GLIMPSES

International Conference for CA Students at Pune,
Inauguration: ICAI President CA. Prafulla P. Chhajed, ICAI Vice President CA. Atul Kumar Gupta, Guest of Honour CA. R.M. Vishakha, ICAI Past President CA. Amarjit Chopra, Chairperson BOS of ICAI CA. Kemisha Soni, Vice Chairman BOS of ICAI CA. Durgesh Kabra, Chairperson Pune branch of WIRC of ICAI CA. Ruta Chitale, Vice Chairman Pune branch of WIRC of ICAI CA. Anand R. Jakhotiya, Secretary Pune branch of WIRC of ICAI CA. Vandana D. Nagpal

CA Students’ Conference Thane: ICAI President CA. Prafulla P. Chhajed, Vice Chairman BOS CA. Durgesh Kabra, Chairman Thane Branch of WIRC of ICAI CA. Yogesh S. Prasade with students.

National Conference for CA Students Chennai: ICAI Vice President CA. Atul Kumar Gupta addressing the students; On the dais: ICAI Central Council Members CA. G. Sekar, CA. Chandrashekhar Vasant Chitale and CA. Rajendra Kumar P. Chairperson SICASA CA. Revathi S. Raghunathan

CA Students’ Conference Kalyan-Dombivli: ICAI President CA. Prafulla P. Chhajed, Chief Guest CA. Deepak Ghasas, Vice Chairman BOS of ICAI CA. Durgesh Kabra, Central Council Member & Course Director CA. Srinivas Joshi, Chairperson WIRC of ICAI CA. Priti Savla, Chairperson Kalyan-Dombivli Branch of WIRC of ICAI CA. Saurabh Marathe, Vice Chairman, Kalyan-Dombivli Branch CA. Ankit Agrawal, Chairperson WICASA CA. Kiran Gangwani, Regional Council Member CA. Murtuza Kachwala and Founder Branch Chairman CA. Madan Achval with WICASA committee members and coordinators.
My Dear Students,

I extend my heartiest best wishes for a blissful, prosperous and productive New Year 2020. I sincerely wish that the New Year instills new vigor, vitality, grit and determination to accomplish your dreams and aspirations. It is time to set new milestones, to reaffirm your commitment and belief in your capabilities to plan for the year ahead. As you look forward with enthusiasm, you need to make firm resolutions to transform from better to best, evolving from a novice/beginner to a knowledgeable young professional and work out a strategy to achieve the goal. Persevere, stick to your goal till you get there.

**Transform resolutions into results**

A new year brings with it the chance for us to recall our aims and goals and realign our targets with the ever-changing circumstances. My advice to all of you to be realist in your approach while setting your long-term and short-term targets to ensure that you will achieve those and fulfill your dreams. Confront challenges, design your own strategy, and do your best to achieve desired results in whatever you attempt. Revolutionize your attitude, mindset and thinking and you will achieve amazing feats. As it is said, “A positive attitude causes a chain reaction of positive thoughts, events and outcomes. It is a catalyst and it sparks extraordinary results.”

As a conscientious student, you need to focus on positive aspects of your personality. Associate yourself with successful people and achievers, observe them, seek their advice, this would help you to create a culture of excellence within and around you, motivating you to put in that extra little effort in everything you do. Excellence is not an act to be followed, but a habit to be inculcated.

**Exude Positive Energy**

Positive energy emanates from positive thoughts like helping others selflessly. Just a little effort of helping others or bringing a smile on someone’s face, will give you a lot of satisfaction, peace and positivity. This positivity transforms into positive ACTIONS! The more positive energy you draw to yourself, the more strength and willpower you will generate within you to pursue your dreams. Therefore, become a powerhouse of positive energy and radiate your positivity!

**Attitude of Gratitude**

We usually pray to God to grant our wishes, seldom do we thank God for the wonderful bounty of blessings he has already granted us. We seldom thank our parents, siblings, teachers/mentors, and friends who help us unconditionally. They are in fact God’s blessings to us. So thanking them would mean thanking God. You should appreciate, and acknowledge them and be there for them in their times of need. In this new year let us resolve to be grateful for what you have, and I am sure you will attract more good things. So, Count your blessings.

**Students International Conference at Pune**

The Board of Studies (BOS) of ICAI organised a two day International Conference at Pune during December 14-15, 2019 on the theme “Path for Success: Learn, Adapt and Accelerate”. Myself inaugurated the Conference in the presence of CA. Atul Kumar Gupta, Vice President and many of my Council colleagues. CA. R.M. Vishakha, MD & CEO, India First Life Insurance was the Guest of Honour. The Conference was attended by approx. 2700 students and many foreign delegates from Institute of Certified Management Accountants of Sri Lanka; The Institute of Chartered Accountants of Nepal and Institute of Chartered Accountants of Sri Lanka.

**Subject Capsules: Knowledge Bytes**

The first edition of this year comprises an inclusive capsule on Logical Reasoning for CA Foundation, Auditing for CA Intermediate and Indirect Tax for CA Final students. The contents are abridged and presented comprehensively, highlighting important concepts as knowledge bytes amenable for revision.

As the nation prepares for the 71st Republic Day, I extend my heartiest best wishes to all fellow Indians, on the occasion. The result of CA examination held in November 2019 will also be declared in the current month. I wish you all the very best and sincerely hope for your success.

Before I conclude, let us all pledge to take our institute to even greater heights with our hard work and committed endeavors. Remember: With every roadblock a new detour is built, with every ending a new beginning is defined. Embracing a challenge makes life interesting but overcoming it makes life meaningful!

With Best Wishes,

CA. PRAFULLA P. CHHAJED
PRESIDENT, ICAI
Dear Students,

At the outset, I would like to extend my heartiest wishes to all of you for a wonderful and prosperous New Year 2020. It is our humble prayer to the Almighty that all your dreams and aspirations be fulfilled in the upcoming years. New Year is the most appropriate time to reflect on the changes we want to make and resolve to follow through on those changes. It is also time to look inwards and take pride in our accomplishments in the previous years and set higher targets to accomplish even more in the coming years. We are very confident that the entire CA student fraternity will be able to set new milestones in their professional career.

I know that you are all waiting for the results of your November 2019 examinations. I express my best wishes and hope that maximum number of students clear their respective examinations. Don’t panic, keep calm and carry on. Life is quite unpredictable, you need to be prepared for any situation in life and then only you will be able to enjoy every bit of it. While you have much deserved break to relax and rejuvenate, you must continue to study and learn for the next level. Being a professional course you must remember that each day is crucial and should not be wasted. Continuous learning and innovation thus hold the password to success.

One habit that can really help you is reading. It is an important habit to remain updated and acquire useful knowledge. So, read as much as you can. Apart from the curriculum content, you must also read business magazines and financial newspapers. Today, internet has also become a useful source of information. Reading will also help you to enrich your vocabulary and language skills. This will ultimately help you shine wherever or in whichever organization you are in.

Reading not only has tremendous power when it comes to fuelling the development of all aspects of language ability, its importance to the entirety of a human life in this day and age really can’t be overstated.

In order to bridge the gap between the practical training and curriculum, Board of Studies is also organizing Refresher Course on GST, Ind AS, International Taxation, Insolvency and Bankruptcy Code, 2016, Companies Act, 2013, Real Estate Regulation and Development Act 2016 and IT for the students of Intermediate and Final. This will be conducted in the month of January and February, 2020 on weekends through webcast.

After the successful launch of the e-Books for the Foundation Course students, the Board of Studies will be launching e-books for Intermediate Course in the current month. These e-Books entail study material with embedded video lectures, self-assessment questions and summary capsules. I am sure that these e-Books will be a great help for Intermediate Course students whilst preparing for their forthcoming examination.

A number of conferences took place at various places throughout the country in December 2019. The overwhelming response of students was very heartening. I admire you who took great efforts in assimilating information, writing papers and presenting them. These efforts would go a long way in shaping your personality. Recently, I had attended a two-day International Conference for CA Students on the theme: “Path for Success- learn, Adapt and Accelerate” organized by the Board of Studies on 14th & 15th December 2019 at Pune. The conference was attended by approx. 2700 students and foreign delegates from Institute of Certified Management Accountants of Sri Lanka; The Institute of Chartered Accountants of Nepal and Institute of Chartered Accountants of Sri Lanka.

Every year Republic Day is celebrated in India on 26th January with grandeur. I feel immense pleasure to extend my best wishes on the occasion of 71st Republic Day of our beloved country. On this occasion, we all should salute our freedom fighters and mighty leaders who sacrificed their lives to redeem our motherland from the bondage of foreign rule. I hope and sincerely cherish that in our country, peace and prosperity will prevail forever.

Wishing you all the best for a wonderful time ahead.

Yours sincerely

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

We can never obtain peace in the outer world until we make peace with ourselves. - Dalai Lama XIV
Dear Students,

Wish you all a very Happy New Year 2020 brimming with renewed hopes, new commitments, new achievements and a new beginning. It is our humble prayer to the Almighty that all your dreams and aspirations be fulfilled this year.

New Year is the most appropriate time to reflect upon the changes we wish to bring about in ourselves and resolve to follow these judiciously. It is the time to assess our accomplishments in the previous year, learn from failures/shortcomings and set higher targets to accomplish in the year ahead, duly considering your strengths. You must work upon your target with utmost diligence and perseverance and everything else will follow. Always remember: Luck favours those who dare to challenge themselves.

We at ICAI are always there to guide and assist you through your crucial journey, at every milestone. We are confident that you shall go on to set high benchmarks in your academic endeavors as well as professional career. Let go of the past and embrace the present to usher a bright future into your lives.

Keep the Momentum of Learning

As you would know, the results of the November 2019 Examinations are awaited this month, I extend my best wishes to all of you and hope that most of you sail through to clear the examinations. You must be confident that you have done your best, leave the rest to almighty, therefore, do not be anxious and hope for the best. However, you must weigh your chances and have realistic expectations from yourselves. While you have enjoyed a much-deserved break to relax and rejuvenate, you must continue to study and learn for the next level. Being students of this coveted professional course, you must remember that each day is crucial and should not be wasted. Continuous learning thus holds the passport to success.

Bridging the Gap

BoS is organizing Refresher Course in virtual mode through Webcasts based on GST, Ind AS and Companies Act, Insolvency Code, 2016, Real Estate Regulation and Development Act 2016 (RERA) and IT in the months of January and February 2020 for CA Intermediate and Final students. You must attend the course to update your knowledge on the subjects.

Evolving Role of Chartered Accountants

As you would know, the role of chartered accountants has gone through a complete paradigm shift from being just book-keepers to management consultants, providing complete business solutions from planning, strategizing to execution. Chartered Accountants are increasingly being perceived as business advisors contrary to their traditional roles in accounting and auditing, as they assume newer responsibilities and profiles in industrial entities. As technology advisors, finance heads, risk assessment managers and area heads envisaging business proliferation and scalability, they are contributing in peripheral/allied areas emanating out of conventional areas such as international taxation, transfer pricing and forensic accounting. Many of our young CAs are taking up entrepreneurial roles owing to current government policies easing out the extreme regulatory regime for business establishment and introducing GST. Surge in globalization and cross border trade is another reason which has substantially increased business complexities.

You as students must keep a discerning eye at the evolving nature of profession and constantly strive to acquire the prerequisite knowledge and skills to prepare yourself for these newly founded profiles and niche areas in technology, arising out of dynamic nature of industry requirements and expectations. You can augment your knowledge by extensive reading, training and attending seminars/ webcasts organized by BOS on topical subjects and concepts.

