



**E-NEWSLETTER OF SICASA CHENGALPATTU
DISTRICT BRANCH OF SIRC OF ICAI**

SEPTEMBER 2023

Vol VIII/No.03

**Teachers affect
Eternity; NO one can
tell where their
Influence stops.**

-Henry Brooks Adams

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FROM THE SICASA CHAIRPERSON'S DESK TO STUDENTS

Dear Students,

Swami Vivekananda's words,

Slowly and gradually, we are to train ourselves. It is no joke – not a question of a day, or years, or maybe of births. Never Mind! The pull must go on. Knowingly, voluntarily, the pull must go on. Inch by inch we will gain growth. We will begin to feel and get real possessions, which can take away from us – the wealth that no man can take, the wealth that nobody can destroy, the joy that no misery can hurt anyone.

Slowly this infinite giant is, as it were, waking up, becoming conscious of his power, and arousing himself; and with his growing consciousness, more and more of his bonds are breaking, chains are bursting asunder, and the day is sure to come when, with the full consciousness of his infinite power and wisdom, the giant will rise to his feet and stand erect. Let us all help to hasten that glorious consummation.

Sincerity of conviction and purity of motive will surely gain the day, and even a small minority, armed with these is surely destined to prevail against all odds.

Best Wishes

CA Aanand P

SICASA Chairman

1st September 2023.



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FROM THE BRANCH CHAIRMAN'S DESK TO STUDENTS

My dear beloved Students (future CA's),

This is my Seventh letter written to our students. It is very surprising that time is running too fast. This indicates that we are running faster than the time runs, we do things, in which we are interested, interestingly and whole heartedly. So that only, we could not feel that passing of days, months and years. If we run slower than the time runs, do things half-heartedly, it would be felt that time is not moving; life will become harder to move on. Now, this is the strategy which a CA student should follow. They must like the things what they are doing, the subjects what they are studying and the work what they have been assigned, in their respective offices. If this simple technique is followed, then time will run just like that, and achievements would be in our pockets.

Now, I wish to state that the student activities which were carried out in the month August 2023.

- Half Day Students Seminar on Tax Audit – Critical Clauses by CA K VIJAYARAGHAVAN

My dear beloved Students (future CA's),



SICASA of Chengalpattu District Branch of SIRC of ICAI

The following activities have been planned for the current month.

- Teachers' Day Celebrations on 5th September at Branch Premises
- Conducting of Elocution competition for Students in the topic: **"Learnings from My Principal – My Teacher"** in the eve of the Teachers' Day
- Mock Tests for Foundation, Inter and Final Students to be held as per BOS Guidelines
- Crash Courses for CA Intermediate 'November 2023' Exams

In the month of September 2023, the students will be very busy in tax audit and company audit assignments of their respective offices. I extend best wishes for all the students for getting good learning experience.

I request every one of our students to make the best of use of opportunity to enrich your knowledge by active participation of Students Programs regularly organised by our branch.

With these few words, I pen down, by extending....

Best wishes,

CA T SIVAGURUNATHAN

Chairman

Chengalpattu District Branch of SIRC OF ICAI.



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STUDENTS ARTICLES FOR THE MONTH OF September 2023

SA 230 – Audit Documentation

I feel grateful to share this knowledge with you, and hope this helps you all to understand this SA 230 in a better manner.

Scope of the SA & Objective of the Auditor

Scope

This SA deals with auditor's responsibility to prepare audit documentation for an audit of financial statements.

Objective

The objective of the auditor is to prepare documentation that provides:

- a) sufficient appropriate record of the basis for auditor's report.
- b) evidence that the audit was planned & performed in accordance with SAs & legal & regulatory requirements.

Definitions

Audit Documentation: The record of audit procedures performed, relevant audit evidence obtained, and conclusions the auditor reached.

Audit File:

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.



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Experienced Auditor:

An individual (whether internal or external to the firm) who has practical audit experience, and a reasonable understanding of:

- (i) Audit processes.
- (ii) SAs and applicable legal and regulatory requirements.
- (iii) The business environment in which the entity operates; and
- (iv) Auditing and financial reporting issues relevant to the entity's industry.

Nature and Purposes of Audit Documentation

Audit documentation that meets the requirements of this SA and the specific documentation requirements of other relevant SAs provides:

- a) Evidence of the auditor's basis for a conclusion about the achievement of the overall objectives of the auditor; and
- b) Evidence that the audit was planned and performed in accordance with SAs and applicable legal and regulatory requirements.

Audit documentation serves a number of additional purposes, including the following:

- ✚ Assisting the engagement team to plan and perform the audit.
- ✚ Assisting members of the engagement team responsible for supervision to direct and supervise the audit work, and to discharge their review responsibilities in accordance with SA 220.
- ✚ Enabling the engagement team to be accountable for its work.
- ✚ Retaining a record of matters of continuing significance to future audits.
- ✚ Enabling the conduct of quality control reviews and inspections in accordance with SQC 1.
- ✚ Enabling the conduct of external inspections in accordance with applicable legal, regulatory or other requirements.



