



Bengaluru Branch of SIRC of ICAI

Institute of Chartered Accountants of India

(Set up by an act of Parliament)



SOUTHERN INDIA CHARTERED ACCOUNTANTS STUDENTS ASSOCIATION

SICASA, BENGALURU

SICASA News Letter

Freemium

October
2022



<https://bangaloreicai.org/>



sicasabengaluru



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Bangalore Branch of SIRC of ICAI

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Students Association (SICASA)**

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**“Faith is the bird that
feels the light when the
dawn is still dark”**

-Rabindranath Tagore

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CHAIRMAN's MESSAGE ||

Dear Friends

Happy Kannada Rajyaostava ! Nudi Kannada, Nade Kannada!!

Have you ever seen the picture of your future goals? If not, do it now.

“Visualization” is the tool.

- Visualization leads to the path of success
- Visualization helps you to organize/plan your goals
- Visualization takes you close to your goal and so on....

Visualization = Victory = V2

Wish you all a great success,

Endeavour to Evolve

Engage to Excel

Best Regards

CA Srinivasa.T

Chairman

Bangalore Branch of SIRC of ICAI



CHAIRPERSON'S MESSAGE ||

Dear Students,

ಕನ್ನಡ ರಾಜ್ಯೋತ್ಸವದ ಶುಭಾಶಯಗಳು !

We conducted a first of its kind event for the students in the month of October - **Moot Tribunal**. The Income Tax and GST tribunals were simulated, and students were provided with actual cases to argue before judges. It was a great success, and students had an excellent opportunity to learn about representation.



By now, all of you would have got to know the name of the Students National Conference, i.e. '**Kshithija**', scheduled on the 16th and 17th of December 2022. I would like to see all of you there at the conference.

The conference topics have been curated to enrich all of you with the relevant subjects on a daily basis and also help you gain in-depth knowledge of such subjects. There are many more exciting events planned for the conference.

As part of the conference, we are conducting a **Shark Tank Competition**. This competition allows you to bring out the entrepreneur in you and your creativity and communication skills. The details of the event are published elsewhere in this Newsletter.

I humbly appeal to all of you to register and be part of this mega event. Let us show the strength and hospitality culture of Bengaluru to the students from other places.

Looking forward to seeing you at the conference,

Cheers,

Kavitha Paramesh
SICASA – Chairperson
Bengaluru Branch of SIRC of ICAI

DECODING THE LEGAL JARGONS ||

De facto

- (In Reality)



This adverb *de facto* describes practices that exist in reality Whether or not they are officially recognized by laws or other formal norms. It is commonly used to refer to what happens in practice, in contrast with *de jure* ("by law"), which refers to things that happen according to law.

A *de facto* standard is a standard (formal or informal) that has achieved a dominant position by **tradition, enforcement, or market dominance**. It has not necessarily received formal approval by way of a standardization process, and may not have an official standards document.

Technical standards are usually voluntary, such as ISO 9000 requirements, but may be obligatory, enforced by government norms, such as drinking water quality requirements. The term "de facto standard" is used for both: to contrast obligatory standards (also known as "de jure standards"); or to express a dominant standard, when there is more than one proposed standard.

Several countries, including **Australia, Japan, Mexico, the United Kingdom and the United States**, have a *de facto* national language but no official, *de jure* national language.

Some countries have a *de facto* national language in addition to an official language. In Lebanon and Morocco, the official language is Arabic, but an additional *de facto* language is also French. In New Zealand, the official languages are Māori and New Zealand Sign Language; however, English is a third *de facto* language.

Background

The Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry has notified on 6th Oct 2022, the credit guarantee scheme for start-ups with an objective to provide guarantee upto a specified limit against credit instruments extended by Member Institutions (MIs) to finance eligible Startups (Borrower). This scheme would help provide the much-needed collateral free debt funding to Startups.

Eligible Borrower

The eligibility criteria for an entity to borrow under the Credit Guarantee Scheme for Startups shall be as follows, wherein an entity should be:

- Startup is recognized by DPIIT as per Gazette Notifications issued from time to time, and
- Startups that have reached stage of stable revenue stream, as assessed from audited monthly statements over a 12-month period, amenable to debt financing, and
- Startup not in default to any lending/investing institution and not classified as Non-Performing Asset as per RBI guidelines, and
- Startup whose eligibility is certified by the member institution for the purpose of guarantee cover.



