like to thank CA. Cotha S. Srinivas, Central Council Member of ICAI for being Election Officer & for his guidance of oath taking process on the day of Newly Elected Office Bearers & Managing Committee Members of Bengaluru Branch (SIRC) on 19th February 2024.

I also Congratulate CA. Ranjeet Kumar Agarwal and CA. Charanjot Singh Nanda on their election as the President and Vice President of ICAI, respectively, and CA. Geetha A. B as the Second lady Chairperson of SIRC, wishing them and the entire team a vibrant and successful year ahead.

As we step into this new chapter, let us unite in our endeavours, fortified by the bonds of collaboration and driven by a shared vision for the future. Together, we are poised to explore new frontiers, to face challenges with resilience, and to achieve greatness. I look forward to leading our branch with dedication, integrity, and a forward-looking vision that propels us all towards new heights of success.

On a closing note, I'd like to express my profound gratitude for the warmth and acceptance I've received. Our journal isn't just a compendium of articles and updates; it's a reflection of our shared journey, our victories, and our aspirations. I urge each one of you to contribute, share, and engage - making this not just a journal but a legacy.

Together, towards a brighter future.

Warm regards,

**CA. Pramod R Hegde**

Chairman

Bengaluru Branch (SIRC)



## CALENDAR OF EVENTS CPE MEETINGS FOR THE MONTH OF MARCH 2024

DATE AND DAY	TOPIC / SPEAKER	TIME	STRUCTURED CPE CREDIT
06.03.2024 Wednesday	<b>Study Circle Meeting</b> <b>T D S and T C S - A Master Class</b> CA. Sanjana Dawar & CA. Nitin Inamdar Delegate Fees : <b>Members – Rs.250/-</b> Plus GST	S. Narayanan Auditorium Vasanthnagar 5.00 pm to 8.00 pm	<b>3</b> hrs
09.03.2024 Saturday	<b>CPE Program</b> <b>1. Year end Tax round up- things to take care before closure of books</b> <b>2. Year end tax round up – GST</b> <b>3. Discussions on few provisions of Income Tax Act and preparedness for tax audit</b> <b>4. First wave of GST reassessments - discussing few common and uncommon observations and case law analysis</b> CA. Ishita Bhaumik & CA. Suchindra R K Delegate Fees : <b>Members – Rs.500/-</b> Plus GST	Chartered Accountants Association of Tumkur TDCAA Premises, 2nd Cross, Srinagar, Tumkur 10.00 am to 2.15 pm	<b>4</b> hrs
13.03.2024 Wednesday	<b>Study Circle Meeting</b> <b>Related Party Auditing and Accounting issues</b> CA. Vikas Oswal Delegate Fees : <b>Members – Rs.200/-</b> Plus GST	S. Narayanan Auditorium Vasanthnagar 6.00 pm to 8.00 pm	<b>2</b> hrs
16.03.2024 Saturday	<b>Women CAs Conference</b> <i>Organized by : Bengaluru Branch (SIRC)</i> Delegate Fees : <b>Members – Rs.750/-</b> Plus GST  <i>Details will be uploaded on the website</i>	Royal Orchid Hotel Regenta Place Cunningham Road 11, Park Road, Shivajinagar Bengaluru – 560 051 9.30 am to 6.00 pm	<b>6</b> hrs
20.03.2024 Wednesday	<b>Study Circle Meeting</b> <b>Companies Act Mandatory Demat of Shares of Pvt. Ltd.</b> CS. Kannan Delegate Fees : <b>Members – Rs.200/-</b> Plus GST	S. Narayanan Auditorium Vasanthnagar 6.00 pm to 8.00 pm	<b>2</b> hrs

## CALENDAR OF EVENTS

### CPE MEETINGS FOR THE MONTH OF MARCH & APRIL 2024

DATE AND DAY	TOPIC / SPEAKER	TIME	STRUCTURED CPE CREDIT
26.03.2024 Tuesday	<b>Hands on Training on Excel for Bank Branch Audit</b> <b>CA. Venugopal G</b> Delegate Fees : <b>Members – Rs.500/-</b> Plus GST	ICAI, 29/1, Race Course Road, Bengaluru – 560001 5.00 pm to 8.00 pm	<b>3 hrs</b>
27.03.2024 Wednesday	<b>Seminar on New State Gratuity Rules &amp; intricacies with Income Tax &amp; Accounting Standards</b> Navigate the new landscape of employee welfare with the Karnataka Compulsory Gratuity Insurance Rules, 2024, and delve into its intricacies with Income Tax and Accounting Standards to understand the comprehensive impact on financial management and regulatory compliance. <b>Advocate Aditya Kamath</b> <b>CA. Deepak Chopra</b> <b>CA. Mohan R Lavi</b> Delegate Fees : <b>Members – Rs.250/-</b> Plus GST	<b>S. Narayanan Auditorium Vasanthnagar</b> 5.00 pm to 8.00 pm	<b>3 hrs</b>
30.03.2024 Saturday	<b>CPE Program T D S and T C S - A Master Class</b> <b>CA. Sandeep Chalapathy &amp; CA. M S Rohith</b> Delegate Fees : <b>Members – Rs.500/-</b> Plus GST	Chartered Accountants Association of Tumkur, TDCAA Premises, 2nd Cross, Srinagar, Tumkur 10.00 AM to 2.00 PM	<b>4 hrs</b>
30.03.2023 Saturday	<b>One Day Seminar on Bank Branch Audit</b> Organized by : Bengaluru Branch (SIRC) Delegate Fees : <b>Members – Rs.2,300/-</b> Plus GST <b>Non Members – Rs.4,000/-</b> Plus GST Details at Pg. No.26	<b>Venue to be Finalized</b> 9.30 am to 6.00 pm	<b>6 hrs</b>
03.04.2024 Wednesday	<b>Study Circle Meeting Recent updates in GST (incl. ISD)</b> <b>CA. Hanish S</b> Delegate Fees : <b>Members – Rs.200/-</b> Plus GST	<b>S. Narayanan Auditorium Vasanthnagar</b> 6.00 pm to 8.00 pm	<b>2 hrs</b>



## CALENDAR OF EVENTS CPE MEETINGS FOR THE MONTH OF APRIL 2024

DATE AND DAY	TOPIC / SPEAKER	TIME	STRUCTURED CPE CREDIT
10.04.2024 Wednesday	<b>Study Circle Meeting</b> <b>CBcR – Some Nuances &amp; Recent Developments</b> CS. Bharath Lakshminarayana Delegate Fees : <b>Members – Rs.200/-</b> Plus GST	S. Narayanan Auditorium Vasanthnagar 6.00 pm to 8.00 pm	<b>2 hrs</b>
17.04.2024 Wednesday	<b>Study Circle Meeting</b> <b>Ind AS and its interplay with Fair Valuation</b> CA. Anjan Babu Delegate Fees : <b>Members – Rs.200/-</b> Plus GST	S. Narayanan Auditorium Vasanthnagar 6.00 pm to 8.00 pm	<b>2 hrs</b>
24.04.2024 Wednesday	<b>Study Circle Meeting</b> <b>To be finalized</b> Delegate Fees : <b>Members – Rs.200/-</b> Plus GST	S. Narayanan Auditorium Vasanthnagar 6.00 pm to 8.00 pm	<b>2 hrs</b>
27.04.2024 Saturday	<b>Seminar on IBC</b> <i>Organized by : Bengaluru Branch (SIRC)</i> Delegate Fees : <b>Members – Rs.1,300/-</b> Plus GST <i>Details will be uploaded on the website</i>	Hotel Fairfield – Marriott, 59th C Cross, 4th M Block, Rajajinagar, Bengaluru	<b>6 hrs</b>

### Advertisement Tariff for the Branch e-Newsletter

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**Advt. material should reach us before 22nd of previous month.**

EDITOR :  
**CA. PRAMOD R HEGDE**

SUB EDITOR :  
**CA. KAVITHA PARAMESH**

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# AUDIT TRAIL: UNDERSTANDING THE FINE PRINT

CA. Kedar Sawale

## Introduction:

A regulation that has now been in effect for more than ten (10) months and after two (2) rounds of postponing the applicability start date – but still has a lot to achieve, and to adopt and comply with the regulation.

