

SEPTEMBER 2019



STUDENT'S E-NEWS LETTER

WICASA PIMPRI-CHINCHWAD
BRANCH OF WIRC
OF ICAI

WICASA PIMPRI-CHINCHWAD



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Managing Committee 2019-20

CA. Santosh Sancheti	<i>(Chairman)</i>
CA. Simran Lilwani	<i>(Vice Chairperson)</i>
CA. Sachin Bansal	<i>(Treasurer)</i>
CA. Vijaykumar Bamne	<i>(WICASA Chairman)</i>
CA. Chandrakant Kale	<i>(MCM)</i>
CA. Shailesh Bore	<i>(MCM)</i>

WICASA Committee 2019-20

CA. Vijaykumar Bamne	<i>(WICASA Chairman)</i>
Mr. Omkar Dangale	<i>(WICASA Vice Chairman)</i>
Ms. Ruchi Bansal	<i>(WICASA Secretary)</i>
Mr. Omkar Dafal	<i>(WICASA Treasurer)</i>
Ms. Riddhi Pande	<i>(WICASA Member)</i>
Mr. Pratik Karande	<i>(WICASA Member)</i>
Ms. Nidhi Katti	<i>(WICASA Member)</i>



National Financial Reporting Authority (NFRA)

Topic Introduction with Example:

So let us begin with an interesting story or a case study that you all might have heard time and again especially after entering CA course.

There is a company, let's call it 'X' for the time being. 'X' invests in another company under a pretext of diversification. The chairman of 'X' also manipulates the financials of the company in several forms. There is undervaluation of liabilities and overvaluation of assets like cash reserves on a massive scale. The chairman is the most prominent beneficiary as a result of this scam.

Can anyone guess which company I am talking about? Yes, it is none other than Satyam computer services. Satyam scandal also called as India's Enron case is one of the biggest scams related to corporate accounting. It disrupted the whole financial system of India.

The fraud committed by the founders of Satyam in 2009, is a testament to the fact that "the science of conduct is swayed in large by human greed, ambition, and hunger for power, money, fame and glory".

Another important observation of this case was the negligence on the part of auditors as manipulation of accounts of Rs 14162 crores remained undetected.

This forced the lawmakers to think of creating a new independent body that could act as a big brother to ICAI. This is how NFRA came into being.

What exactly will the role of NFRA be?

So friends, how many of you have been punished in school for misbehaving? I know right! Most of us have sailed the same boat! Our parents might for instance support us but teachers have given a tough time.

Similar is the case with CA's.

CA professionals are the prodigies of ICAI, thus creating a possibility of bias towards the evaluation of quality of work done. To have a neutral position on this, it was necessitated to overlook the work of CA's that would improve the compliance of the task delivered.



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Legal provisions:

Companies Act, 2013 has prescribed many provisions for the very first time, NFRA being one of them.

NFRA has been constituted under sec 132 of Companies Act 2013. It has recently been notified vide Notification dated 13th November 2018.

Section 132 provides the following roles and responsibilities for the NFRA:

1. Make recommendations to the Central Government on the formulation and laying down of accounting and auditing policies and standards for adoption by companies or class of companies or their auditors, as the case may be.
2. Monitor and enforce the compliance with accounting standards and auditing standards in such manner as may be prescribed.
3. Oversee the quality of service of the professions associated with ensuring compliance with such standards, and suggest measures required for improvement in quality of service and such other related matters as may be prescribed.

Applicability:

- The jurisdiction of the NFRA for investigation of Chartered Accountants and their firms would extend to listed companies
- Large unlisted public companies which mean the companies with
 1. Net worth not less than Rs.500 crores or,
 2. Paid-up capital not less than Rs.500 crores or,
 3. Annual turnover not less than Rs. 1,000 crores as on 31st March of immediately preceding financial year.
- Companies having securities listed outside India will be under the jurisdiction of NFRA.
- insurance companies, banking companies, companies engaged in the generation or supply of electricity, companies governed by any special Act for the time being in force or body corporates incorporated by the Act a body corporate incorporated outside India, which is a subsidiary or associate company of any company or body corporate



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incorporated in India, if the income or net worth of such company exceeds twenty per cent of the consolidated income or net worth of Indian company

- The Central Government can also refer any other entities for investigation where the public interest would be involved.

Composition:

The NFRA will consist of one Chairperson, three posts of full-time Members and one post of Secretary. The Chairperson of NFRA will be appointed by the Central Government from time to time and would be someone having expertise in accountancy, auditing, finance or law.

The Chairperson and members of the NFRA are required to make a declaration to the Central Government regarding no conflict of interest or lack of independence in respect of his or their appointment. Further, the Chairperson and members of the NFRA cannot be associated with any audit firm (including related consultancy firms) during the course of their appointment and two years after ceasing to hold such appointment.

Rangachari Sridharan was appointed as the first chairman of the body in October 2018. Other posts however, still remain vacant.