Eligible Lending/ Investing Institutions

The eligibility criteria for the lending/investing institutions under the Credit Guarantee Scheme for Startups shall be as follows:

- Scheduled Commercial Banks and Financial Institutions
- RBI registered Non-Banking Financial Companies (NBFCs) having a rating of BBB and above as rated by external credit rating agencies accredited by RBI and having minimum net worth of Rs. 100 crores.
- SEBI registered Alternative Investment Funds (AIFs).



Guarantees

Types of Guarantees covered in scheme

1. Transaction Based:

- In respect of transaction-based guarantee cover, the guarantee cover will commence from the date of payment of guarantee fee and shall run through the agreed tenure of the Loan/debt facility.
- AIFs shall not be eligible to avail transaction based guarantee cover under the scheme.

2. Umbrella Based

In respect of umbrella-based guarantee, the cover is based on the Pooled Investment in Startups. The guarantee cover will commence from the date of payment of commitment charges and shall run through the life of the VDF provided the borrowers being covered are eligible for coverage under the scheme and commitment charges are paid from the first year of operations of VDF annually till its closure.

Instruments of assistance

- The instruments of assistance would be in the form of Venture debt, working capital, subordinated debt/mezzanine debt, debentures, Optionally Convertible debt and other fund based as well as non-fund-based facility which has crystallized as a debt obligation.
- In the event of converting optionally convertible debt, partially or fully, to equity, the debt obligation of the borrower and the guarantee will stand reduced to the extent of equity conversion.



Ceiling on guarantee cover

- Maximum guarantee cover per borrower shall not exceed Rs.10 crore.
- The credit facility being covered here should not have been covered under any other guarantee scheme

- In respect of credit facilities where a portion of the same has been secured by way of partial collateral security, the remaining part comprising of the unsecured facility will be covered under the guarantee scheme. The guarantee will be limited to the outstanding limit less the value of collateral security accepted by the MI at the time of sanction of facilities in terms of its valuation policy guidelines, subject to compliance of other conditions of the scheme.

Extent of the Guarantee

For transaction-based guarantee cover

The Trust shall provide guarantee cover, subject to a maximum of Rs.10 crore per borrower, as per details given below:

1. to the extent of 80% of the amount in default if the original loan sanction amount is up-to Rs.3 crore.
2. to the extent of 75% of the amount in default if the original loan sanction amount is above Rs. 3crore and up-to Rs. 5 crore.
3. to the extent of 65% of the amount in default if the original loan sanction amount is above Rs. 5 crore.

For umbrella-based guarantee cover

The Trust shall provide guarantee cover of actual losses or up-to a maximum of 5% of Pooled Investment on which cover is being taken from the fund in Startups, whichever is lower, subject to a maximum of Rs.10 crore per borrower. Losses are defined as aggregate of principal investments of written off assets along with three months accrued interest from the date of default. In case of partially written off assets, only the principal portion written off along with three months accrued interest thereon from the date of default will be accounted for the loss assets. The umbrella-based guarantee cover will run through the life of the venture debt fund.

FREEIUM BUSINESS MODEL

Introduction

Freemium is an internet-based business model where basic services are provided free of charge but charges are levied on additional premium features. The freemium strategy is different from premium with free samples strategy as you don't pay anything to utilize the free services provided under the freemium business model.

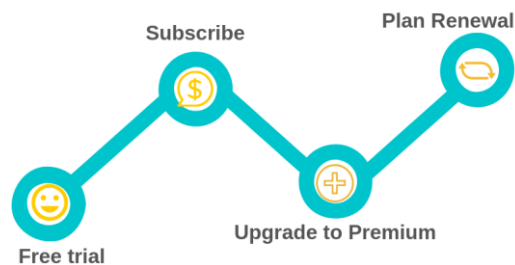
Freemium is a portmanteau of free and premium and the strategy is quite popular among the top players of the www. Even the market leaders like LinkedIn, Tinder, YouTube, Candy Crush, etc. use a freemium model to increase their user-base and generate more revenue by implementing micropayment strategies.