FY 2023-24 will be the first full year of adaptation for this regulation. A lot has already been written and / or spoken on this subject through various mediums and channels. Through this article, I will try to give the readers a deeper view of the requirements and try to provide view to some of the key assumptions or presumptions that exists even today.

What the law expects for the companies to adopt and for the auditors to report on, has been summarized in the table below providing some key differences between the expectation from the two stakeholders:

S. No	Requirement	Applicability	
		Companies (Accounts) Rules, 2014	Companies (Audit and Auditors) Rules, 2014
	Applicable dates (#)	April 1, 2023	April 1, 2022
1	Applicable to every company [covered under The Companies Act, 2013]	Yes	Yes
2	Applies if accounting software being used for maintaining books of account	Yes	Yes
3	Accounting software to have feature of recording audit trail	Yes	Yes
4	Such feature should be for each and every (all) transaction(s)	Yes	Yes

S. No	Requirement	Applicability	
		Companies (Accounts) Rules, 2014	Companies (Audit and Auditors) Rules, 2014
	Applicable dates (#)	April 1, 2023	April 1, 2022
5	Feature to provide for creating an edit log of each change made in the books of account along with the date when such changes were made	Yes	Not specified
6	Such feature regarding audit trail should not be disabled	Yes	Not specified
7	Operated throughout the year	Not specified	Yes
8	Has not been tampered with	Not specified	Yes
9	Preservation of Audit Trail as per the statutory requirements	Not specified	Yes

(#) The Implementation Guide released by ICAI, however, states in its Para 30 that since the Rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable for the company only w.e.f. April 1, 2023, hence it is not applicable to the statutory auditors to report on the same for the financial Y.E. March 31, 2022.

Basis the above, management is required to answer the following questions and report the same to the audit committee or those charged with governance:

- What records and transactions constitute books of accounts under section 2(13) of the Companies Act, 2013?



- What are the key IT Elements in the organization which are used for processing or storing of accounting data?
- Has Audit Trail been enabled or configured for each of the identified transactions?
- Does the configured Audit Trail capture “Who”, “When” and “What”?
- Have controls been identified and implemented to maintain and monitor the features of Audit Trail in the IT Elements?
- How to ensure that the audit trail feature is always enabled (not disabled)?
- Does the organization use generic User IDs for transaction posting into the IT Elements? How is the ownership and accountability established?
- Has the access to Audit Trail configuration been authorized and logged?
- Have the Audit Trails been considered for archival or back-ups and whether access to such backups is controlled?
- Does the Management review the change logs for enabling or disabling the configuration settings to the audit logs?
- Are direct changes permitted to the tables in Database? If yes, do these also get logged?
- Who has access to view / edit / delete the data residing in the audit trail tables? Has such access been reviewed / authorized / monitored continuously by the management?
- Does the Management’s testing for Internal Financial Controls (IFC) include the testing of all the controls related to establishing, maintenance and monitoring of the Audit Trails, its underlying configurations, and its changes, if any, or the data residing in the Audit Trail tables?

As the Management is expected to answer the above questions – the Statutory Auditors are required to address following questions before reporting the same in the audit report:

- Evaluate Management identified records and transactions (Accounting events) for completeness of the books of account.
- Assess the approach adopted by Management for establishing, maintaining, and monitoring the requirements of Audit Trail to meet the regulatory requirements prescribed.
- Check if all the relevant IT Elements required to be considered for enabling Audit Trails, have been adequately considered by the Management and brought into the scope for Audit Trail requirements.

- Understand the Management’s methods of managing changes to the Audit Trail enablement and assess the impact of such changes onto the requirements of Audit Trails
- Perform tests to confirm the appropriateness of the controls within IT elements provided by the management and substantiate that any such control failures or deviations are assessed for its impact of the Audit Trail requirements, e.g.:
  - Audit trail feature has been disabled or deactivated.
  - Generic User IDs were assigned to authorized individuals.
  - Access to audit trail configuration was authorized and adequate procedures are in place to enable archiving of Audit Trail data to enable record retention.
  - No tampering (intentional or technical) to audit trail configuration and audit log tables.
- Validate effectiveness of the management’s monitoring controls to confirm Audit trail functionality was enabled throughout the period at both application and database level.
- Verify details captured in the management representation are in accordance with the Management responsibilities towards achieving the prescribed requirements on audit trail.

#### **Assumptions or Presumptions:**

Basis the above requirements, and many discussions at various forums as well as our conversations with certain management personnel, we noted various assumptions or presumptions or notions are existing towards fulfillment of these requirements. In this section we have tried to provide details on why each of such key aspect may not be considered as an assumption and what actions may be expected by the management to ensure compliance with the requirements.

#### **Assumptions:**

- High end ERP’s have in-built functionalities for Audit Trail and Management does not need to carry out any additional actions for such:

Although Audit Trail maybe enabled in such ERP software’s – critical aspects to evaluate are, whether the custom transactions and tables also have similar level of Audit Trails enabled, access provisioned or used to edit the configuration or customization settings for enablement or de-enablement of such functionalities, adequate archiving of the logs for continued availability.



- IT Elements outsourced to Vendors / Business Partners or hosted with the Parent Organization outside of India need not be covered for these requirements:

Although foreign companies are not required to be covered for Audit Trail – but where an IT Element has been hosted jointly with the Parent Organization or outsourced to a Vendor or a third-party service provider and used by a Company based in India, it will need to be considered as in-scope for this regulation and would be covered in accordance to the prescribed requirements.

- Software applications used for recording of transactions to the books of account is more important than the database underlying the applications:

Changes to the transactions processed through the IT application or directly on the database underlying the IT Application are both equally important. Transactions edited at the database level will prevail for all management reporting and decision-making requirements – hence the changes made directly to the database will also be important and carry similar requirements as much as application-level changes.

- Only reversal entry is possible to a posted transaction hence Audit Trail is not applicable:

The primary posting of a transaction and its reversals or correction posting, if any, should be considered as an accounting event for the Audit Trail purposes and needs to be logged and trailed for changes / edits.

- Controls identified and tested for IFC are sufficient to address the requirements for Audit Trail as well:

- Materiality thresholds will not apply for Audit Trail scoping whereas it may be applied to IT Element scoping for IFC.
- The period of coverage for outsourced application maybe up to 9 months of the year – while for Audit Trail requirements – application testing needs to be covered for the complete 12 month period. Roll forward option is not available.
- Further, testing for audit trail has to be covered not just up to the date of financial year end but also up to the date of audit report.
- Control testing for IFC is based on the principle of achieving reasonable assurance while for Audit Trail requirements, the assurance required is for the year, and a conformance that no instance of tampering or disablement of logs has been occurred.