International Students Conference at Pune

The event held during Dec 14-15, 2019, was inaugurated by ICAI President Honorable CA. Prafulla P. Chhajed, ICAI Vice President CA. Atul Kumar Gupta, Past President CA. Anupam Chopra, Central Council Members CA. C.V. Chitale, CA. Jay Chhaira, CA. Dhiraj Kumar Khandelwal and CA. Aniket Talati were also present. CEO India First Life insurance CA. R. M. Vishakha was the Guest of Honour. I along with BOS Vice Chairman CA. Durgesh Kabra also witnessed the event that had approximately, 2700 students and foreign delegates from accounting bodies of Nepal and Sri Lanka in attendance.

National Talent Hunt : A Grand Event

The third consecutive National Talent Hunt was organized by BOS ICAI at Indore amidst big fanfare. I and BOS Vice Chairman CA. Durgesh Kabra along with the Branch Chairman and Regional Council Members witnessed the event. Padamshri Gokulatma Mahalaj was the Guest of Honour. He, emphasizing the importance of Arts and Culture remarked that these enrich lives and should be pursued along with Education for fulfillment.

As part of the event, Quiz with five participating teams, one each from region and Contests viz. Elocution, Instrumental Music and Nukkad Drama were held. Details of winners with their names and photographs are featured in this issue. It was heartening to see the student audience cheering for the participants in a packed house.

This edition includes an inclusive capsule on Logical Reasoning for CA Foundation, Auditing for CA Intermediate and Indirect Tax for CA Final. These present important concepts in the respective subjects as nuggets of knowledge appropriate for revision.

I extend my heartiest best wishes for the upcoming 71st anniversary celebrations of the Republic Day of our beloved nation. As proud Indians, first we must pledge to uphold and protect the secular values, diverse cultural fabric, communal harmony and sovereignty of this great nation. I sincerely hope that our country resumes its economy to maintain a steady pace of growth and our beloved institute scales new heights in the forthcoming year. May this New Year be wonderful for you and your family in every way, bringing peace and fulfillment in all realms of life!

CA. KEMISHA SONI
CHAIRPERSON, BOARD OF STUDIES, ICAI

The Chartered Accountant Student January 2020
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## ANNUAL SUBSCRIPTION RATES

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<th>CA Students</th>
<th>Members and Others</th>
<th>Overseas</th>
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<tr>
<td>₹200</td>
<td>₹500</td>
<td>US $ 100</td>
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# SWACHH BHARAT - A STEP TOWARDS CLEANLINESS
GOODS AND SERVICES TAX: A CAPSULE FOR QUICK RECAP

It has always been the endeavour of Board of Studies to provide quality academic inputs to the students of Chartered Accountancy Course. Keeping with this objective, BoS has come up with a crisp and concise capsule on Part I: Goods and Services Tax (GST) of Paper 8: Indirect Tax Laws of Final Course (Old as well as New), to facilitate students in quick revision before examination. The Capsule makes use of diagrams, tables, flow charts etc. to facilitate recap of select topics of GST law namely, Accounts & Records; E-Way Bill, Tax deducted at source, Tax collected at source, Offences & Penalties & significant provisions of Demands and Recovery and Input Tax Credit*. The capsule is based on the GST law as amended by the significant notifications/circulars issued till 31st October, 2019 and is thus, relevant for students appearing in May, 2020 examination. Students may note that this capsule is a tool for quick revision and thus, should not be taken as a substitute for the detailed study of the subject. Students are advised to refer to the October 2019 Edition of Final Course Study Material along with Statutory Update for May 2020 examination which will be hosted on the ICAI website, for comprehensive study and revision.

*which have been amended during the last year

ACCOUNTS AND RECORDS; E-WAY BILL

1. Who is required to maintain his books of accounts and at which place?

Every registered person is required to maintain his books of accounts at:

- APoB
- PPoB

1. Additional place of business
2. Principal place of business

2. Accounts and records required to be maintained

A true and correct account of following is to be maintained:

- Production or manufacture of goods
- Inward and outward supply of goods or services or both
- Stock of goods
- ITC availed
- Output tax payable and paid
- Records prescribed by rules

3. Records to be maintained by agent

- Authorisation received from each principal to receive/supply goods/services on behalf of such principal;
- Details of accounts furnished to every principal
- Tax paid on receipts/supply of goods/services effected on behalf of every principal

4. Records to be additionally maintained by a manufacturer and service provider

Manufacturer

- Monthly production accounts showing quantitative details of raw materials/services used in manufacture
goods so manufactured including waste and by products
quantitative details of goods used in the provision of services
details of input services utilised and services supplied

Service provider

- Accounts showing
5. Separate records to be maintained by a person executing works contract

- Persons on whose behalf the works contract is executed
- Supplier of goods/services
- Description, value and quantity of goods/services received for/utilised in the execution of works contract

Details of payment received in respect of each works contract

6. Records to be maintained by owner or operator of godown or warehouse and transporters

- Records to be maintained by owner or operator of godown or warehouse
  - Whether such person is registered or not
  - Records of the consigner, consignee and other relevant details of the goods in such manner as may be prescribed
  - GSTIN of the registered consignor and consignee for each of his branches
  - Details of payment received in respect of each works contract

Transporter

- Records of goods transported, delivered
- Goods stored in transit by him
- GSTIN of the registered consignor and consignee for each of his branches

Owner or operator of godown or warehouse

- Books of accounts
  - Books of accounts
    - Records in electronic form be authenticated by a digital signature
    - Records in electronic form (Books of account include any electronic form of data stored on any electronic device.)
      - Details of files, their passwords and explanation for codes, and any other info required for access
    - Proper electronic back-up of records be maintained and preserved
      - Such records need to be produced, on demand, in hard copy or in any electronically readable format

7. How the accounts and records will be maintained?

- No entry to be erased/overwritten
- Incorrect entries, other than those of clerical nature, be scored out under attestation and there after correct entry be recorded.
- Each volume of books of account maintained manually be serially numbered.
- Records in electronic form (Books of account include any electronic form of data stored on any electronic device.)
- Details of files, their passwords and explanation for codes, and any other info required for access

8. Audit of accounts

- A registered person must get his accounts audited if his aggregate turnover during a FY exceeds ₹ 2 crores

- Such registered person is required to furnish
  - Annual Return
  - Copy of Audited annual accounts
  - Copy of Reconciliation Statement

- Books of accounts, are required to be produced, on demand.

9. Failure to maintain the accounts

- Failure to maintain the accounts
  - PO shall determine the tax payable on the unaccounted goods and/or services, as if the same had been supplied by such person
  - Provisions of section 73/74 shall, mutatis mutandis, apply for determination of such tax

10. Period of retention of accounts

- 72 months from the due date of furnishing of annual return for the year pertaining to such accounts and records

- 1 year after final disposal of such appeal/revision/proceedings/investigation or
- 72 months from the due date of furnishing of annual return for the year pertaining to such accounts and records whichever is later
### 11. E-Way Bill

**Meaning of e-way bill and why is it required?**

E-way bill is an electronic document generated on the GST portal evidencing movement of goods.

Section 68 of the CGST Act, 2017 mandates that the Government may require the person in charge of a conveyance carrying any consignment of goods of value exceeding such amount as may be specified to carry with him such documents and such devices as may be prescribed.

Rule 138 of CGST Rules, 2017 prescribes e-way bill as the document to be carried for the consignment of goods in certain prescribed cases.

**When is required to be generated?**

E-way Bill is mandatory in case of movement of goods of consignment value exceeding ₹ 50,000.

Movement should be:
- (i) in relation to a supply; or
- (ii) for reasons other than supply; or
- (iii) due to inward supply from an unregistered person.

Registered person causing movement of goods shall furnish the information relating to the said goods in Part A of Form GST EWB-01 before commencement of such movement.

**Exceptions to minimum consignment value of ₹ 50,000**

- Inter-State transfer of goods by principal to job-worker
- Inter-State transfer of handicraft goods by a person exempted from obtaining registration

**Who causes movement of goods?**

If supplier is registered and undertakes to transport the goods, **movement of goods** is caused by the supplier. If recipient arranges transport, movement would be caused by him.

If goods are supplied by an **unregistered supplier to a registered known recipient**, movement shall be caused by such recipient.

**Information to be furnished in e-way bill**

<table>
<thead>
<tr>
<th><strong>Part A:</strong> to be furnished by the registered person** who is causing movement of goods.</th>
<th><strong>Part B:</strong> to be furnished by the person who is transporting the goods.</th>
</tr>
</thead>
</table>

**Who can generate the e-way bill?**

- for the registered consignor or consignee (if the transportation is being done in own/hired conveyance or by railways by air or by vessel)
- or the transporter (if the goods are handed over to a transporter for transportation by road).

Where neither the consignor nor consignee generates the e-way bill and the value of goods is more than ₹ 50,000/- it shall be the responsibility of the transporter to generate it.

**Other points**

- Goods transported by railways shall be delivered only on production of e-way bill.
- E-way bill can be generated even if consignment value is less than ₹ 50,000.

**Details of conveyance may not be furnished in Part-B**

In case of intra-State movement of goods up to 50 km distance:
- from place of business (PoB) of consignor to PoB of transporter for further transportation or
- from PoB of transporter finally to PoB of the consignee.

**Transfer of goods to another conveyance**

In such cases, the transporter or generator of the e-way bill shall update the new vehicle number in Part B of the EWB before such transfer and further movement of goods.

**Consolidated E-way Bill in case of road transport**

After e-way bill has been generated, where multiple consignments are intended to be transported in one conveyance, the transporter may indicate the serial number of e-way bills generated in respect of each such consignment electronically on the common portal and a consolidated e-way bill in Form GST EWB-02 may be generated by him on the said common portal prior to the movement of goods.

Where the consignor/consignee has not generated the e-way bill in Form GST EWB-01 and the aggregate of the consignment value of goods carried in the conveyance is more than ₹ 50,000, the transporter shall generate individual Form GST EWB-01 on the basis of invoice or bill of supply or delivery challan and may also generate a **consolidated e-way bill in Form GST EWB-02** prior to the movement of goods [This provision is not yet effective].

**Cancellation of e-way bill**

E-way bill can be cancelled if either goods are not transported or are not transported as per the details furnished in the e-way bill. The e-way bill can be cancelled within 24 hours from the time of generation.
### Validity period of e-way bill/consolidated e-way bill

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Distance within country</th>
<th>Validity period from relevant date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Up to 100 km</td>
<td>One day in cases other than Over Dimensional Cargo or multimodal shipment in which at least one leg involves transport by ship</td>
</tr>
<tr>
<td>2.</td>
<td>For every 100 km or part thereof thereafter</td>
<td>One additional day in cases other than Over Dimensional Cargo or multimodal shipment in which at least one leg involves transport by ship</td>
</tr>
<tr>
<td>3.</td>
<td>Up to 20 km</td>
<td>One day in case of Over Dimensional Cargo or multimodal shipment in which at least one leg involves transport by ship</td>
</tr>
<tr>
<td>4.</td>
<td>For every 20 km or part thereof thereafter</td>
<td>One additional day in case of Over Dimensional Cargo or multimodal shipment in which at least one leg involves transport by ship</td>
</tr>
</tbody>
</table>

### Acceptance/rejection of e-way bill

The person causing movement of goods shall generate the e-way bill specifying the details of other person as a recipient who can communicate the acceptance or rejection of such consignment specified in the e-way bill. If the acceptance or rejection is not communicated within 72 hours from the time of generation of e-way Bill or the time of delivery of goods whichever is earlier, it will be deemed that he has accepted the details.