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Timely Preparation of Audit Documentation

The auditor shall prepare audit documentation on a timely basis. Preparing sufficient and appropriate audit documentation on a timely basis helps to enhance the quality of the audit and facilitates the effective review and evaluation of the audit evidence obtained and conclusions reached before the auditor's report is finalised. Documentation prepared after the audit work has been performed is likely to be less accurate than documentation prepared at the time such work is performed.

Form, content & extent of Audit Documentation

1. The auditor shall prepare audit documentation that is sufficient to enable an experienced auditor, having no previous connection with the audit, to understand:

- a) The nature, timing, and extent of the audit procedures performed to comply with the SAs and applicable legal and regulatory requirements.
- b) The results of the audit procedures performed, and the audit evidence obtained; and
- c) Significant matters arising during the audit, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions.

2. In documenting the nature, timing, and extent of audit procedures performed, the auditor shall record:

- (a) The identifying characteristics of the specific items or matters tested.
- (b) Who performed the audit work and the date such work was completed; and
- (c) Who reviewed the audit work performed and the date and extent of such review.



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3. The auditor shall document discussions of significant matters with management, those charged with governance, and others, including the nature of the significant matters discussed and when and with whom the discussions occurred.

4. If the auditor identified information that is inconsistent with the auditor's final conclusion regarding a significant matter, the auditor shall document how the auditor addressed the inconsistency.

Matters Arising after the Date of the Auditor's Report

If, in exceptional circumstances, the auditor performs new or additional audit procedures or draws new conclusions after the date of the auditor's report, the auditor shall document:

- a) The circumstances encountered.
- b) The new or additional audit procedures performed, audit evidence obtained, and conclusions reached, and their effect on the auditor's report; and
- c) When and by whom the resulting changes to audit documentation were made and reviewed.

Assembly of Final Audit File

1. 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.

2. 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.



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3. Where the auditor finds it necessary to modify existing audit documentation or add new audit documentation after the assembly of the final audit file has been completed, the auditor shall, regardless of the nature of the modifications or additions, document:

- a) The specific reasons for making them; and
- b) When and by whom they were made and reviewed.



Dharaneswari Jaishankar

SRO0804610



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Companies Act, 2013 – Schedule III

Division I

I am very much delighted to be able to talk a few points about Schedule-III of Companies Act, 2013 at this crucial time of completing the Company Statutory Audits.

Divisions and their Applicability:

The Companies Act, 2013 has specified the format of Financial Statements for Companies in Schedule-III which is further classified into 3 divisions.

Division-I is applicable for companies that are required to comply with the Companies (Accounting Standards) Rules, 2021 as amended from time to time.

Division-II is applicable for companies that are required to comply with the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time.

Division-III is applicable for Non-Banking Financial Companies (NBFCs) to which Indian Accounting Standards (Ind AS) apply.

In this article I'm going to focus only on Division-I. If you are interested, you can study up on other divisions.

Division-I:

This division contains the format of Balance Sheet and Statement of Profit and Loss along with General instructions for preparing them both.



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I will mainly talk about the general instructions since the formats are available in the MCA portal as well as our ICAI portal.

General Instructions:

- ✓ While preparing the Financial statements as per the format, you should not delete or omit a line item on the face of Balance Sheet or Statement of Profit and Loss even if the amount in the line item is zero. You can choose not to prepare notes for zero-balance line items.
- ✓ You should provide Comparative figures for the immediately preceding year except for the First financial statements after the incorporation of the Company.
- ✓ An asset is classified as current if (a) it will be realised or sold or consumed in the company's normal operating cycle; (b) it is held primarily for trading; (c) it will be realised within 12 months from the reporting date (Date of Balance Sheet, normally 31st March of every year); or (d) it is a cash and cash equivalent *without any restrictions on its use for at least 12 months from the reporting date.*
 - ✓ Any asset which does not satisfy the above criteria is non-current asset.
 - ✓ It is important to note that if the use of a cash and cash equivalent is restricted for more than 12 months from reporting date, you should classify it as a non-current asset.
- ✓ Likewise, liability will be considered as current only if (a) it is to be settled in the operating cycle of the company (b) it is held for trading (c) it is due to be settled within 12 months from reporting date; or (d) the company will not be able to unconditionally defer the payment for 12 months from reporting date.



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- ✓ Any liability which does not satisfy the above criteria is non-current liability.
- ✓ It is worthwhile to note that if the company can defer the payment towards a liability for not less than 12 months, then you should classify such liability as non-current.

Disclosures to be given:

- ✓ With regard to share capital, you have to disclose
 - ❖ The authorised share capital and no. of shares authorised
 - ❖ the no. of shares issued, subscribed and fully paid
 - ❖ Par value per share
 - ❖ Reconciliation of opening and closing no. of shares outstanding
 - ❖ Rights, preferences and obligations of each type of shares
 - ❖ Shareholders holding more than 5% of the shares outstanding specifying the no. of shares
 - ❖ Shareholding of Promoters at the end of the reporting period and previous year specifying the no. of shares and *Change in shareholding*
- ✓ In case there is a **Debit balance** in Statement of Profit and Loss, it should be shown under the head Reserves and Surplus. And even if the balance of Reserves and Surplus becomes *negative* as a result of Debit balance of Statement of Profit and Loss, it should be shown in the **LIABILITIES** side of the Balance sheet under Shareholder's funds.
- ✓ Borrowings should be classified as borrowings from banks, related parties and others. If the loan is secured, the nature of security should be disclosed and in case the directors have guaranteed the loans, the amount of loan for which directors have guaranteed should be disclosed.