#### Impact or role of IFC on Audit Trail and vice versa

- Scoping of IT Elements: All applications scoped-in for IFC will typically get scoped-in for Audit Trail and there maybe additional elements that would be added as materiality-based exclusions does not apply for Audit Trails.
- Assurance Required: For IFC the statutory auditors need to provide reasonable assurance, while for Audit Trail they need to provide fact-based report in case of any tampering or disablement of Audit Trail in the year of Audit.
- Sample Testing: IFC assurance approach is based on sample testing operating effectiveness of controls. Auditors may adopt a sample testing approach for Audit Trail but for controls like changes to the configuration of Audit Trail will need to be reported on the basis of facts and not just on the basis of samples tested. e.g.: If a configuration control for setting to enable Audit Trail has been tested, it also needs to be evaluated in case there has been any edits made in the year whereby the Audit Trail was disabled, and if yes, the period of such disablement of Audit Trail needs to be reported upon along with the opinion on its impact to the existence and adequacy of Audit Trail in the organization.
- Deficiencies in IT General Control do not impact the Audit Trail opinion: There cannot be any one-to-one correlation between the IT General Control deficiencies in relation to IFC v/s the reporting for Audit Trail. Even if there are deficiencies to Change Management or User Access Governance and Management, these may not directly impact the existence and appropriateness of Audit Trails in the environment or vice versa. Hence, every deficiency needs to be evaluated from each other's perspective as well, and assessed in case a deficiency in one area carries an impact on the other area of reporting.

The requirements for Audit Trail also pose significant challenges for the Management wherein the CFO and CIO have been grappling with various concerns to identify financial transactions, enable Audit Trail, ensure non-tampering of the Trail data, assess the impact for disablement of the Audit Trail and ensure adequacy of Trail data and its availability for the purposes of Audit as well as future reference for the organization and for reporting to those charged with governance. Some of the key challenges faced by the management in this process are as follows:

- Identification of IT Elements along with the underlying accounting transactions under each of the IT Element which need to be logged in order to comply with the



requirements of the regulation. The scoping of IT Elements should be supported with an appropriate justification and cannot be scoped out based on materiality.

- Voluminous data logs will require additional storage space and consequential changes to the existing infrastructure including load balancing for performance of IT Elements. Evaluation of logging tool requirements or re-negotiating the contracts with existing vendors to align the implementation and support requirements along with economic feasibility and timelines.
- Liaising with tech support team (internal or external) for implementation of designed solution within the existing IT environment.
- Align with outsourcing partners for the required controls to be implemented at their end and have reporting enabled within the SOC reports.
- Ensuring a robust control framework pertaining to administration of 'audit trail' feature to restrict unauthorized activities and achieve compliance throughout the year.
- Frequent monitoring of voluminous logs needs to be aligned with the existing internal control framework. Use of exception-based reporting to effectively monitor business anomalies that need management's timely attention.
- Ensuring appropriate retention of periodic backups for audit trails.
- Enabling processes for archival and its backups as per statutory requirements.

#### **Conclusion:**

The Ministry of Corporate Affairs has made it mandatory for Companies to ensure that their accounting software records the Audit Trail of transactions, April 1, 2023, onwards. It's important for businesses to maintain a comprehensive and complete audit trail, so that they can track back any irregularities and find process breakdowns, if any. Organizations need to look at this requirement beyond compliance to a regulatory requirement.

Management have shown immense commitment by taking lead on enabling these requirements and showcasing their sense of transparency and increasing the confidence on them by those charged with governance as well as the Auditors.

Root cause analysis and investigations will be much easier for

transactions and processes covered through an automated audit trail.

Despite the key challenges that management is facing today, some of the key advantages for having Audit Trail (like increased accountability, detection and prevention of Frauds, possibility of more detailed audits, timely identification and correction of errors and adherence to regulatory requirements) far outweigh these challenges.

#### **References:**

- Section 143(3) of the Companies Act, 2013 provides various matters on which auditors are required to report in their auditor's report. Clause (j) of Section 143(3) states that auditor's report shall also state such other matters as may be prescribed. Rule 11 of the Companies (Audit and Auditors) Rules, 2014 specifies such other matters that are to be reported by the auditor.
- The Ministry of Corporate Affairs (MCA) vide its notification No. GSR 206(E) dated March 24, 2021 has issued the "Companies (Audit and Auditors) Amendment Rules, 2021" read with sub-section 3 of Section 143 of the Companies Act, 2013 (hereinafter referred as "the Act") new Rule 11(g)
- Notification G.S.R. 206(E) dated March 24, 2021 new requirement for companies has been prescribed under the proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014
- Implementation Guide on Reporting on Audit Trail under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014 (Revised 2024 Edition)
- SAP HANA Database:  
[https://help.sap.com/docs/SAP\\_HANA\\_COCKPIT/afa922439b204e9ca...](https://help.sap.com/docs/SAP_HANA_COCKPIT/afa922439b204e9ca...)
- Microsoft SQL Database:  
<https://learn.microsoft.com/en-us/sql/relational-databases/s...>
- Oracle Database:  
[https://docs.oracle.com/cd/E95618\\_01/html/sbc\\_scz810\\_adminse...](https://docs.oracle.com/cd/E95618_01/html/sbc_scz810_adminse...)  
<https://docs.oracle.com/en/cloud/paas/management-cloud/colle...>
- Oracle EBS:  
[https://docs.oracle.com/cd/E26401\\_01/doc.122/e22952/T156458T...](https://docs.oracle.com/cd/E26401_01/doc.122/e22952/T156458T...)

# ETHICS ..... THE DISTINGUISHING MARK OF THE PROFESSION

CA. S. Sundaresan



We have always been brought up in our culture to follow the Ethical and Moral principles applicable to an individual and to the relevant vocation we undertake. Our scriptures literally had them as the core principle of living. Sathyam Vadha (speak the truth) and Dharmam Chara ( Follow the Dharma) are the eternal teachings for everyone . Ethics is ingrained in every aspect of our life. It is very important for a professional specially for a Chartered Accountant who has the responsibility of Public interest directly or indirectly in his services in Practice or in Service in an organisation.

As a profession such Ethical standards are codified internationally for everyone to apply them uniformly and to gain the confidence and trust of all the stakeholders of our commitment to follow them. It is the important distinguishing factor of the profession and the professionals.

Code of Ethics 2019 of the Institute of Chartered Accountants of India (ICAI) is derived from the International Ethics Standards Board (IESBA) Code of Ethics 2018 issued by the International Federation of Accountants (IFAC). It is to be noted the code is revised and updated when necessary to keep pace with the dynamic world in which we operate where complexities keep on increasing.

## What is the Code of Ethics?

Essentially it is a set of professional

ethical principles and standards, regulating the relationship of Chartered Accountants with clients, employers, employees, fellow members of the group and the public.