### Is e-way bill required in all cases?

- E-way bill is not required to be generated in certain specified cases.

### Documents/devices to be carried by a person in-charge of a conveyance

- invoice or bill of supply or delivery challan
- copy of the e-way bill in physical form or the e-way bill number in electronic form or mapped to a RFID embedded on to the conveyance

### Verification of documents and conveyances

Commissioner or an officer empowered by him in this behalf may authorise the proper officer to intercept any conveyance to verify the e-way bill or the e-way bill number in physical form for all inter-State and intra-State movement of goods.

Physical verification of a specific conveyance can also be carried out by any officer, on receipt of specific information on evasion of tax, after obtaining necessary approval of the Commissioner or an officer authorised by him in this behalf.

### Inspection and verification of goods

A summary report of every inspection of goods in transit shall be recorded online on the common portal by the proper officer within 24 hours of inspection and the final report shall be recorded within 3 days of such inspection.

Once physical verification of goods being transported on any conveyance has been done during transit at one place within the State or in any other State, no further physical verification of the said conveyance shall be carried out again in the State, unless a specific information relating to evasion of tax is made available subsequently. Where a vehicle has been intercepted and detained for a period exceeding 30 minutes, the transporter may upload the said information in on the common portal.
1. Such deductors need to get compulsorily registered under section 24 of the CGST/SGST Act.
2. They need to remit such TDS collected by the 10th day of the month succeeding the month in which TDS was collected.
3. The amount deposited as TDS will be reflected in the electronic cash ledger of the supplier.
4. They need to issue certificate of such TDS to the deductee within 5 days of deducting TDS failing which fees of ₹100 per day subject to maximum of ₹5,000/- will be payable by such deductor.

### Consequences Of Not Complying With TDS Provisions

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Event</th>
<th>Consequence</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>TDS not deducted</td>
<td>Interest to be paid along with the TDS amount; else the amount shall be determined and recovered as per the law</td>
</tr>
<tr>
<td>2.</td>
<td>TDS certificate not issued or delayed beyond the prescribed period of five days</td>
<td>Late fee of ₹100/- per day subject to a maximum amount of ₹5000/-</td>
</tr>
<tr>
<td>3.</td>
<td>TDS deducted but not paid to the Government or paid later than 10th of the succeeding month</td>
<td>Interest to be paid along with the TDS amount; else the amount shall be determined and recovered as per the law</td>
</tr>
<tr>
<td>4.</td>
<td>Late filing of TDS returns</td>
<td>Late fee of ₹100/- for every day during which such failure continues, subject to a maximum amount of ₹5,000.</td>
</tr>
</tbody>
</table>

### TDS Rates

- **Under CGST**
  - 1%
- **Under IGST**
  - 2%
**OFFENCES & PENALTIES**

1. **Section 122(1)-** Offences related to invoices, transportation, payment of tax, ITC, refund, tax deduction or collection, furnishing of false records or information, etc. (for details refer Note-1)
   - Offence: Supply of goods/services made without invoice/ false invoice, invoices or bills issued without any supply of goods/services, transports taxable goods without document cover.
   - Penalty: ₹10,000 or an amount equivalent to tax evaded/tax not deducted/collected/not paid to the government/ITC availed, passed or distributed irregularly/fraudulently claimed refund, whichever is higher.

2. **Section 122(2)**- Tax not paid, short paid or erroneously refunded or ITC has been wrongly availed or utilized
   - Fraud: Higher of ₹10,000 or 100% of tax due
   - Other: Higher of ₹10,000 or 10% of tax due

3. **Section 122(3)**-
   - Offences mentioned in Note-1
   - Acquire possession/concerns in dealing goods which he knows or reason to believe are liable to confiscation such as transport, remove, keeps, conceals, supply or purchase.
   - Receives/deals with supply of services which he knows or reasons to believe are liable to contravention of Act/Rules
   - Fails to appear when summon is issued to give evidence/produce a document
   - Fine: Upto ₹10,000
   - On 2nd Conviction Punishment will extend to 5 years and fine. Minimum 6 months

4. **Section 123**- Fails to furnish information return within the period as specified in notice
   - Penalty: ₹100 per day for which failure continues. Maximum ₹5,000

5. **Section 124**- Fails to furnish statistics without reasonable cause / willfully furnishes any false information/return
   - Fine: Upto ₹10,000
   - In continuing offence ₹100 per day. Maximum ₹25,000

6. **Section 125**- No penalty is provided separately

**Note-1**

1. Supplies of goods/services made without invoice/ false invoice, invoices or bills issued without any supply of goods/services, transports taxable goods without document cover.
2. Collects tax, but fails to pay to Government within 3 months from due date of payment.
3. Fails to deduct any tax or collect tax, deduct or collect lesser amount of tax, failed to pay the same to Government.
4. Takes or utilizes ITC or distributes ITC in contravention of the Act.
5. Obtains refund fraudulently.
6. Falsifies or substitutes financial records/ produces fake accounts/ furnishes false information with an intention to evade tax/ suppresses the turnover in order to evade tax.
7. Fails to obtain registration/ furnishes false particulars with regard to registration/ issues invoices using registration number of another person.
8. obstructs or prevents officer in discharge of his duties.
9. Fails to keep, maintain or retain books of accounts.
10. Fails to furnish information or documents/ furnishes false information during any proceedings.
11. Supplies, transports or stores goods which person has a reason to believe are liable for confiscation.
12. Tampers with or destroys any material evidence or document. Disposes off or tampers any goods that have been detained, seized or attached.
13. Transporting any taxable goods without cover of documents
### DEMANDS AND RECOVERY

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Action by tax payer</th>
<th>Amount of penalty payable</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Normal Cases</td>
<td>Fraud Cases</td>
</tr>
<tr>
<td>1.</td>
<td>Tax amount, along with the interest, paid before issuance of notice</td>
<td>No penalty and no notice shall be issued</td>
<td>15% of the tax amount payable as penalty and no notice shall be not be issued</td>
</tr>
<tr>
<td>2.</td>
<td>Tax amount, along with the interest, paid within 30 days of issuance of notice</td>
<td>No penalty. All proceedings deemed to be concluded</td>
<td>25% of the tax amount payable as penalty. All proceedings deemed to be concluded.</td>
</tr>
<tr>
<td>3.</td>
<td>Tax amount, along with the interest, paid within 30 days of communication of order</td>
<td>10% of the tax amount or ₹10,000/-, whichever is higher</td>
<td>50% of the tax amount payable as penalty. All proceedings deemed to be concluded.</td>
</tr>
<tr>
<td>4.</td>
<td>Tax amount, along with the interest, paid after 30 days of communication of order</td>
<td>10% of the tax amount or ₹10,000/-, whichever is higher</td>
<td>100% of the tax amount payable as penalty and no notice shall be issued.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Nature of case</th>
<th>Time for issuance of notice</th>
<th>Time for issuance of order</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Normal Cases</td>
<td>Within 2 years and 9 months from the due date of filing Annual Return for the Financial Year to which the demand pertains or from the date of erroneous refund</td>
<td>Within 3 years from the due date of filing of Annual Return for the Financial Year to which the demand pertains or from the date of erroneous refund</td>
</tr>
<tr>
<td>2.</td>
<td>Fraud Cases</td>
<td>Within 4 years and 6 months from the due date of filing of Annual Return for the Financial Year to which the demand pertains or from the date of erroneous refund</td>
<td>Within 5 years from the due date of filing of Annual Return for the Financial Year to which the demand pertains or from the date of erroneous refund</td>
</tr>
<tr>
<td>3.</td>
<td>Any amount collected as tax but not paid</td>
<td>No time limit</td>
<td>Within 1 year from the date of issue of notice</td>
</tr>
<tr>
<td>4.</td>
<td>Non-payment of self-assessed tax</td>
<td>No need to issue a SCN</td>
<td>Recovery proceedings can be started directly</td>
</tr>
</tbody>
</table>

### INPUT TAX CREDIT

**Eligibility and conditions for taking ITC**

- Registered person to take credit of tax paid on inward supplies of goods and/or services
- Tax on such supply has been paid either in/by cash
- He has furnished return u/s 39
- Goods delivered / services provided to third person on the direction of the registered person deemed to be received by the registered person ⇒ ITC available to registered person [Bill to Ship to Model]
- He has received goods and/or services
- Goods delivered / services provided to third person on the direction of the registered person deemed to be received by the registered person ⇒ ITC available to registered person [Bill to Ship to Model]
- He has valid tax invoice/debit note/ prescribed tax paying document

**If the following four conditions are fulfilled:**

- Goods received in lots – ITC allowed upon receipt of last lot
- Utilisation of ITC
- If depreciation claimed on tax component, ITC not allowed
- ITC to be added to the output tax liability with interest @ 18% if value + tax of goods and/or services is not paid within 180 days of the issuance of invoice.
- On payment, the ITC could be re-availed without any time limit.

**Exceptions:**

- Reverse charge supplies
- Deemed supplies without consideration
- Additions made to value of supplies on account of supplier’s liability being incurred by the recipient of the supply

**Restriction on availment of credit**

ITC to be availed in respect of invoices or debit notes, the details of which have not been uploaded by the suppliers in GSTR-1, cannot exceed 20% of eligible ITC available in respect of invoices or debit notes the details of which have been uploaded by the suppliers in GSTR-1.
BLOCKED CREDITS PART-B

WCS for construction of immovable property

Inward supplies received by taxable person for construction of immovable property on his own account including when such supplies are used in the course or furtherance of business

EXCEPTIONS

(A) WCS for P & M
(B) WCS availed by a works contractor for further supply of WCS [Sub-contracting]
(C) Where value of WCS is not capitalized

Credit available on such exceptions

(A) Construction of P & M
(B) Construction of immovable property for others
(C) Value of construction is not capitalised

Inward supplies charged to composition levy

Goods lost/ stolen/ destroyed/ written off or disposed of by way of gift or free samples

Inward supplies used for personal consumption

Ineligible MV-Motor vehicle for transportation of persons with seating capacity of ≤ 13 persons (including driver); Ves & AC-Vessel & Aircraft; GI-General insurance; R&M-Repairs & maintenance; F&B-Food & beverages; Outcat-Outdoor catering; BT-Beauty treatment; HS-Health services; C&PS-Cosmetic & plastic surgery; LI-Life insurance; HI-Health insurance; NRTP-Non-resident taxable person; WCS-Works contract service; LTC-Leave Travel Concession; HT-Home town; trptn-transportation; P & M-Plant & machinery

Utilization of ITC

<table>
<thead>
<tr>
<th>ITC of</th>
<th>Output IGST liability</th>
<th>Output CGST liability</th>
<th>Output SGST/UTGST liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>IGST</td>
<td>(I)</td>
<td>(II) – In any order and in any proportion</td>
<td></td>
</tr>
</tbody>
</table>

(III) ITC of IGST to be completely exhausted mandatorily

<table>
<thead>
<tr>
<th>CGST/UTGST</th>
<th>(V)</th>
<th>(IV)</th>
<th>(VI)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Only after ITC of CGST has been utilized fully</td>
<td>Not permitted</td>
<td>Not permitted</td>
<td></td>
</tr>
</tbody>
</table>

The numerals given above can be further explained in the following manner:

(I) IGST credit should be first utilized towards payment of IGST.