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- ✓ Current maturities of Long-term borrowings should be disclosed separately. Only the principal amount should be taken.
- ✓ Trade payables should be classified as payable to MSMEs and payable to others along with the time they are due for. For MSMEs further classification on principal and interest should be disclosed.
- ✓ While disclosing trade payables due more than 180 days, note is to be taken whether GST Input tax credit has been reversed or not.
- ✓ Property, Plant and Equipment should be classified as Land, Building, Plant and Equipment, Furniture and Fixtures, Vehicles, Office equipment and others.
- ✓ Computer software like Tally software, if not booked as expense, should be classified as Intangible assets.
- ✓ Loans and advances to related parties should be separately disclosed specifying the Party, their relationship and amount. However, Companies Act, 2013 puts a blanket restriction on *Loans given to Directors, Promoters or their related party*.
- ✓ Trade receivables considered as non-current should be mentioned under Other non-current assets and an ageing schedule for that should be disclosed.
- ✓ An ageing schedule should be shown for Trade receivables and whether they are considered good or doubtful.
- ✓ Provision for doubtful debts should be disclosed separately for each heading in the ageing schedule.

In addition to this there are some regulatory information that are also required to be disclosed separately.

With Regards,
Shuvarnesh S
SRO0785157.



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Glimpse of the events held in
August 2023

**INDEPENDENCE DAY FLAG
HOISTING AT BRANCH PREMISES**





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HALF DAY SEMINAR ON TAX AUDIT – CRITICAL CLAUSES





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SRO0685909**



**Nevedha J
SRO0781711**



**Akash S
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**S Pushpa Asmitha
SRO0677129**



**Shuvarnesh S
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**Pavithra M
SRO0769672**



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TRIVIA CORNER

Mr. Balwant Singh, the MD of Suvidha Stores Ltd., has requested CA Arun Kumar to carry out the Statutory Audit of his Store's Head Office at Pune. On a discussion with respect to the terms of Engagement of the Audit. Mr. Balwant tells CA Arun that he smells something fishy going on in the Accounts department and wants CA Arun to report keeping susceptibility of Fraud as per SA-240 in mind. CA Arun tells Mr. Balwant that Fraud results from material misstatements arising either due to Fraudulent Financial Reporting or Misappropriation of Assets. He also tells him about the various Fraud risk factors which form the reason behind Commitment of Fraud by the employees and also tells him about the reporting procedures. On scrutiny of the accounts of the Company and after discussing with the employees at the Head Office, CA Arun notes down the following observations:-

- **Mr. X**, the Head accountant seems to have colluded with the Cashier **Mr. Y**.
- **Mr. X** has reported higher profits than the usual profits in the books of accounts because apart from his salary, he also receives incentives based upon the profits earned by the Company.

- Mr. Y, the cashier has shown bogus expenses which have not been incurred by the company
- CA Arun estimates that the amount involved in the fraud would be ₹5 crores.

1. Fraud in the above case scenario has been committed by resorting to which of the following Material Misstatements identified during the audit:-

- a) Fraudulent Financial Reporting
- b) Misappropriation of Goods
- c) Defalcation of cash
- d) Either (b) or (c)

2. The Fraud Risk Factor behind committing of Fraud by Mr. X in the above case was:-

- a) Incentives or Pressure
- b) Rationalization
- c) Perceived Opportunity
- d) Adventure

3. How has the Fraud been committed by Mr. X ?

- a) Manipulation / Falsification
- b) Misrepresentation
- c) Intentional Misapplication of Applicable Accounting Principles
- d) Error



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4. Mr. Y resorted to Defalcation of Cash by
- a) Inflating Cash payments
 - b) Suppressing Cash receipts
 - c) Casting wrong totals in the Cash book
 - d) Stealing cash
5. CA Arun found significant unexplained items on many reconciliations. This is an example of Fraud due to
- a) Discrepancies in accounting records
 - b) Problematic relationship between Auditor and Management
 - c) Conflicting or missing evidence
 - d) Other

PREVIOUS MONTH ANSWERS

- 1. c
- 2. a
- 3. d



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CONTRIBUTION FROM OUR CA ASPIRANTS

Articles are invited from students for publishing in e-newsletter. The articles shall be either on the specific subject or a general article.

For all the artistic minds, you may highlight your artistic skills by sending your art to us. It could be drawing, poem, photographs and all the artwork which is unusual in your way!

Students can mail their work with Name, SRO Number, Mobile Number, Residential Address, Office Address & Photo to our E-Mail mentioned below.

sicasa@chengai-icai.org