The code of conduct consists of the following:

- Volume I – Covers Fundamental Principles of Ethics, Policies Applicable to Professional Accountants in Service, Policies applicable to Professional Accountants in Public Practice and Independence Standards
- Volume II – Covers Provisions of the Chartered Accountants Act, 1949, including Schedules, Council Guidelines for Advertisement, 2008, Council General Guidelines, 2008 and Self-Regulatory Measures Recommended by the Council
- Volume III – Covers Case Laws Referencer

The structure of Volume I is as below:

- Part 1 deals with matters on complying with the Code, Fundamental Principles, and Conceptual Framework. (Section 100-199)
- Part 2 deals with provisions relating to Professional Accountants in Service (sections -200-299)
- Part 3 deals with Professional Accountants in Public Service (sections 300-399)
- Part 4 deals with Independence Standards (Section 400 – 999)

## Fundamental Principles

These are the five core principles to be followed by the professional:

**Integrity (Sec 111)** - to be straightforward and honest in all professional and business relationships.

**Objectivity (Sec 112)** - not to compromise professional or business judgments because of bias, conflict of interest or undue influence of others.

**Professional Competence and Due Care (Sec 113)** -

- To Attain and maintain professional knowledge and skill at the level required to ensure that a client or employing organization receives competent professional service, based on current technical and professional standards and relevant legislation; and to
- Act diligently and in accordance with applicable technical and professional standards.

**Confidentially (Sec 114)** - to respect the confidentiality of information acquired as a result of professional and business relationships.

**Professional Behavior (Sec 115)** - to comply with relevant laws and regulations and avoid any conduct that the professional accountant knows or should know might discredit the profession.

If one does not act with integrity there is no question of any reliability and trust on his actions. It is all



pervasive. Objectivity is the hall mark of a professional judgement. Very often we may be caught in conflict or bias and influence of others. Several specific provisions are enablers for the professional to maintain objectivity or to remove any doubts about his perceived ability to maintain objectivity and independence. One is required to acquire appropriate professional skills and competence before taking up any services. As a professional one needs to act in accordance with the standards which have been prescribed.

A professional may come across several information during his professional or business relationship and he is bound to maintain confidentiality. It is to be noted there are exceptions required by any law or under the code like NOCLAR which we will discuss later.

Sometime there could be conflict between these principles. One should have appropriate consultations and precautions before taking suitable actions at those times to resolve the conflict.

### **Conceptual Framework**

The framework for implementing the code is essentially a Threats and Safeguard approach. It means to identify the threats to follow the fundamental principles, evaluate them and address the threats to an acceptable level. In fact, with many aspects of the code becoming part of legal compliance one should target zero deviation on specific provisions say e.g. on independence .

### **Type of Threats to follow the Fundamental Principles**

There could be different types of threats as discussed below:

**Self Interest** - the threat that a financial or other interest will inappropriately

influence a professional Accountant's judgment or behaviour. Any financial interest like shareholdings or close relationship with key personnel could be examples of this type of threat. Even the fees charged are being looked at self interest. Very high fees (individually or a part of one's income) or a very low fees not commensurate with the work involved could pose a self-interest threat.

**Self-review threat** – the threat that a professional accountant will not appropriately evaluate the results of a previous judgment made; or an activity performed by the accountant, or by another individual within the accountants firm or employing organization, on which the accountant will rely when forming a judgment as part of performing a current activity; Examples could be Valuation and statutory audit, internal audit and statutory audit.

**Advocacy threat** – the threat that a professional accountant will promote a client's or employing Organization's position to the point that the accountant's objectivity is compromised.

**Familiarity threat** – the threat that due to a long or close relationship with a client, or employing organization, a professional accountant will be too sympathetic to their interests or too accepting of their work; This threat has been perceived by the regulators as quite high and to mitigate the threat they have introduced audit rotation in specific types of companies and financial institutions.

**Intimidation threat** – the threat that a professional accountant will be deterred from acting objectively because of actual or perceived pressures, including attempts to exercise undue influence over the accountant. E.g.This could

simply be due to the mammoth size of the client.

### **Evaluating Threats:**

While evaluating the threats, a Professional Accountant shall look at whether a threat is at an acceptable level. He must consider all the factors relevant in evaluating the level of threats. This evaluation needs to be updated appropriately.

He has to take into consideration new information or changes in facts and circumstances. If new information results in the identification of a new threat, it must be addressed.

### **Addressing Threats:**

A Professional Accountant shall address the Identified threats by eliminating or reducing them to an acceptable level by :

Eliminating the circumstances including interests / relationships that are creating the threats

Applying safeguards to reduce the threats to an acceptable level

In case, he cannot address the threats to an acceptable level, he may consider declining or ending the specific professional activity.

The Fundamental Principles are to be followed by evaluating the threats and addressing the threats to eliminate or reduce them to an acceptable level. As the threats perceived are considered important especially in respect of audit and assurance engagements the Code itself prescribes Independence Standards. In addition, the Regulations like Companies Act prescribe similar or more stringent provisions.

The Professional Accountant may be challenged in many circumstances. The code has several detailed circumstances and the application guidance in dealing

with them. The key aspect is conflict of interest which could affect the Objectivity of a Professional Accountant.

**Conflict of Interest:**

Conflict of interest is taking up a professional assignment which may conflict with another assignment with the same client or with another client. For instance, it could be between an audit and non audit assignment. It could relate to two assignments of different clients when they are party to a transaction. It may also conflict with the financial or other interest of the Professional Accountant.

The Independence standards of the Code deal with specific provisions which will enable to address various threats to the Fundamental Principles.

**INDEPENDENCE**

Independence is a key requirement for a Professional Accountant in Practice when performing audit and assurance engagements in which judgements have to be made and an opinion is required to be reported. It is a requisite for an objective and unbiased opinion.

Independence is of two levels.

**Independence of Mind:**

It is the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgement thereby allowing an individual to act with integrity and exercise objectivity and professional skepticism

**Independence in Appearance:**

It involves avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude that a firm's or an audit or assurance team member's integrity, objectivity, or professional skepticism has been compromised

The independence standards of the code and regulatory provisions like Companies Act deal with restrictions to protect essentially the Independence in Appearance and possible perceived threats to Independence of Mind and other threats to application of fundamental principles.

The restrictions are in respect of Financial Interest, Personal or Business Relationship and in non-audit/assurance services which are briefly discussed here (not comprehensive)

**Applicability of Independence standards**

Independence standards apply to audit clients (Part 4A of the code) and assurance clients (Part 4B). The audit clients may be Public Interest Entities (PIE) or other than PIE. They also apply to related entities of audit clients.

**Related Entities of a Listed audit client:**

- Entity that has direct or indirect control over Audit Client, if Audit Client is material
- Entity over which Audit client has direct or indirect control
- Entity which has direct financial interest in the Audit Client if the entity has significant influence over Audit Client and Audit Client is material to such entity.
- Entity over which Audit Client (directly or through its controlled entities) has significant influence and such interest is material to the Audit Client and its controlled entity
- Entity which is under common control with the Audit Client (a "sister entity") if the sister entity and the Audit Client are both material to the entity that controls both the Audit Client and sister entity.

**Related entities of a non-listed audit client**

Entity over which audit client has direct or indirect control.

The restrictions apply to the financial year /period under audit and the auditing period.

**Restrictions on Financial Interest and Business Relationship**

As Section 141 and 144 of the Companies Act 2013, are a bit more stringent and are overriding it is appropriate to see the restrictions as per the Act:

**Disqualification: (Section 141)**

it applies to a person who , or his relative or partner and cover the company or its subsidiary or of its holding or associate company or a subsidiary of such holding company

- (i) is holding any security of or interest (the relative can hold upto a sum of Rs. 1 Lakh)
- (ii) indebtedness (exceeding Rs 5 lakhs)
- (iii) given guarantee or providing security exceeding Rs 1 lakh.