(II) Remaining IGST credit, if any, can be utilized towards payment of CGST and SGST/UTGST in any order and in any proportion, i.e. remaining ITC of IGST can be utilized –

- first towards payment of CGST and then towards payment of SGST; or
- first towards payment of SGST and then towards payment of CGST; or
- towards payment of CGST and SGST simultaneously in any proportion e.g. 50: 50, 30: 70, 40: 60 and so on.

(III) Entire ITC of IGST should be fully utilized before utilizing the ITC of CGST or SGST/UTGST.

(IV) & (V) ITC of CGST should be utilized for payment of CGST and IGST in that order. ITC of CGST cannot be utilized for payment of SGST/UTGST

(VI) & (VII) ITC of SGST/UTGST should be utilized for payment of SGST/UTGST and IGST in that order. However, ITC of SGST/UTGST should be utilized for payment of IGST, only after ITC of CGST has been utilized fully. ITC of SGST/UTGST cannot be utilized for payment of CGST.

- Cross-utilization of credit is available only between CGST - IGST and SGST/UTGST - IGST.
- CGST credit cannot be utilized for payment of SGST/UTGST and SGST/UTGST credit cannot be utilized for payment of CGST.
- ITC of IGST need to be exhausted fully before proceeding to utilize the ITC of CGST and SGST in that order.
AUDITING & ASSURANCE

NATURE, OBJECTIVE AND SCOPE OF AUDIT

An audit is an independent examination of financial information of any entity, whether profit oriented or not, and irrespective of its size or legal form, when such an examination is conducted with a view to expressing an opinion thereon.

Overall objective of the auditor

To obtain reasonable assurance

To ensure that the financial statements as a whole are free from material misstatements

To report on the financial statements

To communicate as required by the SAs

SCOPE OF AUDIT

To form an opinion, the auditor should be satisfied that the accounting information is reliable and sufficient as the basis for the preparation of the financial statements.

All aspects of the enterprise to be covered in audit.

In forming his opinion, the auditor should also decide whether the relevant information is properly disclosed in the financial statements.

The auditor is not expected to perform duties which fall outside the scope of his competence.

Constraints on the scope of the audit that impair the auditor’s ability to express an unqualified opinion should be set out in his report.

Advantages

Safeguards the interest of persons not associated with the management

Acts as a moral check on the employees

Helps in the detection of wastages and losses

Helpful in settling liability for taxes

Useful for settling trade disputes

Inherent Limitations of Audit

The Nature of Financial Reporting:

Th e preparation of financial statements involves judgment by management.

The Nature of Audit Procedures:

Th ere are practical and legal limitations on the auditor’s ability to obtain audit evidence such as:

Possibility that management or others may not provide, intentionally or unintentionally, the complete information relevant for preparation and presentation of FS.

Fraud may involve sophisticated and carefully organised schemes.

An audit is not an official investigation into alleged wrongdoing.

Timeliness of Financial Reporting and the Balance between Benefit and Cost:

Relevance of information, and thereby its value, tends to diminish over time, and there is a balance to be struck between the reliability of information and its cost.

Other Matters that Affect the Limitations of an Audit:

Certain assertions or subject matters are particularly significant, such assertions or subject matters include:

Fraud, particularly involving senior management or collusion.

The existence and completeness of related party relationships and transactions.

The occurrence of non-compliance with laws and regulations.

Future events or conditions that may cause an entity to cease to continue as a going concern.

It has always been the endeavour of Board of Studies to provide quality academic inputs to the students of Chartered Accountancy Course. Keeping in mind this objective, BoS has decided to come out with a Crisp & Concise Capsule on Paper 6: Auditing & Assurance of Intermediate Course to facilitate students for quick revision before examination. It may be mentioned that this capsule is a tool for quick revision of some significant areas of Auditing & Assurance & this should not be taken as a substitute for the detailed study of the subject. Students are advised to refer to the relevant Study Material, Practice Manual and RTP for comprehensive study & revision.
The IFAC Board has established the IAASB to develop and issue, in the public interest and under its own authority, high quality auditing standards for use around the world. The IAASB functions as an independent standard-setting body under the auspices of IFAC. In India, ICAI constituted the AASB for the same purpose.

**AUDITING STANDARDS – AN OVERVIEW**

**FRAMEWORK FOR AUDIT & ASSURANCE & OTHER SERVICES ENGAGEMENTS – Scope/Objective/Definitions/Requirements**

**Standards on Auditing (SA 100-999) aspects covered in series:**
- Introductory Matters SA 100-199
- General Principles and Responsibilities SA 200-299
- Risk Assessment and Response to Assessed Risk SA 300-499
- Audit Evidence SA 500-599
- Using Work of Others SA 600-699
- Audit Conclusions and Reporting SA 700-799
- Specialised Areas SA 800-899

Ethical Requirements Relating to Audit of Financial Statements

The auditor should be independent of the entity subject to the audit. Th e Code describes independence as comprising both Independence of Mind - Independence in Appearance.

**Human Resources:** The firm should establish policies and procedures designed to address the following personnel issues:
- Recruitment
- Performance Evaluation
- Compensation
- Career Development
- Promotion
- Estimation of personnel needs

**Leadership responsibilities for quality within the firm.**

**Ethical requirements.**

**Acceptance and continuance of client relationships and specific engagements.**

**Human resources.**

**Monitoring.**

**Integration; Professional competence and due care; Professional behavior.**

**Objectivity;**

**Confidentiality;**

The auditor should be independent of the entity subject to the audit. Th e Code describes independence as comprising both Independence of Mind - Independence in Appearance.
AUDITING & ASSURANCE

**Monitoring:** The purpose of monitoring compliance with quality control policies and procedures is to provide an evaluation of:

| Adherence to professional standards and regulatory and legal requirements; | Whether the quality control system has been appropriately designed and effectively implemented; and | Whether the firm’s quality control policies and procedures have been appropriately applied, so that reports that are issued by the firm or engagement partners are appropriate in the circumstances. | Follow-up by appropriate firm personnel so that necessary modifications are promptly made to the quality control policies and procedures. |

AUDIT STRATEGY, PLANNING AND PROGRAMME

After establishment of the overall audit strategy, an audit plan can be developed to address the various matters identified in the overall audit strategy, taking into account the need to achieve the audit objectives through the efficient use of the auditor’s resources.

**In establishing the overall audit strategy, the auditor shall:**

- Identify the scope of the engagement;
- Ascertain the reporting objectives of the engagement;
- Consideration of significant factors in directing the engagement team’s efforts;
- Consider the results of preliminary engagement activities;
- Ascertain the nature, timing and extent of resources required for the engagement.

Planning is not a discrete phase of an audit, but rather a continual and iterative process that often begins shortly after (or in connection with) the completion of the previous audit and continues until the completion of the current audit engagement.

**Development of an Overall Plan:**

- The terms of his engagement and statutory responsibilities.
- Nature and timing of reports.
- Applicable legal or statutory requirements.
- Accounting policies adopted by the client.
- Effect of new accounting or auditing pronouncements on the audit.
- Identification of significant audit areas.
- Setting of materiality levels for audit purposes.
- The degree of reliance on accounting system and internal control.

- Possible rotation of emphasis on specific audit areas.
- The nature and extent of audit evidence to be obtained.
- The work of internal auditors and the extent of their involvement.
- The involvement of other auditors.
- The involvement of experts.
- The allocation of work between joint auditors.
- Establishing and coordinating staffing requirements.

The auditor shall document (a) the overall audit strategy; (b) the audit plan; and (c) any significant changes made during the audit engagement to the overall audit strategy or the audit plan, and the reasons for such changes.

**AN AUDIT PROGRAMME** is a detailed plan and consists of a series of verification procedures to be applied to the financial statements and accounts of a given company for the purpose of obtaining sufficient evidence to enable the auditor to express an informed opinion on such statements. For framing an audit programme the following points should be kept in view:
AUDIT DOCUMENTATION AND AUDIT EVIDENCE

Audit documentation: SA 230 on “Audit Documentation”, audit documentation refers to the record of audit procedures performed, relevant audit evidence obtained, and conclusions the auditor reached. (terms such as “working papers” or “work papers” are also sometimes used.)

<table>
<thead>
<tr>
<th>Purpose of Audit Documentation:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assisting the engagement team to plan and perform the audit.</td>
</tr>
</tbody>
</table>

Form, Content and Extent of Audit Documentation: The form, content and extent of audit documentation depend on factors such as:
1. The size and complexity of the entity.
2. The nature of the audit procedures to be performed.
3. The identified risks of material misstatement.
4. The significance of the audit evidence obtained.
5. The nature and extent of exceptions identified.
6. The need to document a conclusion or the basis for a conclusion not readily determinable from the documentation of the work performed or audit evidence obtained.
7. The audit methodology and tools used.

Audit Documentation includes:
- Audit programmes.
- Analyses.
- Issues memoranda.
- Summaries of significant matters.
- Letters of confirmation and representation.
- Checklists.
- Correspondence (including e-mail) concerning significant matters.

Audit File: Audit file may be defined as one or more folders or other storage media, in physical or electronic form, containing the records that comprise the audit documentation for a specific engagement.

Assembly of the Final Audit File: The auditor shall assemble the audit documentation in an audit file and complete the administrative process of assembling the final audit file on a timely basis after the date of the auditor’s report.

SQC 1 “Quality Control for Firms that perform Audits and Review of Historical Financial Information, and other Assurance and related services”, requires firms to establish policies and procedures for the timely completion of the assembly of audit files. An appropriate time limit within which to complete the assembly of the final audit file is ordinarily not more than 60 days after the date of the auditor’s report. The completion of the assembly of the final audit file after the date of the auditor’s report is an administrative process that does not involve the performance of new audit procedures or the drawing of new conclusions. Changes may, however, be made to the audit documentation during the final assembly process, if they are administrative in nature.

Examples of such changes include:
- Deleting or discarding superseded documentation.
- Sorting, collating and cross referencing working papers.
- Signing off on completion checklists relating to the file assembly process.
- Documenting audit evidence that the auditor has obtained, discussed and agreed with the relevant members of the engagement team before the date of the auditor’s report.

After the assembly of the final audit file has been completed, the auditor shall not delete or discard audit documentation of any nature before the end of its retention period (i.e. seven years from the date of the auditor’s report, or, if later, the date of the group auditor’s report.).

Audit evidence may be defined as the information used by the auditor in arriving at the conclusions on which the auditor’s opinion is based. Audit evidence includes both information contained in the accounting records underlying the financial statements and other information.

Sufficiency of Audit Evidence:
Sufficiency is the measure of the quantity of audit evidence. Auditor’s judgment as to sufficiency may be affected by the factors such as:
- Materiality
- Risk of material misstatement
- Size and characteristics of the population

 Appropriateness of Audit Evidence:
Appropriateness is the measure of the quality of audit evidence; that is, its relevance and its reliability in providing support for the conclusions on which the auditor’s opinion is based. The reliability of evidence is influenced by its source and by its nature, and is dependent on the individual circumstances under which it is obtained.
AUDITING & ASSURANCE

Sources of Audit Evidence: Some audit evidence is obtained by performing audit procedures to test the accounting records.