How does Freemium business model work?

Freemium business model was brought into existence by the software industry in 1980's as a time-limited or feature-limited strategy, commonly known as the shareware strategy where a free (limited) version of the product was made available to everyone in a hope that some users will upgrade to the better premium version. The business model was drafted in such a way so as to bring on as many potential customers as possible to try the product for free and convert into premium members after paying a certain subscription fee. The recent advent of in-app purchases on IOS and Google Play has upgraded the shareware strategy and named it as freemium which is characterized by free software/game/application but with paid add-on features.

The freemium model capitalizes on the zero price point paradox which states that to maximize participation, a zero price point can't be a beat. However, people don't value things they get for free. Therefore, to get people to

value the product, they should pay something for it. This gave rise to the characteristic feature of freemium services – micropayments. A micropayment is a very small amount of payment you pay to buy specific services provided in the freemium business model.



Network Effect

Distributing the service for free is the best way to get more customers and even though most of these customers don't level up to the premium stage, they act as a magnet to attract more prospective premium customers.

Freemium business model depends hugely on a business phenomenon known as the network effect. The network effect states that a good or service becomes more valuable when more people use it. Precisely, more the usage of the product or the service, more is its value.

Engagement

The freemium business model has also given rise to a new concept known as the Newtonian Engagement. The name is in reference to Isaac Newton's first law of motion and essentially states that "An engaged player of freemium service will

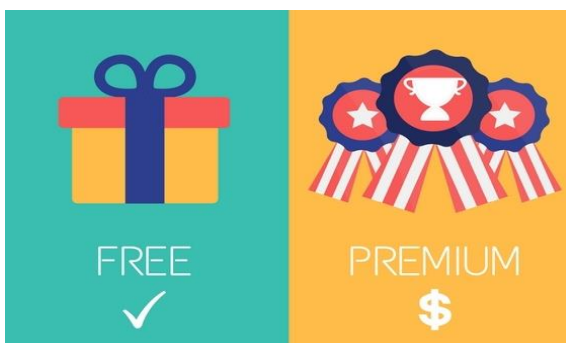
remain engaged until acted upon by an outside force.”

Engagement is the key accelerator for freemium services, usually games. There are certain techniques and strategies used by the developers to keep you engaged while using the service as well as while not using the service. One of such techniques is the limited lives you get within the game. Games like candy crush keep you engaged, even when you’re not playing them, by making you wait for the lives to regenerate. These applications also use micro-triggers for you to keep using the app.

This pillar turns out to be a trigger for the next pillar of the freemium business model – Micropayments.

Micropayments

Freemium doesn’t involve charges for the basic services you get, but it involves charges for the premium add-ons. The price for these add-ons are nominal and you, once engaged or addicted to the application/game/software, don’t mind paying for them initially. These nominal service charges are called micropayments. You micro pay to buy various services within the application which range from buying an extra life in a game to getting a premium feature on a dating application.



Repeated Payments

People who use freemium services never set aside a budget for the same and since the

premium add-ons cost as low as few cents, they don’t even consider them as actual payments. But that’s the thing with freemium services, they make you micro pay again and again which amount to more than the amount of money you would have paid for the service if it was premium.

The addiction to a freemium service is severe. Payment once made, makes you want more out of investment which makes you pay even more. According to a research, an average freemium app user, excluding non-paying users, spends \$24.66 per month on freemium apps.

Examples

Unlike premium or subscription models, freemium business models take a lot of time to generate profit.

1. Google Drive

Google Drive is a cloud file storage service provided by Google. The basic plan lets you save up to 15GB of your files on the server and requires you to micro-pay if you want more storage.

2. YouTube

YouTube provides an option to opt an ad-free experience by subscribing to YouTube Red which also gives access to YouTube Red exclusive content.

3. Mailchimp

Mailchimp is a well-known email marketing tool which provides free as well as premium services to the users. The free plan lets you send emails to up to 2000 subscribers and you’re asked to upgrade to a pro plan when this limit is reached.