It also applies to Business relationship by the person or the firm whether directly or indirectly i.e. any transaction for commercial purpose except the professional service permitted to be rendered by the auditor or audit firm under the Act and the Chartered Accountants Act and rules and regulations thereunder and commercial transactions which are in the ordinary course of business of the company at arm's length price like sale of products or services to the auditor of telecom, airlines, hospitals and similar businesses.

**Section 144** of the Companies Act prohibits the following services by the auditor of the company, directly or



indirectly, to the company or its holding company or subsidiary company:

- (a) accounting and book keeping services
- (b) internal audit
- (c) design and implementation of any financial information system
- (d) actuarial services
- (e) investment advisory services
- (f) investment banking services
- (g) rendering of outsourced financial services
- (h) management services and
- (i) any other kind of services as may be prescribed.

It may be noted that the terms like outsourced financial services and management services may be interpreted and applied widely and needs careful consideration.

#### **Restrictions as per the Code:**

The Independence standards provide detailed guidance on the restrictions on financial interest, relationships, and restrictions on non-audit services which we may be discussed briefly below:

**Financial Interest:** The code of conduct deals with restriction material financial interest in the audit client and related entities applicable to partners audit team members and their immediate relatives and other personnel involved in rendering non audit services to the audit client. Loans and guarantees with banks or similar institution are permitted provided they are not material and normal terms and conditions. (see companies act provisions which are more restrictive).

Business Relationship restrictions are similar to Company Act however applicability to entities as per code above.

Employment relationships by Partners and staff are prohibited. In respect of former partners there is a cooling off period. In respect of Former audit team members, a Threats and safety approach is to be followed. Partners and staff should not be part of audit team where their immediate family members are officers or directors or in a position to exert significant influence over subject matter of engagement. In respect of Close Family members a Threat and safeguard approach is to be followed.

(Note : while the code follows a close family member (i.e spouse and dependents) and immediate family member approach the Companies Act has one definition of relative)

The code also has stricter guidelines for PIE's and less strict on non-PIE's in respect of some of the restrictions.

#### **Long Association of Personnel (Rotation)**

There is a audit and other partners like quality review partners periodically. This is required to safeguard the familiarity threat. It is to be noted that in India the Companies Act and regulations by RBI and IRDA contains more restrictive audit rotation of the firm and audit partner except in respect of smaller companies. While the code prescribes certain periods Companies Act period of 5 years for specified companies and the requirement of RBI and IRDA of a shorter period are more stringent. We also have audit rotation of firms which are more stringent than the code.

#### **Restrictions on non-assurance Services;**

This is an important one to avoid conflict of interest and safeguard auditor independence. It is a matter of continuous review by the profession and

stakeholders and is being revised from time to time to make it more stringent. Apart from the services specifically prohibited by the Companies Act as detailed above, the code prohibits Valuation Services if it is material to financial statements.

The code also deals with Tax Services which many of the Professional Accountants may render. While the code permits the tax return preparation services there are restriction on tax calculations for accounting purposes, tax planning and other advisory services when the effectiveness of the advice depends on accounting and presentation in financial statements. Acting as advocate before a court is prohibited if the amounts of tax involved are material. Essentially these may involve advocacy threat and conflict with audit responsibilities. One must consider carefully the type of tax services rendered to the audit client.

Legal services to act as legal counsel or advocacy role or recruitment services are not permitted.

The code restricts where there are managerial responsibilities involved and it has detailed guidance in this regard. While providing advice and recommendations may be permitted, making decisions and judgements which are responsibilities of management are prohibited. It is to be noted that the regulators seem to take a different interpretation in terms of Management Services, and one need to be cautious in this regard.

The auditor should ,before taking up any non-assurance services, conclude whether they have been restricted by the code or the respective regulations. They should consider whether there are threats to following the fundamental principles, before taking up any

assignment. This is more important in Public Interest Entities.

**Responding to Non-Compliance with Laws and Regulations (NOCLAR)**

**(Section 260 and Section 360)**

For a long time, the Profession and stakeholders have been discussing the role of Professional Accountants in responding to Non-Compliance with Laws and Regulations which they become aware of during their engagement. In India, the regulators like Reserve Bank of India have been requiring the auditors to report non-compliance of their specific regulations by enhancing the reporting requirements. The auditing standards require the auditors to evaluate the effect of any non-compliance and their impact on financial statements. The need for the profession to take responsibility in a more comprehensive manner in the Public Interest has resulted in detailed provisions in the current Code of Ethics. Considering the volume and complexity of the laws and regulations which affect a business this is an onerous additional responsibility on the Professional Accountants in Practice and those in Service.

**Applicability of NOCLAR**

- For now, limited application of NOCLAR has been prescribed in Code of Ethics (as against comprehensive application of NOCLAR to all assignments/employees in the IESBA code)
- In respect of Professional Accountants in Practice:
  - o Applicable only to audit of listed entities.
- In case of Professional Accountants in service:
  - o Applicable to employees of listed entities

What does NOCLAR covers:

**For Professional Accountants in Practice**

NOCLAR comprises:

- Acts of omission or commission, which are contrary to the prevailing laws and regulations, intentional or unintentional, and committed by
  - A client.
  - Those charged with Governance.
  - Management.
  - Other individuals working for or under the direction of a client.

**For Professional Accountants in Service in Business**

NOCLAR comprises:

- Acts of omission or commission, which are contrary to the prevailing laws and regulations, intentional or unintentional, and committed by
  - Professional Accountant's employing organisation.
  - Those charged with governance.
  - Management.
  - Individuals working for or under the direction of the employing organisation.

What kind of Laws and Regulations are covered?

It is just not restricted to the corporate and tax laws which are normally covered in an audit. NOCLAR applies to laws and regulations that have a direct effect on material figures in the financial statements, and other laws and regulations that may be fundamental to an entity's business and operations.

Examples: Laws relating to

- Bribery and corruption
- Fraud (including false accounting, falsification of accounting records
- Insider dealing

- Money Laundering/terrorist Financing
- Tax evasion
- Data Protection
- Financial products and services
- Environmental Protection, Public health, and Safety

Responsibilities of the Management and those charged with Governance.

- It is the responsibility of the employing organization's management and TCWG, to ensure that their business activities are conducted in accordance with laws and regulations and to identify any form of non-compliance by any of its stakeholders.

- Non-compliance may result in fines, litigation, or other consequences for the employing organization that may have a material effect on its financial statement and may also affect negatively investors, creditors, employees or general public.

NOCLAR does not envisage that the Professional Accountant seek to do procedures to find out all non-compliances. (those responsibilities are covered by audit or assurance standards and governing laws and regulations in respect of audit). NOCLAR applies to the Response when a professional accountant in public practice or in service in a business becomes aware of a non-compliance or suspected non-compliance.

**Response by a Professional Accountants in Public Practice - It may consist of the following steps :**

1. Awareness: Become aware of any non-compliance or suspected non-compliance
2. Understanding: Obtain an understanding of the matter, the effect, materiality and consequences



etc. Discuss with the management and/or those charged with governance (it depends if they are committing the non-compliance). May seek appropriate Legal counsel. (this may be quite relevant when the matter is not clear or there are legal interpretations involved)

3. Address the Matter: this may involve identifying steps to be taken to rectify, remediate, mitigate, deter, or disclose appropriately. This may involve consultations and legal counsel etc.
4. Communication: This may involve communicating the above steps to those charged with Governance. He may have to consider reporting in the audit report, if required.
5. Further Actions: Determine further actions to be taken considering the timely or otherwise response from the management and/or those charged with governance and by the entity, the remedial action etc. He may consider withdrawing from the engagement, if it is warranted.
6. Disclosure: He may have to consider reporting the matter to the appropriate authorities considering the matter and the governing laws. It may be noted that even if he withdraws from the engagement this may be necessary if it requires to be reported to the authorities. He may also consider reporting to the group or group auditors ,if he is auditing a

component.