Audit evidence to draw reasonable conclusions on which to base the auditor’s opinion is obtained by performing:
(a) Risk assessment procedures; and
(b) Further audit procedures, which comprise:
   (i) Test of controls, when required by the SAs or when the auditor has chosen to do so; and
   (ii) Substantive procedures, including tests of details and substantive analytical procedures.

Risk assessment procedures refer to the audit procedures performed to obtain an understanding of the entity and its environment, including the entity's internal control, to identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels.

Relevance and Reliability: While audit evidence is primarily obtained from audit procedures performed during the course of the audit, it may also include information obtained from other sources.

Relevance: Relevance deals with the logical connection with, or bearing upon, the purpose of the audit procedure and, where appropriate, the assertion under consideration. The relevance of information to be used as audit evidence may be affected by the direction of testing.

Reliability: The reliability of information to be used as audit evidence, and therefore of the audit evidence itself, is influenced by its source and its nature, and the circumstances under which it is obtained, including the controls over its preparation and maintenance where relevant.

WRITTEN REPRESENTATIONS: Written representations may be defined as a written statement by management provided to the auditor to confirm certain matters or to support other audit evidence. Written representations in this context do not include financial statements, the assertions therein, or supporting books and records.

Written Representations as Audit Evidence: Audit evidence is all the information used by the auditor in arriving at the conclusions on which the audit opinion is based. Written representations are necessary information that the auditor requires in connection with the audit of the entity’s financial statements. Accordingly, similar to responses to inquiries, written representations are audit evidence.

Written representations are requested from those responsible for the preparation and presentation of the financial statements. Although written representations provide necessary audit evidence, they do not provide sufficient appropriate audit evidence on their own about any of the matters with which they deal. Furthermore, the fact that management has provided reliable written representations does not affect the nature or extent of other audit evidence that the auditor obtains about the fulfillment of management’s responsibilities, or about specific assertions.
The objectives of the auditor are:

<table>
<thead>
<tr>
<th>To obtain written representations</th>
<th>To support other evidence</th>
<th>To respond appropriately</th>
</tr>
</thead>
<tbody>
<tr>
<td>To obtain written representations from management. Also that management believes that it has fulfilled its responsibility for the preparation of the financial statements and for the completeness of the information provided to the auditor;</td>
<td>To support other audit evidence relevant to the financial statements or specific assertions in the financial statements by means of written representations; and</td>
<td>To respond appropriately to written representations provided by management or if management does not provide the written representations requested by the auditor.</td>
</tr>
</tbody>
</table>

**SA 505 - External Confirmation:**

- **External confirmation**
  - An audit evidence obtained as a direct written response to the auditor from a third party (the confirming party), in paper form, or by electronic or other medium.
- **Positive confirmation request**
  - A request that the confirming party respond directly to the auditor indicating whether the confirming party agrees or disagrees with the information in the request, or providing the requested information.
- **Negative confirmation request**
  - A request that the confirming party respond directly to the auditor only if the confirming party disagrees with the information provided in the request.
- **Non-response**
  - A failure of the confirming party to respond, or fully respond, to a positive confirmation request, or a confirmation request returned undelivered.
- **Exception**
  - A response that indicates a difference between information requested to be confirmed, or contained in the entity’s records, and information provided by the confirming party.

The exception need to be assessed to the entire population after analyzing the reason for difference.

**External Confirmation Procedures**

- Determining the information to be confirmed or requested;
- Selecting the appropriate confirming party;
- Designing the confirmation requests, including determining that requests are properly addressed and contain return information for responses to be sent directly to the auditor; and
- Sending the requests, including follow-up requests when applicable, to the confirming party.

**Determining the Information to be Confirmed or Requested:**

External confirmation procedures frequently are performed to confirm or request information regarding account balances and their elements. They may also be used to confirm terms of agreements, contracts, or transactions between an entity and other parties, or to confirm the absence of certain conditions, such as a “side agreement”.

**Designing Confirmation Requests:**

The design of a confirmation request may directly affect the confirmation response rate, and the reliability and the nature of the audit evidence obtained from responses.

- Specific identified risks of material misstatement, including fraud risks.
- The layout and presentation of the confirmation request.
- Prior experience on the audit or similar engagements.
- The assertions being addressed.
- The method of communication [for example, in paper form, or by electronic mode (like e-mail) or other medium].
- Management’s authorisation or encouragement to the confirming parties to respond to the auditor. Confirming parties may only be willing to respond to a confirmation request containing management’s authorisation.
- The ability of the intended confirming party to confirm or provide the requested information (for example, individual invoice amount versus total balance).

**Initial Audit Engagement**

An engagement in which either:

- The financial statements for the prior period were not audited; or
- The financial statements for the prior period were audited by a predecessor auditor.
In conducting an Initial Audit Engagement, the objective of the Auditor with respective to opening balances is to obtain sufficient appropriate audit evidence about whether:

(a) Opening balances contain misstatements that materially affect the current period's financial statements; and

(b) Appropriate accounting policies reflected in the opening balances have been consistently applied in the current period's financial statements, or changes thereto are properly accounted for and adequately presented and disclosed in accordance with the applicable financial reporting framework.

**Audit Procedures regarding Opening Balances:** The auditor shall read the most recent financial statements, if any, and the predecessor auditor’s report thereon, if any, for information relevant to opening balances, including disclosures.

**Determining whether the prior period's closing balances have been correctly brought forward to the current period or, when appropriate, any adjustments have been disclosed as prior period items in the current year's Statement of Profit and Loss:**

**Determining whether the opening balances reflect the application of appropriate accounting policies; and**

**Where the prior year financial statements were audited, perusing the copies of the audited financial statements including the other relevant documents relating to the prior period financial statements:**

**Evaluating whether audit procedures performed in the current period provide evidence relevant to the opening balances:**

**Performing specific audit procedures to obtain evidence regarding the opening balances:**

The auditor shall obtain sufficient appropriate audit evidence about whether the opening balances contain misstatements that materially affect the current period's financial statements by:

If the auditor obtains audit evidence that the opening balances contain misstatements that could materially affect the current period's financial statements, the auditor shall perform such additional audit procedures as are appropriate in the circumstances to determine the effect on the current period's financial statements. If the auditor concludes that such misstatements exist in the current period's financial statements, the auditor shall communicate the misstatements with the appropriate level of management and those charged with governance in accordance with SA 450.

**Consistency of Accounting Policies relating to opening balances**

The auditor shall obtain sufficient appropriate audit evidence about whether the accounting policies reflected in the opening balances have been consistently applied in the current period's financial statements, and whether changes in the accounting policies have been properly accounted for and adequately presented and disclosed in accordance with the applicable financial reporting framework.

**Audit Conclusions and Reporting in relation to Opening Balances**

If the auditor is unable to obtain sufficient appropriate audit evidence regarding the opening balances, the auditor shall express a qualified opinion or a disclaimer of opinion, as appropriate, in accordance with SA 705.

If the auditor concludes that the opening balances contain a misstatement that materially affects the current period's financial statements, and the effect of the misstatement is not properly accounted for or not adequately presented or disclosed, the auditor shall express a qualified opinion or an adverse opinion, as appropriate, in accordance with SA 705.
CONCEPT OF TRUE AND FAIR: The concept of true and fair is a fundamental concept in auditing. The phrase “true and fair” in the auditor’s report signifies that the auditor is required to express his opinion as to whether the state of affairs and the results of the entity as ascertained by him in the course of his audit are truly and fairly represented in the accounts under audit. This requires that the auditor should examine the accounts with a view to verify that all assets, liabilities, income and expenses are stated as amounts which are in accordance with accounting principles and policies which are relevant and no material amount, item or transaction has been omitted.

What constitutes a ‘true and fair’ view is a matter of an auditor’s judgment in the particular circumstances of a case such as:

- that the assets are neither undervalued or overvalued, according to the applicable accounting principles,
- the charge, if any, on assets are disclosed;
- the profit and loss account and balance sheet discloses all the matters required to be disclosed;
- no material asset is omitted;
- material liabilities should not be omitted;
- accounting policies have been followed consistently; and
- all unusual, exceptional or non-recurring items have been disclosed separately.

### Auditor and The Subsequent Events

**Meaning of Subsequent Events:** Events occurring between the date of the financial statements and the date of the auditor’s report, and facts that become known to the auditor after the date of the auditor’s report.

**Date of the financial statements**

**Events occurring between**

**Date of the auditor’s report**

**Facts that become known after the Auditor’s Report**

The objectives of the auditor are to:

- Obtain sufficient appropriate audit evidence about whether events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements; and
- Respond appropriately to facts that become known to the auditor after the date of the auditor’s report, that, had they been known to the auditor at that date, may have caused the auditor to amend the auditor’s report.

### Audit Procedure Regarding Events Occurring between the Date of the Financial Statements and the Date of the Auditor’s Report

When, as a result of the procedures performed as required above, the auditor identifies events that require adjustment of, or disclosure in, the financial statements, the auditor shall determine whether each such event is appropriately reflected in those financial statements.

**Obtaining an understanding of procedures**

**Inquiring of management**

**Reading minutes**

**Reading interim financial statements**

**Auditor’s Obligations Regarding Subsequent Events**

(I) **Facts which become known to the auditor after the date of the auditor’s report but before the date the financial statements are issued**

- Discuss the matter with management and, where appropriate, those charged with governance.
- Determine whether the financial statements need amendment and, if so,
- Inquire how management intends to address the matter in the financial statements.

(II) **Facts Which Become Known to the Auditor After the Financial Statements have been Issued**

- Inquire how management intends to address the matter in the financial statements.
**The Auditor’s Report on Financial Statements**

The SA 700 series is purely dedicated to the auditor. The SA 700 series is intended to address the most frequent and general cases where the auditor needs to issue an audit report to be issued by the auditor. Here, we are discussing SA 700, SA 701, SA 705 and SA 706.

### Basic Elements of the Auditor’s Report:

The auditor’s report includes the following basic elements, which ordinarily includes in case of Auditors’ Report for Audits Conducted in Accordance with Standards on Auditing:

<table>
<thead>
<tr>
<th>1. Title</th>
<th>(a) Identify the entity whose financial statements have been audited;</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Addressee</td>
<td>(b) State that the financial statements have been audited;</td>
</tr>
<tr>
<td>3. Auditor’s Opinion:</td>
<td>(c) Identify the title of each statement comprising the financial statements;</td>
</tr>
<tr>
<td>4. Basis for Opinion:</td>
<td>(d) Refer to the notes, including the summary of significant accounting policies; and</td>
</tr>
<tr>
<td></td>
<td>(e) Specify the date of, or period covered by, each financial statement comprising the financial statements.</td>
</tr>
</tbody>
</table>

If the reference to the applicable financial reporting framework in the auditor’s opinion is not to Accounting Standards, the auditor’s opinion shall identify the origin of such other framework.

### SA-700 Forming an Opinion and Reporting on Financial Statements

**Objective**

- Forming opinion on the financial statements.
- Form and content of the audit report.

**5. Going Concern:**

Where applicable, the auditor shall report in accordance with SA 570.

**6. Key Audit Matters**

For audits of complete sets of general purpose financial statements of listed entities, the auditor shall communicate key audit matters in the auditor’s report in accordance with SA 701.

**7. Responsibilities for the Financial Statements:**

The first section of the auditor’s report shall include the auditor’s opinion, and shall have the heading “Opinion.”