National Update

Meta's Indian employees go all out on Twitter after lay-off email

This Thursday was like no other in the life of 'Metamates' across Facebook's offices including in India. A day after some 11,000 lay-offs around the world were announced at Menlo Park-headquartered Facebook, now rebranded Meta, a large number of employees in India got the dreaded email communication telling them they had lost their job. Sources in the know said that emails started coming in early in the morning. The number of lay-offs in India could not be confirmed.

https://www.business-standard.com/article/companies/meta-s-layoff-hits-india-too-number-of-affected-employees-unclear-122111001467_1.html

Indian Railway Finance Corporation Q2 profits surges 14% to Rs. 1,714 Crores

Indian Railway Finance Corporation (IRFC) on Thursday reported a 14 per cent increase in its profit at Rs 1,714 crore in the second quarter ended September 30, 2022. The company, which is the dedicated market borrowing arm of the Indian Railways, had earned a profit of Rs 1,501 crore in the same quarter of previous year. The revenue from operations for Q2 FY23 also grew by 23.88 per cent to Rs 5,810 crore as against Rs 4,690 crore reported in the same period of last year, IRFC said in a statement.

https://www.business-standard.com/article/companies/indian-railway-finance-corporation-q2-profit-surges-14-to-rs-1-714-crore-122111001664_1.html

NCLT Extends insolvency resolution process for Srei Infra till Jan 5

The National Company Law Tribunal (NCLT) has extended the time till January 5 next year for completion of insolvency resolution process for Srei Infrastructure Finance. Total three participants have shown interest in the buyout process. "National Company Law Tribunal, Kolkata bench has extended the time of completion of Corporate Insolvency Resolution Process (CIRP) till 5th January, 2023 with respect to the ongoing CIRP of the company," Srei said in a BSE filing.

https://www.business-standard.com/article/companies/nclt-extends-insolvency-resolution-process-for-srei-infra-till-jan-5-122111001158_1.html

Nifty defends 18,000 but sheds 130pts, Sensex down 420 pts: PSU Bank, Autolag

Indian benchmark indices weren't immune to the negative global cues and struggled on Thursday shedding 0.7% in the process. Nifty went below 18,000 intraday but managed to stay above it at the end and closed at 18,028, an overall drop of 129 points. Sensex, meanwhile, closed at 60,613, a loss of 420 points. All the sectoral indices ended in red but Auto was among the biggest laggards despite Hero MotoCorp shining. PSU Bank and Consumer Durables indices were other prominent draggers.

<https://www.livemint.com/market/live-blog/share-market-live-updates-sensex-nifty-bse-nse-stock-market-today-10-11-2022-11668041200513.html>

Here's how US plans to issue 1 Lakh visas month to Indian applicants

By the summer of 2023, there will be a significant reduction in the time that applicants must wait before receiving a US visa, and there will be about 1.2 million applicants overall. India is America's top priority for issuance of visas, a senior official of the US embassy said on November 10. By the middle of 2023, Washington hopes to return the situation to its pre-Covid-19 situation. Every month, approximately one lakh visas are expected to be issued. Over 82,000 visas were awarded by the US in the last one year.

<https://www.livemint.com/news/india/india-on-priority-here-s-how-us-plans-to-issue-1-lakh-visas-every-month-to-indian-applicants-11668073373384.html>

INTERNATIONAL UPDATE

FTX Customers 'hopeful' as withdrawals appear to restart

According to Coin desk and reports from users on social media, the troubled platform has allowed some customers to withdraw funds for the first time in days. Thomas, a 22-year-old from Kingston, has been an FTX customer for more than a year, and describes it as a "hub for crypto". He says he was able to lodge a withdrawal request for £2,000 he held on the exchange, which he describes as a "really significant amount of money". But he says he has concerns around the volume of requests made by FTX customers, and is not sure whether or not they will all be serviced as the company battles on.