### **Response by a Professional Accountant in Service**

The response by a Professional Accountant will be similar to the one to be followed by the one in Public Practice to the extent applicable.

### **What is not covered by NOCLAR**

NOCLAR does not apply to the following although the framework may be applied In dealing with them:

- Matters that are clearly **inconsequential**, judged by their nature and Impact, financial or otherwise (disclosure etc.)
- Personal misconduct unrelated to the Business activities
- Non-compliance other than by an employing organisation or its stakeholders

NOCLAR casts a significant additional responsibility on the Professional Accountants in Public practice and in Service beyond their regular duties of their assignments or employment, in Public Interest. One is not expected to be an expert on all laws and to respond to non compliance or suspected non compliances with multiple complex laws and regulations is not an easy task. There could be grey areas of interpretation of laws and regulations where it is difficult to conclude whether there is a non-compliance and in fact it may be a matter which could be litigated for courts to decide. These are sensitive

matters specially if management or those charged with governance are themselves involved. The professional accountant is required to respond with utmost confidentiality as possibly he can. This is a new requirement internationally and is evolving. It is necessary that the Professional Accountant focusses himself and his team ( in case of in Practice) on the process of response and be fully familiar with the requirements. Appropriate Consultations ( in utmost confidence) may be required as this is a new provision, the matters may involve complex legal issues and precedents are hard to get on how to respond.

### **Quality control**

The professional Accountant should put in place systems in place to strictly adhere to the code and the regulations which are related to the code. It is necessary all the members of the team are familiarised with the requirements of the code and regulations. Other internal administrative systems should be put in place to ensure appropriate documentation in this regard. Quality control procedures should be put in place which should include reviews to detect any violations and remediations. The adherence to the Code is important to protect the trust and confidence reposed on the profession and the professionals. This is the distinguishing mark of the profession vis-à-vis others and has to be given its due importance.



## SECTION 43B – ENCOURAGING PROMPT PAYMENTS TO MICRO AND SMALL ENTERPRISES



CA. Jeevan K D

### ➤ What is the amendment?

- Section 43B of the Act provides for certain deductions to be allowed only on actual payment. But the first proviso of the section allows deduction on accrual basis, if it is paid within the due date for filing ITR, u/s 139(1) of the Act.
- A new clause (h) was inserted in section 43B of the Act, vide Finance Act, 2023, to promote timely payments to micro and small enterprises, effective from 01 April 2024 i.e., from AY 2024-25 (FY 2023-24 and onwards).
- Section 43B(h) of the Act provides that a deduction in respect of sum payable to a **micro or small enterprise** beyond the time limit specified under section 15 of the Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act') shall be allowed only in the previous year in which such sum is actually paid.
- Consequently, first proviso to section 43B of the Act (*which allows deduction on accrual basis if it is paid within the due date for filing ITR*), was also amended to exclude clause (h) from the exception. Hence, payments referred to in section 43(h) will be allowed only in the FY in which it is paid.
- It is worthy to note that section 43B(h) of the Act is applicable only to **micro and small enterprises** but **not** for medium enterprises.

### ➤ What is an MSME<sup>1</sup>?

Particulars	Micro enterprise	Small enterprise	Medium enterprise
Investment in plant & machinery or equipment	Does not exceed INR 1 crore	Does not exceed INR 10 crore	Does not exceed INR 50 crore
	<b>And</b>	<b>And</b>	<b>And</b>
Annual turnover	Does not exceed INR 5 crore	Does not exceed INR 50 crore	Does not exceed INR 250 crore
Applicability of section 43B(h) of the Act	✓	✓	✗

### ➤ What is the time limit specified as per MSMED Act?

Section 15 of the MSMED Act mandates payments to MSME as timelines in the written agreement (*not exceeding 45 days from the **day of acceptance/deemed acceptance***). If there is no written agreement, then payment shall be made within **15 days** from the **day of acceptance/ deemed acceptance**<sup>2</sup>.

### ➤ What is 'the day of acceptance/ deemed acceptance'?

<i>Day of acceptance</i> [Explanation (i) of Section 2(b) of MSMED Act]	I. The day of actual delivery of goods or the rendering of service; or II. where any objection is made in writing by the buyer regarding acceptance of goods or services ( <i>within fifteen days from the day of the delivery of goods or the rendering of services</i> ) the day on which such objection is removed by the supplier;
<i>Day of deemed acceptance</i> [Explanation (ii) of Section 2(b) of MSMED Act]	Where no objection is made in writing by the buyer regarding acceptance of goods or services within fifteen days from the day of the delivery of goods or the rendering of services, the day of the actual delivery of goods or the rendering of services;



➤ **What are the possible scenarios that could get impacted by the amendment?**

Scenario	Remarks
Scenario 1	Payment to micro or small enterprises beyond the time limit prescribed under section 15 of the MSMED Act but within the FY in which the expense is accrued
Scenario 2	Payment to micro or small enterprises within the time limit prescribed under section 15 of MSMED Act and in the FY in which the expense is accrued/incurred
Scenario 3	Outstanding payables have been paid after 31 March of the relevant FY and within the time limit prescribed under section 15 of the MSMED Act
Scenario 4	Outstanding payables have been paid after 31 March of the relevant FY and also beyond the time limit prescribed under section 15 of the MSMED Act

➤ **What is the implication of amendment for each scenario?**

Scenario	Day of (deemed) acceptance	Agreement with MSME? If yes, payment terms?	Due date of payment	Actual date of payment	Delay?	Disallowance u/s 43(h) in FY 2023-24?
Scenario 1	01 Aug 2023	Yes. Within 45 days	15 Sep 2023	23 Sep 2023	Yes	No*
Scenario 2	01 Aug 2023	No. Within 15 days	15 Aug 2023	10 Aug 2023	No	No
Scenario 3	20 Mar 2024	Yes. Within 45 days	04 May 2024	18 Apr 2024	No	No
Scenario 4	20 Mar 2024	No. Within 15 days	04 Apr 2024	10 Apr 2024	Yes	Yes. But allowed in FY 202425*

\* interest for delay in payment would continue to be disallowed under extant provisions of the Act

➤ **What if payment to MSME is in the nature of capex? Would provisions of section 43B of the Act still apply?**

Let us consider two possible scenarios:

1. **Scenario 1\*: Capex is debited to P&L account, and is not allowable as a deduction under section 37 of the Act.**

- Section 43B of the Act has an overriding effect over the other provisions of the Act as it begins with a nonobstante clause i.e., **“Notwithstanding anything contained in any other provision of this Act, a deduction otherwise allowable under this Act in respect of”**. It is also important to note that section 43B of the Act applies only to transactions **which are otherwise allowable<sup>3</sup> as per the provisions of the Act.**
- Hence, when an expenditure is not otherwise allowable u/s 37 of the Act (*before evaluating the allowability under section 43B of the Act*), then it may be possible to take a position that disallowance under section 43B(h) of the Act is not warranted as the expense is not deductible even otherwise (*u/s 37 of the Act*).