(a) Preparing the financial statements in accordance with the applicable financial reporting framework, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and

(b) Assessing the entity’s ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate as well as disclosing, if applicable, matters relating to going concern. The explanation of management’s responsibility for this assessment shall include a description of when the use of the going concern basis of accounting is appropriate.

**8. Auditor’s Responsibilities for the Audit of the Financial Statements:**

The auditors report shall include a section with the heading “Auditor’s Responsibilities for the Audit of the Financial Statements.”

(a) State that the objectives of the auditor are to:

(i) Obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and

(ii) Issue an auditor’s report that includes the auditor’s opinion.

(b) State that reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists; and

(c) State that misstatements can arise from fraud or error, and either:

(i) Describe that they are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements; or

(ii) Provide a definition or description of materiality in accordance with the applicable financial reporting framework.
Auditor’s Responsibilities for the Audit of the Financial Statements section of the auditor’s report shall further:

- To exercise professional judgment and maintain professional skepticism throughout the audit as per SAs;
- To identify and assess the risks of material misstatement of the FS;
- To obtain an understanding of internal control relevant for audit to design audit procedures;
- To evaluate the appropriateness of the accounting policies used;
- To conclude on the appropriateness of management’s use of the going concern basis;
- To evaluate the overall presentation, structure and content of the financial statements;
- To obtain an understanding of the FS and related disclosures made by management;
- To communicate with those charged with governance regarding, among other matters:
  - the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit;
  - complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on the auditor’s independence, and where applicable, related safeguards; and
  - for audits of financial statements of all such entities for which key audit matters are communicated in accordance with SA 701, state that, from the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Location of the description of the auditor’s responsibilities for the audit of the financial statements:

The description of the auditor’s responsibilities for the audit of the financial statements required by this SA shall be included:

(a) Within the body of the auditor’s report;
(b) Within an appendix to the auditor’s report, in which case the auditor’s report shall include a reference to the location of the appendix; or
(c) By a specific reference within the auditor’s report to the location of such a description on a website of an appropriate authority, where law, regulation or the auditing standards expressly permit the auditor to do so.

When the auditor refers to a description of the auditor’s responsibilities on a website of an appropriate authority, the auditor shall determine that such description addresses, and is not inconsistent with, the requirements of this SA.

10. Other Reporting Responsibilities:

11. Signature of the Auditor: The auditor’s report shall be signed.

The report is signed by the auditor (i.e. the engagement partner) in his personal name.

Where the firm is appointed as the auditor, the report is signed by the partner/proprietor signing the audit report also needs to mention the membership number assigned by the Institute of Chartered Accountants of India. They also include the registration number of the firm, wherever applicable, as allotted by ICAI, in the audit reports signed by them.

12. Place of Signature: The auditor’s report shall name specific location where the audit report is signed.

13. Date of the Auditor’s Report: The auditor’s report shall be dated no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor’s opinion on the financial statements, including evidence that:

In accordance with the requirements of SA 701, the auditor describes these matters in the auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor’s report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.
(a) All the statements that comprise the financial statements, including the related notes, have been prepared; and

(a) Those with the recognized authority have asserted that they have taken responsibility for those financial statements.

Auditor’s Report Prescribed by Law or Regulation: If the auditor is required by law or regulation applicable to the entity to use a specific layout, or wording of the auditor’s report, the auditor’s report shall refer to Standards on Auditing only if the auditor’s report includes, at a minimum, each of the following elements:

1. A title.
2. An addressee, as required by the circumstances of the engagement.
3. An Opinion section containing an expression of opinion on the financial statements and a reference to the applicable financial reporting framework used to prepare the financial statements.
4. An identification of the entity’s financial statements that have been audited.
5. A statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit, and has fulfilled the auditor’s other ethical responsibilities in accordance with these requirements. The statement shall refer to the Code of Ethics issued by ICAI.
6. Where applicable, a section that addresses, and is not inconsistent with, the reporting requirements of SA 570.
7. Where applicable, a Basis for Qualified (or Adverse) Opinion section that addresses, and is not inconsistent with, the reporting requirements of SA 570 (Revised).
8. Where applicable, a section that includes the information required by SA 701, or additional information about the audit that is prescribed by law or regulation and that addresses, and is not inconsistent with, the reporting requirements in that SA 701.
9. A description of management’s responsibilities for the preparation of the financial statements and an identification of those responsible for the oversight of the financial reporting process that addresses, and is not inconsistent with, the requirements.
10. A reference to Standards on Auditing and the law or regulation, and a description of the auditor’s responsibilities for an audit of the financial statements that addresses, and is not inconsistent with, the requirements.

11. The auditor’s signature.
12. The Place of signature.
13. The date of the auditor’s report.

Supplementary Information Presented with the Financial Statements:

If supplementary information that is not required by the applicable financial reporting framework is presented with the audited financial statements, the auditor shall evaluate:

- whether, in the auditor’s professional judgment, supplementary information is nevertheless an integral part of the financial statements due to its nature or how it is presented.
- whether such supplementary information is presented in a way that sufficiently and clearly differentiates it from the audited financial statements. If this is not the case, then the auditor shall ask management to change how the unaudited supplementary information is presented. If management refuses to do so, the auditor shall identify the unaudited supplementary information and explain in the auditor’s report that such supplementary information has not been audited.

SA-701 Communicating Key Audit Matters in the Independent Auditor’s Report

Objective

- To enhance the communicative value of the auditor’s report by providing greater transparency about the audit that was performed.
- To assist the user in understanding those matters that, in the auditor’s professional judgment, were of most significance in the audit of the financial statements of the current period.

Auditor’s Report for Audits Conducted in Accordance with Both Standards on Auditing Issued by ICAI and International Standards on Auditing or Auditing Standards of Any Other Jurisdiction. In this case, the auditor’s report may refer to Standards on Auditing in addition to the International Standards on Auditing or auditing standards of such other jurisdiction, but the auditor shall do so only if:

(a) There is no conflict between the requirements in the ISAs or such auditing standards of other jurisdiction and those in SAs that would lead the auditor:
   (i) to form a different opinion, or
   (ii) not to include an Emphasis of Matter paragraph or Other Matter paragraph that, in the particular circumstances, is required by SAs; and

(b) The auditor’s report includes, at a minimum, each of the elements set out in Auditor’s Report Prescribed by Law or Regulation discussed above when the auditor uses the layout or wording specified by the Standards on Auditing. However, reference to “law or regulation” in above paragraph shall be read as reference to the Standards on Auditing. The auditor’s report shall thereby identify such Standards on Auditing.
The following:

**Definition of Key Audit Matters**

Key Audit matter are those matters that, in the auditor’s professional judgment, were of most significance in the audit of the financial statements of the current period. Key audit matters are selected from matters communicated with those charged with governance.

**Scope: Communicating key audit matters in the auditor’s report is not:**

- a substitute for disclosures in the financial statements;
- a substitute for the auditor expressing a modified opinion when required by the circumstances of a specific audit engagement in accordance with SA 705;
- a substitute for reporting in accordance with SA 570 or a separate opinion on individual matters.

**Applicability of SA 701**

- It is intended to address both the auditor’s judgment as to what to communicate in the auditor’s report and the form and content of such communication.
- This SA applies to audits of complete sets of general purpose financial statements of:
  - listed entities and
  - circumstances when the auditor otherwise decides to communicate key audit matters in the auditor’s report and
  - required by law or regulation to communicate key audit matters in the auditor’s report.

However, SA 705 (Revised) prohibits the auditor from communicating key audit matters when the auditor disclaims an opinion on the financial statements, unless such reporting is required by law or regulation.

**Determining Key Audit Matters:** The auditor shall determine, from the matters communicated with those charged with governance, those matters that required significant auditor attention in performing the audit. In making this determination, the auditor shall take into account the following:

- **(a)** Areas of higher assessed risk of material misstatement, or significant risks identified in accordance with SA 315
- **(b)** Significant auditor judgments relating to areas in the financial statements that involved significant management judgment, including accounting estimates that have been identified as having high estimation uncertainty.
- **(c)** The effect on the audit of significant events or transactions that occurred during the period.

**Communicating Key Audit Matters:** The introductory language in this section of the auditor’s report shall state that:

- **(a)** Key audit matters are those matters that, in the auditor’s professional judgment, were of most significance in the audit of the financial statements [of the current period]; and.
- **(b)** These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor’s opinion thereon, and the auditor does not provide a separate opinion on these matters.

<table>
<thead>
<tr>
<th>SA-705</th>
<th>Modifications to the Opinion in the Independent Auditor’s Report</th>
</tr>
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</table>
| **Scope:** | ♦ This SA deals with the auditor’s responsibility to issue an appropriate report in circumstances when, in forming an opinion in accordance with SA 700 (Revised), the auditor concludes that a modification to the auditor’s opinion on the financial statements is necessary.  
♦ This SA also deals with how the form and content of the auditor’s report is affected when the auditor expresses a modified opinion. |
| **Objective** | The objective of the auditor is to express clearly an appropriately modified opinion on the financial statement that is necessary when:  
(a) The auditor concludes, based on the audit evidence obtained, that the financial statements as a whole are not free from material misstatement; or  
(b) The auditor is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement. |
| **Types of Modified Opinion** | (i) Qualified Opinion  
(ii) Adverse Opinion  
(iii) Disclaimer of Opinion |
| **The decision regarding which type of modified opinion is appropriate depends upon:** | (a) The nature of the matter giving rise to the modification, that is, whether the financial statements are materially misstated or, in the case of an inability to obtain sufficient appropriate audit evidence, may be materially misstated; and  
(b) The auditor’s judgment about the pervasiveness of the effects or possible effects of the matter on the financial statements. |

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AUDITING & ASSURANCE

Requirements
Circumstances When a Modification to the Auditor's Opinion is Required:
The auditor shall modify the opinion in the auditor’s report when:

- The auditor concludes that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement; or
- The auditor is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement.

Determining the Type of Modification to the Auditor’s Opinion:
Qualified Opinion: The auditor shall express a qualified opinion when:
(a) The auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or
(b) The auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive.

Adverse Opinion: The auditor shall express an adverse opinion when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.

Disclaimer of Opinion: The auditor shall disclaim an opinion when the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive so that a qualification of the opinion would be inadequate to communicate the gravity of the situation, the auditor shall:
(i) Withdraw from the audit, where practicable and possible under applicable law or regulation; or
(ii) If withdrawal from the audit before issuing the auditor’s report is not practicable or possible, disclaim an opinion on the financial statements.

If the auditor decides to withdraw: When the auditor decides to withdraw before withdrawing, the auditor shall communicate to those charged with governance any matters regarding misstatements identified during the audit that would have given rise to a modification of the opinion.

Other Considerations Relating to an Adverse Opinion or Disclaimer of Opinion: When the auditor considers it necessary to express an adverse opinion or disclaim an opinion on the financial statements as a whole, the auditor’s report shall not also include an unmodified opinion with respect to the same financial reporting framework on a single financial statement or one or more specific elements, accounts or items of a financial statement. To include such an unmodified opinion in the same report in these circumstances would contradict the auditor’s adverse opinion or disclaimer of opinion on the financial statements as a whole.

Unless required by law or regulation, when the auditor disclaims an opinion on the financial statements, the auditor’s report shall not include a Key Audit Matters section in accordance with SA 701.

Communication with Those Charged with Governance: When the auditor expects to modify the opinion in the auditor’s report, the auditor shall communicate with those charged with governance the circumstances that led to the expected modification and the wording of the modification.