<https://www.bbc.com/news/business-63577783>

India saved \$4.2 billion in fuel costs through solar power: Report

An amount of USD 4.2 billion has been saved by India in fuel costs through solar power generation in the first half of 2022, and 19.4 million tonnes of coal which would have further stressed an already strained domestic supply, news agency PTI quoted a report released on Thursday. The new report was released by the energy think tank Ember, the Centre for Research on Energy and Clean Air, and the Institute for Energy Economics and Financial Analysis.

<https://www.livemint.com/news/india/india-saved-4-2-billion-in-fuel-costs-through-solar-power-report-11668037431804.html>

Economists question 'black hole' in UK finances

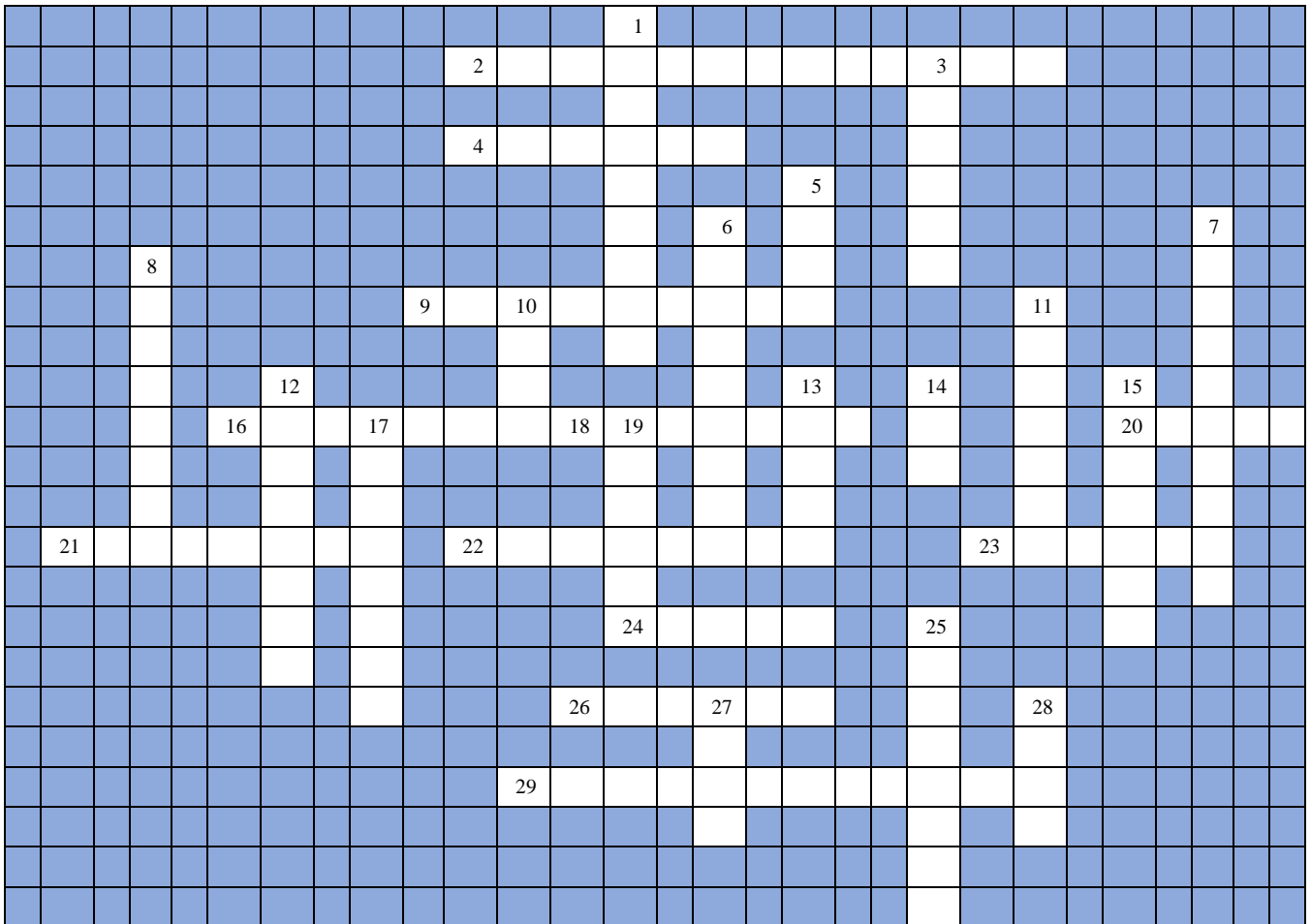
A group of economists has questioned UK assertions that a "black hole" in the public finances will need to be filled with austerity measures and tax rises.