2. **Scenario 2\*: Capex is capitalized in the books of accounts and depreciation u/s 32 is allowed under the Act.**

- Section 43B of the Act is applicable to those expenses which are **otherwise allowable** as per the provisions for the Act. As per judicial precedents, the expression **otherwise allowable<sup>3</sup>** refers to a declaration of permission in law that expenses which are available as deductions on payment under section 43B of the Act, are those expenses which are usually allowed by the Act **for the purpose of computing income.**
- Indian judiciary has also affirmed that section 43B of the Act applies when the expenditure is debited to profit and loss account<sup>4</sup> or is otherwise allowable<sup>5</sup> as a deduction under the Act.

- Further, it is important to note that Indian judiciary<sup>6</sup> in the context of section 40(a)(i)/(ia) of the Act has held that depreciation claimed on assets capitalized cannot be disallowed merely for non-deduction of tax out of such expenditure. Depreciation is a statutory deduction and it cannot be disallowed by invoking the provisions of section 40(a)(i)/(ia) of the Act<sup>7</sup>.
- Placing reliance on the above, a view can be adopted that the allowability of depreciation allowance is separately governed under section 32 of the Act and therefore, the provisions of section 43B of the Act may not apply to expenditure which are capitalized in the books of accounts.
- However, it may be relevant to note that in a case where deduction of capital expenditure is claimed such as deduction under section 35D or section 35(2AB) of the Act, such expense may be said to be 'otherwise allowable' under the provisions of the Act and hence, implications on account of provisions of section 43B(h) of the Act will need to be analysed in such scenarios.

[\* The scenarios are illustrative only and should not be considered as exhaustive.]

The amendment to section 43B aims to ensure prompt payments to micro and small enterprises, enhancing working capital management. It requires the implementation of a robust monitoring system for various due dates when dealing with multiple micro and small enterprises to prevent substantial disallowances. This would necessitate close tracking of payments as per due dates/ agreements, for identifying disallowances and subsequent allowances.

*Disclaimer: views expressed by the author are personal.*

<sup>1</sup> Notification No. S.O. 2119 (E) dated 26 June 2020, effective from 01 July 2020

<sup>2</sup> Section 15 r.w.s. 2(b) of the MSMED Act

<sup>3</sup> Dy. CIT v. Glaxo Smithkline Consumer Healthcare Ltd. [2007] 107 ITD 343/16 SOT 134 (Chd. - Trib.)(SB)

<sup>4</sup> West Bengal Power Development Corporation v. Deputy Commissioner of Income-tax [2023] 152 taxmann.com 494 (Kolkata - Trib.)

<sup>5</sup> Deputy Commissioner of Income-tax, Cir 1, Kolkata v. Ashika Stock Broking Ltd [2011] 44 SOT 556 (Kolkata)

<sup>6</sup> Mark Auto Industries Ltd. v. Commissioner of Income-tax, Faridabad [2013] 40 taxmann.com 482 (Punjab & Haryana); State Street Services (India) (P.) Ltd. v. Deputy Commissioner of Income-Tax, Circle 6(1)(2), Bengaluru

<sup>7</sup> SKOL Breweries Ltd. v. Asstt. CIT [2013] 29 taxmann.com 111/142 ITD 49;

## OBITUARY



We deeply regret to inform  
sad demise of our Senior Member  
**CA. K. Sachitanand Rao**  
Past Chairman (1978 - 80)  
Bengaluru Branch (SIRC) of ICAI  
passed away on 1st March 2024.



*May his soul attain Sadghati.*



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Course	Fees	Starting Dates	Timings
<b>CA Foundation</b>	Rs. 12500/- Rs. 4000/- for Single Subject	Starting from in Month of June 2024 for Dec. 2024 Exams (Evening batch)	04.30pm to 07.30pm (Monday to Saturday) 07.00am to 01.30pm (Sunday)
<b>CA Intermediate</b>	Rs. 20,000/- for Both Groups Rs. 12,000/- for Single Group Rs. 5000/- for Single Subject	Starting from in Month of Sept. 2024 for May 2025 Exams (Morning Batch)	Morning: 7.00 am to 10.00am (Monday to Saturday) 8.00am to 2.00pm (Sunday)

Schedule for all the subjects will be announced in due course.

Registration Fees - Mode of payment: Cash / Online [www.bangaloreicai.org](http://www.bangaloreicai.org)

Email: [blrstudentevents@icai.org](mailto:blrstudentevents@icai.org) | Website: [www.bangaloreicai.org](http://www.bangaloreicai.org)

Venue: ICAI Bhawan", 16/O, Miller's Tank, Bed Area, Vasanthanagar, Bengaluru -52

**Note: Fees once paid will not be refunded.**

For further details /Queries  
Pls call 080 - 4394 4868 /4876  
Mob: 9880007904

CA. Pramod R Hegde  
Chairman

CA. Kavitha Paramesh  
Secretary





**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**  
(Set up by an Act of Parliament)  
**BENGALURU BRANCH (SIRC)**  
**ANNOUNCEMENT**

**Bengaluru Branch of ICAI is Organising Mock Test Series – I for CA Intermediate and CA Final Students for May 2024 Examination**

**The schedule for the same is as follows:**

Date	Final & Intermediate	Time
04.03.2024	Final Paper-1: Financial Reporting	2 PM – 5 PM
05.03.2024	Intermediate Paper-1: Advanced Accounting	
06.03.2024	Final Paper-2: Advanced Financial Management	
07.03.2024	Intermediate Paper-2: Corporate and Other Laws	
08.03.2024	Final Paper-3: Advanced Auditing, Assurance and Professional Ethics	
09.03.2024	Intermediate Paper-3: Taxation	
11.03.2024	Final Paper-4: Direct Tax Laws and International Taxation	
12.03.2024	Intermediate Paper-4: Cost and Management Accounting	
13.03.2024	Final Paper-5: Indirect Tax Laws	
14.03.2024	Intermediate Paper-5: Auditing and Ethics	
15.03.2024	Final Paper-6: Integrated Business Solutions	
16.03.2024	Intermediate Paper-6: Financial Management & Strategic Management	

Fees: Intermediate		Fees: Final	
Both Group	Rs. 600/-	Both Group	Rs. 600/-
Group -I	Rs. 300/-	Group -I	Rs. 300/-
Group -II	Rs. 300/-	Group -II	Rs. 300/-
Single Subject	Rs. 100/-	Single Subject	Rs. 100/-

Registration on first come first served basis. **NO SPOT REGISTRATIONS**

Registration Fees - Mode of payment: Cash / Online [www.bangaloreicai.org](http://www.bangaloreicai.org)

Email: [blrstudentevents@icai.org](mailto:blrstudentevents@icai.org) for further details /Queries Pls call 080 - 4394 4868 /4876 Mob: 9880007904

Venue: ICAI BHAWAN, #16/O, Millers Tank Bed Area, Vasanth Nagar, Bangalore - 52.