1. Power to investigate, either suo motu or on a reference made to it by the Central Government, for such class of bodies corporate or persons, into the matters of professional or other misconduct committed by any member or firm of Chartered Accountants, registered under the Chartered Accountants Act, 1949.

2. Have the same powers as are vested in a civil court under the Code of Civil Procedure, 1908, while trying a suit, in respect of the matters namely:

- Discovery and production of books of account and other documents, at such place and at such time as may be specified by the National Financial Reporting Authority;
- Summoning and enforcing the attendance of persons and examining them on oath;
- Inspection of any books, registers and other documents of any person
- Issuing commissions for the examination of witnesses or documents;



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3. Where professional or other misconduct is proved, the National Financial Reporting Authority (NFRA) has the power to make an order for:

- Imposing penalty of not less than one lakh rupees, but which may extend to five times of the fees received, in case of individuals. Imposing penalty of not less than ten lakh rupees, but which may extend to ten times of the fees received, in case of firms.
- Debarring the member or the firm from engaging himself or itself from practice as member of the Institute of Chartered Accountant of India for a minimum period of six months or for such higher period not exceeding ten years as may be decided by the National Financial Reporting Authority.

Office:

The head office of the National Financial Reporting Authority will be at New Delhi and the National Financial Reporting Authority can meet at such other places in India as it deems fit.

Conclusion:

So on the closing remark I would like to restate about the Government Notification dated 13th Nov 2018 about enforcement of NFRA which reminds me of a popular quote:

“Coming together is the beginning, Keeping together is Progress, and Working together is success”

Notification is just the beginning. Trust, the 2 bodies continue to stay together which would be the progress and complementing each other functionally for a robust financial system within the country would be the real success!!!

Complied By,
Ms. Nidhi Katti
WRO 0610939



Precautions to be taken while entering into a Real Estate Transaction.

In this article we will be discussing about the precautions to be take care while entering into a real estate transaction.

Let us understand this article in the form of short story;

There are two brothers namely Pushp Kumar Sahu and Uday Kumar Sahu who have entered into a transaction of immovable property worth 48 lakhs INR in cash. (value as per Stamp valuation authority 60 lakhs INR) But being not aware of the income tax provisions, they made a transaction violating the various provisions of the income tax act, 1961. Both brothers jointly sold the said property and thereafter received the whole consideration in cash and the same is deposited in the bank account.

The first violation of income tax provision which is made by the Sahu brothers is of Section 269ST, as they have received the entire sale consideration in cash which exceeds 2,00,000/- INR. Therefore penalty will be levied on them under section 271DA at the rate of 100% of the amount received in cash.

The second violation made by them was; they have sold the said property at a rate less than the rate as determined by stamp valuation authority [section 50C], as per this section; where the consideration received or accruing as a result of the transfer by an assessee of a capital asset, is less than the value adopted or assessed by an authority of a state government (stamp valuation authority) for the purpose of payment of stamp duty in respect of such transfer, the value so adopted for the purposes of section 48, be deemed to be the full value of consideration received as a result of transfer.

The last mistake made by Sahu brothers was that they have deposited the entire cash received from such sale in bank account. As they have deposited the cash exceeding 10 lakhs INR in a single saving account. Because of such bulk deposit, bank official filed an annual information return u/s 285BA to income tax department. Due to such filing of AIR, transaction has been easily tracked by the department and in order to take such transaction under income tax assessment , department issues a show cause notice to assessee that why this transaction has not been reflected in their IT returns.



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Originally this income has been evaded by the assessee brothers, therefore A.O. has full access to issue income escaping notice to both assessee u/s 148 and complete the assessment as provided u/s 147. Moreover, A.O. can issue notice under section 271DA for violating provisions of 269ST for levying 100% penalty or can issue notice under section 271(1)(c) for concealment of income.

Complied By,

Mr. Pushp Kumar Sahu

CRO 0553317



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WICASA Events (September 2019)

Date	Event	Place/ Speaker
4 th September, 2019	Articleship Placement Programme	ICAI Bhawan Pimpri Chinchwad, Nigdi
9 th September, 2019	Study Circle Meeting on Business Communication, Articulation Skills	Ms. Ashwini Surti
9 th September, 2019	Study Circle Meeting on Income Tax Return Filing	CA. Sarang Rathi
21 st September, 2019	Half Day Workshop on Spoken English	Mr. Shivam Nirmale
21 st September, 2019	Study Circle Meeting on How to give Effective Presentation	Ms. Rutuja Shinde
24 th September, 2019	Study Circle Meeting on E-Filing Returns	CA. Deepika Agarwal



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WICASA PIMPRI CHINCHWAD BRANCH OF WIRC OF ICAI

ICAI Bhawan Plot No. 17/8 A,
at Nigdi, Dattanagar,
Near Bhakti Shakti Chowk,
Dehuroad Cantonment Board,
Behind Indian Oil Petrol Pump, Pune 411044.

Contact No:

8237119966/77

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pimpriicai@gmail.com

Website:

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- Please contribute to Students Newsletter in the forms of Articles, Compilations or any other useful information.

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