The centre-left Progressive Economy Forum said the £50bn "hole" disappears entirely if the debts are calculated differently. The government previously used a different measure of debt, returning to that would leave £14bn spare, they say.

But experts disputed the findings, saying they would put the UK at risk.

<https://www.bbc.com/news/business-63573989>

CROSSWORD ||



Across

2. Material costs are materials used in a product
4. Accounting is built on the Accounting
9. This material is used to keep products safe from contamination or from being damaged.
16. The owner's stake in the business is call Owner's _____
18. The money that the owner lends to the business (Owner's Equity Account)
20. The Accounting Equation _____
21. Money is owed to this person/business (Liability)
22. Salaries, stationery, advertising and donations are examples
23. Money is owed by this person/business (Current Asset)
24. An overdraft is an example of a Term liability
26. The trader adds % markup to get his _____
29. Most current Assets lose value over a period of time.

Down

1. The order of receipts in a receipt book
3. Capital is not an _____
5. A Mortgage Bond is an example of a _____ Term Liability
6. This is an example of a Non - current asset
7. Paper, glue, post-it notes, petty cash vouchers
8. Expenses of the business cause the Owner's Equity to
10. Where cash receipts are recorded?
11. Drawing is not an _____
12. Accounting is built on the Accounting _____
13. Income generated from activities of a trading business.
14. The same as "Cost of sales"
15. Income generated from the activities of a service business.
17. Income of a business cause the Owner's Equity to
19. Possessions are called _____
25. The owner makes a withdrawal from the business for personal use (Owner's Equity Account)
27. Another name for petrol
28. Capital is deposited into the business account

GALLERY



SICASA Chairperson CA Kavitha Paramesh with other dignitaries in Moot court conducted by SICASA at ICAI Bhawan, Vasanth nagar Bangalore.





SICASA Speakers Forum



SICASA Speaker Forum President presenting token of appreciation to General Evaluator on 207th meet held at ICAI Race course Road Bangalore.



Winners



Meet #207





The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)

FROM THE TEAM OF
SICASA, BENGALURU

KSHITHIJA

BEYOND THE HORIZON

CA STUDENTS
NATIONAL CONFERENCE - 2022



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SSEB, BOS-Operations, ICAI, Delhi
Hosted by
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SICASA, Bengaluru

SICASA BENGALURU

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INVITE FOR PAPER PRESENTERS

TECHNICAL SESSION TOPICS

- **The Start-up World**
 - Recognitions, benefits available
 - Terms of Start-up World
 - Success Story on Start-Up
- **Income Tax Challenge**
 - Sec.56, Rule 11UA & Sec.50CA
 - Sec. 54GB, Sec. 80IAC, Sec. 194R
 - ESOP Taxation
- **Game of Skill**
 - GST on Gaming Industry
 - Notices Under GST
 - Input Tax Credit
- **Balance your Balance Sheet**
 - AS - 9, 10, 16 & 26
 - Case Study
- **Excellence in Excel**
 - Excel, Power BI & Tableau

16 & 17
DEC 2022

Last date to submit the paper
⚠ **24th November, 2022**

For More Information Contact:
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Lavish R Singhvi-> 82960 30384

For More Details refer Google form

@www.bangaloreicai.org



SICASA Bengaluru Conducts

SHARK Tank COMPETITION



Only the Best Idea Survives

Do you want to

- Show case your entrepreneurial skills??
- Present your idea, business plan before the Seasoned **Sharks**,
- Tell them why your idea is investible and valuation expected !

Join the Shark Tank Competition



KSHITHIJA
BEYOND THE HORIZON

**CA Students National
Conference 2022**

For More Details Contact
Mounesh Kumar V - 9989389556



Last date for registration & Submission
25th November, 2022

To register logon to
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