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Secretary



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

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**BENGALURU BRANCH (SIRC)**

BENGALURU BRANCH ICAI IS ORGANISING CA INTERMEDIATE COACHING CLASSES FOR NOV. 2024 EXAMS – PHYSICALLY MORNING BATCH

Schedule from: 22.02.2024 to 04.09.2024

Timings: 7.00am to 10.00am (Monday to Saturday) and 8.00am to 2.00pm (Sunday)

Tentative scheduled faculty may change due to non availability at that point of time

**REGISTRATION OPEN FOR CA INTERMEDIATE COACHING CLASSES FOR NOV. 2024 EXAMS - NEW SYLLABUS**

**GROUP – I**

Online  
Registration  
Now open!

Subject and dates	Faculty name
<b>Paper - 1 : Advanced Accounting</b> <b>Dates: 22.02.2024 to 05.04.2024</b>	<b>CA. MURALI NAGARAJ</b> All-India Rank Holder 
	<b>CA. MOHAMMED ZAIN S</b> 
<b>Paper -2 : Corporate and Other Laws</b> <b>Dates: 06.04.2024 to 02.05.2024</b>	<b>CA. MRIDUL AGARWAL</b> 
	<b>CS. BHARATH K L</b> 
<b>Paper-3: Taxation</b> <b>Section A: Income Tax Law</b> <b>Dates: 03.05.2024 to 24.05.2024</b>	<b>CA. PRASHANTH BHARADWAJ</b> 
<b>Paper-3: Taxation</b> <b>Section B: Goods and Services Tax</b> <b>Dates: 24.05.2024 to 08.06.2024</b>	<b>CA. VENKATA KRISHNA KOTHARI</b> 





## GROUP – II

Subject and dates	Faculty name
<b>Paper-4: Cost and Management Accounting</b> <b>Dates: 09.06.2024 to 15.07.2024</b>	<b>CA. PUNITH KUMAR N</b> 
	<b>CA. NARENDRA KUMAR B</b> 
<b>Paper-5: Auditing and Ethics</b> <b>Dates: 16.07.2024 to 10.08.2024</b>	<b>CA. VIKAS OSWAL</b> 
<b>Paper-6A: Financial Management</b> <b>Dates: 11.08.2024 to 24.08.2024</b>	<b>CA. CHINMAYA HEGDE</b> All-India Rank Holder 
<b>Paper-6B: Strategic Management</b> <b>Dates: 25.08.2024 to 04.09.2024</b>	<b>CA. ANAND P JANGID</b> 

Course	Fees	Timings
CA Intermediate	Rs. 20,000/- for Both Groups	07.00am to 10.00am
	Rs. 12,000/- for Single Group	(Monday to Saturday)
	Rs. 5,000/- for Single Subject	8.00am to 2.00pm (Sunday)

Registration Fees - Mode of payment: Cash / Online [www.bangaloreicai.org](http://www.bangaloreicai.org)

Email: [blrstudentevents@icai.org](mailto:blrstudentevents@icai.org)

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Venue: Bengaluru Branch of SIRC of ICAI  
'ICAI BHAWAN' #, 16/O, Millers Tank Bed Area,  
Vasanth Nagar, Bangalore - 52.



**CA. Pramod R Hegde**  
Chairman

**CA. Kavitha Paramesh**  
Secretary



# One Day Seminar on Bank Branch Audit

Organised by **Bengaluru Branch (SIRC)**

On **Saturday, 30<sup>th</sup> March 2024**

Venue: **Yet to be finalized**

Time: **9.30 am to 6.00 pm**

**6** hrs  
**CPE**

TIMINGS	TOPICS	SPEAKERS
9.00am to 9.30am	<b>REGISTRATION &amp; NETWORKING</b>	
9.30am to 10.00 am	<b>INAUGURATION by the Chief Guest</b>	
10.00am to 11.30am	Regulatory expectations from Bank Branch Auditor	<b>CA. Sandeep Welling</b> <i>Mumbai</i>
11.30am to 12.00 noon	<b>TEA BREAK</b>	
12.00 noon to 1.30pm	Practical Issues & Challenges in IRAC Norms	<b>CA. Pankaj Tiwari</b> <i>Mumbai</i>
1.30pm to 2.30pm	<b>LUNCH BREAK</b>	
2.30pm to 4.00pm	LFAR	<b>CA. Nilesh Joshi</b> <i>Mumbai</i>
4.00pm to 4.30pm	<b>TEA BREAK</b>	
4.30pm to 6.00pm	Application of AI in Bank Audit	<b>CA. Premnath D</b> <i>Hyderabad</i>

**CA. Pramod R Hegde**

Chairman

Bengaluru Branch (SIRC)

**CA. Kavitha Paramesh**

Secretary

Bengaluru Branch (SIRC)

## Online Registration open

DELEGATE FEES :	For MEMBERS:	For NON MEMBERS:
<b>PHYSICAL</b>	<b>Rs. 2,300/- (Plus GST)</b>	<b>Rs. 4,000/- (Plus GST)</b>

Mode of Payment: Online / Cash / Cheque in favour of

**"Bangalore Branch of SIRC of ICAI"**, payable at Bengaluru

For Registration, click [www.bangaloreicai.org](http://www.bangaloreicai.org) | Tel: **080 43944868/876, 96069 13003**

## Half a Day Seminar on Companies Act & Statutory Audit



CA. Pramod R Hegde  
Chairman Bengaluru Branch (SIRC)



CA. Kavitha Paramesh  
Secretary, Bengaluru Branch (SIRC)



CA. Vijay Raja



CA. Kamal Garg, Delhi

## Interactive Meeting with Income Tax Officials



## Study Circle Meetings



CA. Krishna Chaitanya



CA. Sivaram Subramoniam



CA. Ishita Bhaumik



CA. Naveen Khariwal G



CA. Sheshadri K

## CPE Program at Tumkur



Inauguration



Felicitation to CA. Pramod R Hegde, Chairman  
Bengaluru Branch (SIRC)



Felicitation to CA. Hallur Manjunath Mahanthappa, Vice Chairman  
Bengaluru Branch (SIRC)



Felicitation to CA. Kavitha Paramesh, Secretary  
Bengaluru Branch (SIRC)



CA. Naveen Khariwal G



CA. Sandeep Chalapathy

## Career Counselling Programs



# Newly Elected Office Bearers for the year 2024-2025



New Office Bearers - Invoking Gods Blessings



Newly Elected Managing Committee Members of Bengaluru Branch (SIRC) for the year 2024-2025



Welcoming the Newly Elected Branch Chairman, CA. Pramod R. Hegde



Greeting the Newly Elected Branch Chairman, CA. Pramod R. Hegde



Felicitation to CA. Divya S, Immediate Past Chairperson, Bengaluru Branch (SIRC)



Oath taking of Office Bearers for the year 2024-2025 of Bengaluru Branch (SIRC)



Inauguration of Half Day Seminar by lighting the lamp



CA. Cotha S Srinivas  
Central Council Member, ICAI



CA. Geetha A B  
Chairperson, SIRC of ICAI



CA. Panna Raj S.  
Past Chairman, SIRC of ICAI



CA. Pramod R Hegde  
Chairman  
Bengaluru Branch (SIRC)



CA. Srinivasa T.  
Past Chairman  
Bengaluru Branch (SIRC)



Greeting the Newly Elected Branch Chairman, CA. Pramod R. Hegde



Bengaluru Branch (SIRC) News Letter English Monthly Printed, Published & Edited by Editor CA. Pramod R Hegde, Chairman, on behalf of Bengaluru Branch (SIRC), No.16/O, 'ICAI Bhawan', Millers Tank Bed Area, Vasantnagar, Bengaluru-560052, Karnataka  
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