<table>
<thead>
<tr>
<th>Nature of Matter Giving Rise to the Modification:</th>
<th>Auditor’s judgment about the Pervasiveness of the Effects or Possible Effects on the Financial Statements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Material but not pervasive</td>
<td>Material and pervasive</td>
</tr>
</tbody>
</table>

| Financial Statements are materially misstated | Qualified Opinion | Adverse Opinion |

| Inability to obtain sufficient appropriate audit evidence | Qualified Opinion | Disclaimer of Opinion |
Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report

**Scope**
- This SA deals with additional communication in the auditor’s report when the auditor considers it necessary to draw users’ attention to a matter or matters
  - (a) presented or disclosed in the financial statements that are of such importance that they are fundamental to users’ understanding of the financial statements; or
  - (b) other than those presented or disclosed in the financial statements that are relevant to users’ understanding of the audit, the auditor’s responsibilities or the auditor’s report.

**Objectives**
- The objective of the auditor, having formed an opinion on the financial statements, is to draw users’ attention, when in the auditor’s judgment it is necessary to do so, by way of clear additional communication in the auditor’s report, to:
  - (a) A matter, although appropriately presented or disclosed in the financial statements, that is of such importance that it is fundamental to users’ understanding of the financial statements; or
  - (b) As appropriate, any other matter that is relevant to users’ understanding of the audit, the auditor’s responsibilities or the auditor’s report.

**Definitions**
- **Emphasis of Matter paragraph**: A paragraph included in the auditor’s report that refers to a matter appropriately presented or disclosed in the financial statements that, in the auditor’s judgment, is of such importance that it is fundamental to users’ understanding of the financial statements.
- **Other Matter paragraph**: A paragraph included in the auditor’s report that refers to a matter other than those presented or disclosed in the financial statements that, in the auditor’s judgment, is relevant to users’ understanding of the audit, the auditor’s responsibilities or the auditor’s report.

**Requirements**
- **Emphasis of Matter Paragraphs in the Auditor’s Report**
  - When the auditor includes an Emphasis of Matter paragraph in the auditor’s report, the auditor shall:
    - (a) Include the paragraph within a separate section of the auditor’s report with an appropriate heading that includes the term “Emphasis of Matter”; and
    - (b) Include in the paragraph a clear reference to the matter being emphasized and to where relevant disclosures that fully describe the matter can be found in the financial statements. The paragraph shall refer only to information presented or disclosed in the financial statements; and
  - (c) Indicate that the auditor’s opinion is not modified in respect of the matter emphasized.
- **Other Matter Paragraphs in the Auditor’s Report**
  - If the auditor considers it necessary to communicate a matter other than those that are presented or disclosed in the financial statements that, in the auditor’s judgment, is relevant to users’ understanding of the audit, the auditor’s responsibilities or the auditor’s report, the auditor shall include an Other Matter paragraph in the auditor’s report, provided:
    - (a) This is not prohibited by law or regulation; and
    - (b) When SA 701 applies, the matter has not been determined to be a key audit matter to be communicated in the auditor’s report.
      - The auditor shall include the paragraph within a separate section with the heading “Other Matter,” or other appropriate heading.
- **Communication with Those Charged with Governance**
  - If the auditor expects to include an Emphasis of Matter or an Other Matter paragraph in the auditor’s report, the auditor shall communicate with those charged with governance regarding this expectation and the wording of this paragraph.
1. P is the sister of Q, Q is the brother of R, R is son of S. How S is related to P?
   (a) Father (b) Daughter (c) Son (d) Uncle
   Explanation: Answer: (a)
   Based on the diagram Q and R brothers and P is their sister. Therefore, S is the father of P.

2. A and B are brothers, C is A’s mother, D is C’s father, E is B’s son. How is B related to D?
   (a) Son (b) Grandfather (c) Grandson (d) Great Grandfather
   Explanation: Answer (c)
   Based on the diagram A and B are brothers. X is the father of B, Z is the only sister of Y and R brothers and P is their sister. Therefore, S is the father of P.

3. A man showed a boy next to him and said – “he is the son of my wife’s sister-in-law but I am the only child of my parents”. How is my son related to him?
   (a) Nephew (b) Cousin (c) Brother (d) Uncle
   Explanation: Answer (b). The boy is the son of man’s brother-in-law. Therefore, man’s son is the cousin of that boy.

4. A and B are brothers. X is the father of B, Z is the only sister of Y and B is maternal uncle of A, what is Z related to X?
   (a) Sister (b) Brother (c) Wife (d) Mother
   Answer: (c)
   Based on the diagram A and B are brothers. Y is brother of Z, therefore Z is a female and Z is wife of X.

5. Introducing Ram to guests, Laxman said, “His father is the only son of my father”. How is Ram’s daughter is related Laxman?
   (a) Nephew (b) Grandson (c) Grandfather (d) Son
   Explanation: Answer: (c)

6. Pointing to a man in photograph, a woman said “His brother’s father is the only son of my grandfather”. Then How is women related to the man in the photograph?
   (a) Daughter (b) Mother (c) Aunt (d) Sister
   Explanation: Answer: (c) Only son of woman’s grandfather means father of that woman. Father of women is the father of man’s brother and hence father of that man. Therefore, the women is sister of the man and aunt to his son in photograph.

7. Read the following information carefully and answer the questions that follow
   I. ‘A × B’ means A is the son of B.
   II. ‘A ÷ B’ means A is the wife of B.
   III. ‘A + B’ means A is the brother of B.
   IV. ‘A $ B’ means A is the mother of B.
   V. ‘A $ B’ means A is the brother of B.
   (i) What does P × R - Q means
   (a) P is the son of R (b) Q is the son P
   (c) Q is the aunt of P (d) Q is the brother of P.
   (ii) What does P ÷ R + Q meaning
   (a) P is the brother of R (b) P is the father of Q
   (c) P is the aunt of Q (d) Q is the nephew of P.
   (iii) What does P $ R + Q mean?
   (a) P is the aunt of Q (b) P is the son of Q
   (c) P is the niece of Q (d) P is the sister of Q
   (iv) What does P $ R ÷ Q meaning?
   (a) P is the aunt of Q (b) P is the son of Q
   (c) P is the niece of Q (d) P is the uncle of Q.
   Explanation:
   (i) Option (a), P × R - Q, means P is the son of R, R is wife of Q. So Q is the father of P.
   (ii) Option (c), P × R ÷ Q, means P is the sister of R, R is the mother of Q. So P is the aunt of Q.
   (iii) Option (b), P ÷ R + Q, means P is the brother of R, R is the son of Q. So P is the son of Q.
   (iv) Option (d), P ÷ R ÷ Q means P is the brother of R, R is the mother of Q. So P is uncle of Q.

8. On the basis of this information, you have to select the option which shows that A is the grandfather of T.
   I. ‘S x T’ means that S is the mother of T.
   II. ‘S + T’ means that S is the father of T.
   III. ‘S-T’ means that S is the brother of T.
   (a) A + S + B + T
   (b) A x B + C + T
   (c) A + C + T
   (d) A + B + C x T
   Explanation:
   Option (a) represents that A is the grandfather of T
   (i) B + T => B is the brother of T.
   (ii) S + B => S is the father of B, hence S will be father of T (from information (i)).
   (iii) A + S => A is the father of S, hence A will be grandfather of B and hence A is the grandfather of T.
Directions: In each group of questions below are two or more statements followed by two or more conclusions. You have to take the given statements to be true even if they seem to be variance from commonly known facts. Read the conclusion and then decide which of the conclusions logically follows from the given statements, disregarding commonly known facts.

1. Statements:
   I. Some dogs are cats.
   II. All cats are pigs.

   Conclusions:
   I. Some cats are dogs.
   II. Some dogs are pigs.

   Given answer:
   (a) If only conclusion I follows.
   (b) If only conclusion II follows.
   (c) If either conclusion I or II follows.
   (d) If neither conclusion I nor II follows.
   (e) If both conclusion I and II follow.

   Answer: (e), Conclusion I and II follow.

2. Statements:
   I. Some cats are dogs.
   II. Some dogs are stones.

   Conclusions:
   I. No cat is stone.
   II. All dogs are stones.
   III. Some stones are cats.
   IV. No dog is cat.

   Given answer:
   (a) Only conclusion I follows.
   (b) Neither I nor II follows.
   (c) Only II follows.
   (d) Only I and II follow.

   Answer: (d)

3. Statements:
   I. All men are women.
   II. All women are crazy.

   Conclusions:
   I. All men are crazy.
   II. All the crazy are men.
   III. Some of the crazy are men.
   IV. Some of the crazy are women.

   Answers
   (a) None of the conclusions follow.
   (b) All the conclusions follow.
   (c) Only I, III, and IV follow.
   (d) Only II and III follow.

Answer: (c), Only I, III, and IV follow.

Explanation: Venn diagram:

Both the premises are universal Affirmative (A-type)
All men are women ➞ All women are crazy.
A + A ➞ A-type of conclusion.
“All men are crazy”
This is conclusion I.
Conclusion III is the converse of it.
Conclusion IV is the converse of Statement II.

4. Statements:
   I. No colour is a paint.
   II. No paint is a brush.

   Conclusions:
   I. No colour is a brush.
   II. All brushes are colours.

   Given answer:
   (a) If only conclusion I follows.
   (b) If only conclusion II follows.
   (c) If either conclusion I or II follows.
   (d) If neither conclusion I nor II follows.
   (e) Both conclusion I and II follow.

   Answer: (a) Only conclusion I and III follow.

5. Statements:
   I. All soldiers are men.
   II. Some citizens are soldiers.

   Conclusions:
   I. Some citizens are men.
   II. All soldiers are citizens.

   Answers
   (a) If only I follows.
   (b) Neither I nor II follows.
   (c) Only I follows.
   (d) Only I and II follow.

   Answer: (a) We can align the premises by changing their orders. Some citizens are soldiers.

All soldiers are men. We know that
I + A ➞ I Type conclusion.
Hence our conclusion would be “some citizens would be men.”

Venn diagram:
**NEWS UPDATES**

**FINANCE UPDATES**

**SEBI to replace promoters with ‘controlling shareholders’ in new corporate structure: Report**

The Securities and Exchange Board of India (SEBI) is mulling a shift from the ‘outdated’ promoter concept to ‘controlling shareholders’ for listed companies. This change in the corporate structure would bring market regulations on par with global practices and ensure that, while the shareholders have power, they do not overshadow the board.

Notably, while this may be seen as a ‘radical’ shift in India; several global markets have already done away with promoters. SEBI is, thus, considering introducing controlling shareholders, with de facto control, but those whose decisions or actions cannot overshadow the board or management.

Further, the shift may reduce compliance and disclosures by listed firms and the promoter or promoter group.

**SEBI tightens disclosure norms on loan defaults for listed companies**

Markets regulator SEBI has asked listed companies to disclose any loan default within 24 hours of any failure to repay principal or interest amount to banks or financial institutions beyond 30 days.

The decision is aimed at addressing the gaps in the availability of information to investors.

To begin with, listed entities shall make disclosure of any default on loans, including revolving facilities like cash credit, from banks / financial institutions which continues beyond 30 days. Such disclosure shall be made promptly, but not later than 24 hours from the 30th day of such default.

In case of unlisted debt securities such as Non-Convertible Debentures (NCDs) and Non-Convertible Redeemable Preference Shares (NCRPS), the disclosure shall be made within 24 hours from the occurrence of the default.

This would be applicable from January 1, 2020.

**SEBI came out with norms for debt ETFs**

Recently SEBI released norms for debt exchange traded funds (ETFs) wherein no single issuer will have more than 15% weight in the index and index funds must have a minimum of eight issuers.

SEBI said that the debt ETFs/index funds will replicate the index completely, and if this is not feasible due to non-availability of issuances of the issuer forming part of the index, the debt ETFs/index funds will be allowed to invest in other issuances issued by the same issuer having deviation of +/- 10 per cent from the weighted average duration of issuances forming part of the index, subject to single issuer limit.

However, at an aggregate portfolio level, the duration of debt ETF/index fund shall not deviate +/- 5 per cent from the duration of the index, the regulator said.

In an event where the credit rating of an issuance falls below the investment grade or rating mandated in the index methodology, rebalancing by debt ETFs/index funds will be done within a period of 5 working days.

**RBI raises aggregate exposure limit to ₹ 50 lakh on P2P lending platforms**

The Reserve Bank of India (RBI) has increased the limits imposed on peer-to-peer lenders to ₹ 50 lakh, in a major relief to the fledgling sector. The limit is the total amount of money any investor can invest across all P2P platforms.

Presently, the aggregate limits for both borrowers and lenders across all P2P platforms stand at ₹ 10 lakh.

In the P2P industry, individual borrowers are connected to lenders through digital platforms, and the platform just plays the role of a marketplace. More than 15 companies have registered with the RBI as non-banking finance company P2P lending platforms.

Industry players are saying they expect venture capital and private equity funding to pick up following this increase. Industry sources said the lower limit earlier was one of the major reasons why investors had been cautious about the P2P space.

**SEBI allows AMCs to provide management and advisory services**

Recently SEBI allowed asset management companies (AMCs) to provide management and advisory services to sovereign wealth funds, central banks and multilateral agencies including entities controlled 75 per cent directly or indirectly by government related investors.

Further the AMCs could also provide services to regulated entities such as pension funds, insurers, banks and mutual funds for agreements entered into by the AMCs on or before the date of this Circular, to provide management and advisory services to such FPIs (foreign portfolio investors) which are not falling under the above categories, the AMCs may continue to provide the services, for the period as mentioned in the agreement or one year from the date of this circular, whichever is earlier.
Residential Programme on Professional Skills Development at Centre of Excellence, Jaipur and Hyderabad

The Board of Studies is pleased to announce the next batch of ICAI’s Four Weeks Residential Programme on Professional Skills Development as below:

<table>
<thead>
<tr>
<th>Venue</th>
<th>Participant</th>
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<th>Date</th>
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This programme aims to help the Chartered Accountancy students and newly qualified Chartered Accountants in imbibing the professional skills required for effective functioning in business organisations and the profession. The Programme environment focuses on development of communication skills, personal qualities, interpersonal and team work skills, problem solving skills, leadership skills etc.

Salient Features of the Programme:

- Emphasis on Soft Skills, Communication Skills and Personality Development.
- Exemption from payment of Fees to Top 10 Rank holders.
- Part of Practical Training.
- No need for Separate Management and Communication.

For online registration, you can proceed with Board of Studies Announcements https://www.icai.org/new_category.html?c_id=345 under the ‘Students’ tab on the Home Page of the ICAI’s website www.icai.org. For any query, you can write us at ashokdua@icai.in or may also contact us on 0120-3045935 and Mobile No. 9868879548.

Director, Board of Studies

Attend Student Conferences across the Country

The Board of Studies has planned the following Conferences for CA Students:

<table>
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<tr>
<th>Subject</th>
<th>Start Date</th>
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<tr>
<td>Kozhikode CA Students Conference</td>
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<td>Jamshedpur CA Student Conference</td>
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For detailed Programme Structure, please visit https://www.icai.org/new_category.html?c_id=348

Students Eligible to attend the Students Conference: Students who have registered as IPCC/Intermediate Students/Students who are pursuing their Article Ship Training/ Students who have completed their Practical Training but could not qualify their final examinations may attend the conference till next one year from the date of completion of Practical Training (CPT Students and Students who have completed one year beyond their Articleship training will not be eligible to register for these Conferences)

It may however be noted that during April, 2019 - March, 2020, the students can be Paper Presenters for maximum 2 Students Conferences only. Best paper presenters (overall category) of National Conference can be permitted to present technical papers in International Students Conference where the limit of two programmes per year will not be applicable.

CROSSWORD SOLUTION – DECEMBER 2019

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GLIMPSES
INAUGURATION NATIONAL TALENT HUNT DEC 2019

National Talent Hunt Dec 2019: Chairperson BOS, CA Kemisha Soni addressing the audience; On the dais: Chairman Indore branch of CIRC of ICAI CA. Pankaj Shah Chairman CICASA Indore Branch CA. Ankush Jain, Chief Guest Padamshri Dr. Pandit Gokulotsavji Maharaj, Treasurer Indore Branch of CIRC of ICAI CA. Gaurav Maheshwari, CA. Kirti Joshi Committee Member Indore Branch of CIRC of ICAI and Regional Council Member CIRC of ICAI CA. Nilesh Gupta

NUKKAD DRAMA

WINNERS: TEAM CIRC THEME: CHUNOTIYON KA PUNCHNAMA

Chief Guest Padamshri Dr. Pandit Gokulotsavji Maharaj with Chairperson BOS CA. Kemisha Soni presenting the ceremonial cheque to Team CIRC from Jodhpur; Members: Ms. Ankita Maheshwari(CRO0628067), Mr. Keshav Birla(CRO0625862), Ms. Shruti Taparia(CRO0630900) Mr. Sahil Bhandari(CRO0623168) Mr. Keshav Rathi (CRO0624401) and Ms. Shivani Rathore (CRO0656326)

FIRST RUNNERS UP: TEAM WIRC THEME: PHOBIA

Chief Guest Padamshri Dr. Pandit Gokulotsavji Maharaj with Chairperson BOS CA. Kemisha Soni presenting the ceremonial cheque to Team WIRC from Thane; Members: Mr. Nilay Gokhale(WRO0580553), Ms. Priyanka Thakur (WRO05699757), Mr. Abhishek Sathe (WRO0554920) Mr. Pradnyesh Patil (WRO0572034) and Mr. Soham Vaidya (WRO 0576637)

SECOND RUNNERS UP: TEAM NIRC THEME: EK CA STUDENT KA SAFAR

Chief Guest Padamshri Dr. Pandit Gokulotsavji Maharaj with Chairperson BOS CA. Kemisha Soni presenting the ceremonial cheque to Team NIRC from Ludhiana; Members: Mr. Meakhpreet Singh(NRO0417630) Mr. Sachin Goyal (NRO0453301), Mr. Shubham Khullar (NRO0441655), Ms. Simran Dhawan (NRO0458184), Ms. Muskan Jaswal (NRO0458902) and Ms. Supreet Kaur(NRO0461001)
Chief Guest Padamshri Dr. Pandit Gokulotsavji Maharaj and Chairperson BOS CA. Kemisha Soni with Team CIRC from Agra; Members: Mr. Gaurang Kumar Agarwal(CRO0601872) and Mr. Shabd Roop Satsangi (CRO0518188)

Chief Guest Padamshri Dr. Pandit Gokulotsavji Maharaj and Chairperson BOS CA. Kemisha Soni presenting the ceremonial cheque to the runners up Team SIRC from Hyderabad; Members: Ms. Vineetha Reddy (SRO0538117) and Ms. Sannidhi Naga Lakshmi Durga Poojitha (SRO0538152)

NATIONAL TALENT HUNT DECEMBER 2019 WINNERS

**ELOCUTION**

**FIRST POSITION**
Mr. Anis Sayani (Goa)
WRO0644586

**SECOND POSITION**
Ms. Jeenat Gumber (Ludhiana)
NRO0434804

**THIRD POSITION**
Ms. Lipika Goyal (Siliguri)
ERO0227480

**INSTRUMENTAL MUSIC**

**FIRST POSITION**
Mr. Aloshin Joseph Violin (Kochi)
SRO0669404

**SECOND POSITION**
Mr. Prakhar Gupta Violin (Indore)
CRO0612184

**THIRD POSITION**
Mr. Narottam Majhi Khol (Ghaziabad)
NRO0440298

CA Logo with a difference: WICASA students forming the CA logo during the International Conference at Pune
CROSSWORD - JANUARY 2020

ACROSS
1. A soft smooth shiny quality.
6. Wireless Fidelity
9. A song of Praise/victory
10. Indefinite article used before words beginning with a vowel sound.
11. ______ is a metric used in capital budgeting to estimate the profitability of potential investments.
12. To ______ somebody on: to encourage
13. Way of Saying to understand or agree
14. A hidden store of things
15. A distinct period of history
21. ______ Gotten Money
22. Hurt
24. ______ collared job: Jobs involving manual labour.
25. The activity of broadcasting sound programmes for public to listen.
26. A mechanism used by start-ups to achieve sustainable growth.
27. The letter ‘S’ stands for ______ in the Web terminology ‘HTTPS’.
29. Fourth Estate
31. A remarkable person
32. A ______ exercises its original civil and criminal jurisdiction only if the subordinate courts are not authorized by law to try such matters for lack of pecuniary, territorial jurisdiction.
33. Used to refer to a man, boy, or male animal previously mentioned or easily identified.
34. Cries noisily
35. The number of years since the birth of Jesus Christ
37. A search engine
40. A small lively creature of folk tales
42. An important young member of a family
43. Keep up with the ______
46. ______ is a quasi-judicial institution set up in January 1941 and specializes in dealing with appeals under the Direct Taxes Act.
47. India is the 4th largest importer of ______ in the world.
48. ______ is a legally defined entity with a structured system of governance, and which has delegated powers to oversee local legislation as well as the management of resources.
49. Shows up
52. ______ is a 2013 series published by Marvel Comics.
54. ______ tide lifts all the boats.
55. ______ Research provides executives a platform for accessing unbiased benchmark research, data, and analysis to improve business performance.
56. Roman Numeral of 149.
58. An ______ number is an integer which is not a multiple of two.

DOWN
1. A formal talk that a person gives to an audience.
2. An unattractive old woman
3. A test used to evaluate the electrical activity in the brain.
4. ______ at factor cost measures national income.
5. A preposition which is used to show at a point within an area or a space.
6. Desire
7. Wrath
8. There’s no such thing as a ______
10. Solo song
13. Break the ______ (Phrase)
14. Darkens
15. Delight
17. Run After
18. Founder company of Bluetooth.
20. The first signs of an improvement in an economy
21. ______ was founded in 1956

with the objective of promoting legal research.
23. ______ is an agreement between two or more parties for official partnership.
28. Steal
29. Repeaters function in the ______ layer of computer network.
30. Action and ______ are equal and opposite.
36. ______ is a symmetric-key algorithm for encryption of electronic data.
38. A pause in activity when nothing happens.
39. ______ is a hill resort in the state of Tamil Nadu in Southern India.
41. Changes in stock prices, profit margins, profits are generally seen as precursors of business cycle, they are called_______ factors.
44. ______ Aayog is a policy think tank of the Government of India.
45. Saint ______, often anglicized as Helen, was a late 4th-century founder of churches in Wales.
49. Afflict
50. A non-profit charity, association that is independent of government and business
51. Turf.

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