

THE ORACLE

MANGALURU BRANCH (SIRC) E-NEWSLETTER

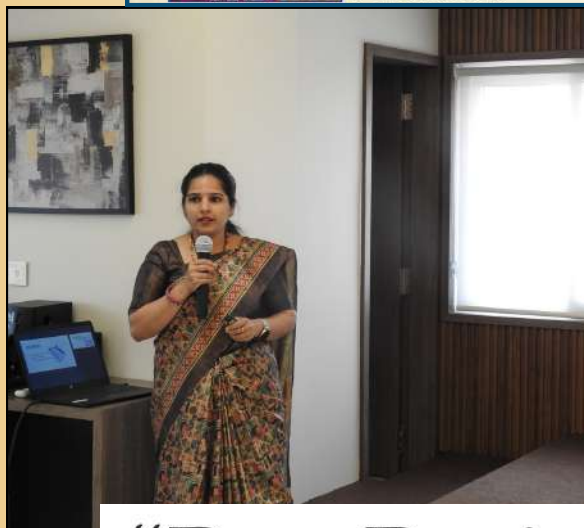
VOLUME 02 | ISSUE 03 | APRIL- MAY 2025 | MANGALURU

HALF DAY SEMINAR
on
PREPARATION FOR PEER REVIEW

Resource Person



CA. Sowmya Kamath
Peer Reviewer



“Peer Review: The Mirror Every CA Needs



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DON'T
miss it!

Upcoming Events in May 2025

1. One day Seminar on PMLA and FEMA
2. One day Seminar on Taxation and Audit of Co-operative Societies
3. A 3 day Residential Refresher Course for the members at Gamyam Retreat, Kumta



CHAIRMAN'S MESSAGE



CA. Prashanth Pai K.

Chairman- ICAI Mangaluru Branch

Dear Esteemed Members of ICAI Mangalore,
Warm greetings to you all!

As we step into the vibrant month of May, I take this opportunity to reflect on our activities in April 2025 and share details of the exciting initiatives lined up for the coming weeks.

Understanding the demanding schedule many of you faced with bank audit assignments, the committee prioritized quality over quantity last month. We successfully conducted a focused half day seminar on the topic "Preparedness for Peer Review" led by the esteemed CA Soumya Kamath on 25th April 2025. The program received positive feedback, equipping members with actionable insights to navigate peer review processes effectively. My heartfelt gratitude to CA Soumya for her expertise and to all participants for their engagement amidst busy schedules.

May promises to be an enriching month with opportunities for professional growth and collaboration. We have planned

1) A full day seminar on 3rd May 2025 on the topic FEMA & PMLA

Organized under the aegis of the "Committee for Commercial Law, Economic Advisory, and NPO Cooperatives", this seminar will delve into critical updates, compliance strategies, and case studies under FEMA and PMLA. A must-attend for practitioners in cross-border transactions and regulatory compliance.

2) A Full-Day Seminar on 10th May 2025 on the topic Audit & Taxation of Cooperative Societies

This session will address nuanced challenges in auditing cooperative societies and recent developments in their taxation framework. Ideal for members handling audits in this specialized sector.

3) Residential Refresher Course (RRC) at Gamyam Resort Friday to Sunday, 23rd-25th May 2025

Join us for a rejuvenating blend of learning and networking at this immersive RRC. Major topics will be new Income Tax Bill 2025, Black money Act, FEMA and professional opportunities for Chartered Accountants.

Each initiative is designed to empower you with cutting-edge knowledge and strengthen our professional community. I earnestly request your full support and active participation to ensure the success of these programs. Together, we can elevate the standards of excellence ICAI Mangalore is renowned for.

As we march ahead, let us remember the words of Henry Ford: "Coming together is a beginning, staying together is progress, and working together is success." Let's continue to collaborate, learn, and grow as a united fraternity.

Wishing you a productive and fulfilling month ahead!

Warm regards,

CA Prashanth Pai K

Chairman, ICAI Mangalore Branch



Dear Esteemed Members,

Warm greetings from the Mangaluru Branch of SIRC of ICAI!

As we turn the page on April, a month synonymous with the intensity and diligence of Bank Audits, I extend my heartfelt appreciation to all our members who navigated this demanding period with their characteristic professionalism and integrity. The critical role we play in maintaining trust in the financial system cannot be overstated, and your relentless commitment continues to uphold the dignity and strength of our noble profession.

April also witnessed a focused initiative by the Branch through the “Preparedness for Peer Review” session. As Peer Review becomes increasingly pivotal in enhancing audit quality, this session was a timely reminder for us all to align with the latest norms, best practices, and documentation standards. We thank all the participants and the faculty for making this program a success.

Looking ahead, the Branch is gearing up to host a series of insightful programs:

- ◆ A One Day Seminar on PMLA and FEMA – a deep dive into regulatory compliance and its practical implications.
- ◆ A One Day Seminar on Taxation and Audit of Co-operative Societies – an area of growing relevance in our regional context.
- ◆ A much-awaited Residential Refresher Course (RRC) at the serene Gamyam Retreat, Kumta – combining knowledge-sharing with rejuvenation.

These events promise enriching learning opportunities and we encourage all members to participate actively, network with peers, and stay professionally updated.

Let us also remember that as the financial year unfolds, new challenges and responsibilities await. Whether it’s staying ahead of compliance requirements, adapting to digital transformations, or mentoring the next generation of professionals – let us continue to lead with integrity, competence, and a spirit of service.

Meanwhile, away from the balance sheets and audit reports, the IPL 2025 season has been adding a dash of excitement to our evenings. It’s heartening to see young talent shine and teams deliver edge-of-the-seat performances—a cheerful distraction we all need from time to time.

Wishing you all a productive and fulfilling May!

Articles



CA. Ritesh Arora
Amritsar



1. Whether a refund rejection order is valid when no deficiency memo in Form GST RFD-03 was issued?

No, the Hon'ble Bombay High Court in *Raiden Infotech India (P.) Ltd. v. State of Maharashtra* [Writ Petition (L) No. 22309 of 2024, dated December 14, 2024] held that the rejection of a refund application without issuing a deficiency memo in Form GST RFD-03 is procedurally invalid. Accordingly, the Court set aside the refund rejection order dated April 30, 2024, and restored the refund application, subject to the petitioner paying costs of ₹2,00,000 to the department.

The petitioner had challenged the rejection of its refund claim on the ground that the mandatory deficiency memo in Form GST RFD-03 was never issued, thereby denying it an opportunity to rectify and refile the application. The Court agreed, relying on its earlier decision in *M/s Knowledge Capital Services Pvt. Ltd. v. Union of India*, which clarified that in the event of any procedural deficiency in a

refund application, Form RFD-03 must be issued, enabling the applicant to withdraw and refile a corrected application.

However, the Court also took note of the fact that a show-cause notice had been issued to the petitioner, highlighting the grounds on which the refund was proposed to be rejected. Despite this, the petitioner neither filed a response in Form RFD-09 nor appeared for the personal hearing, merely seeking adjournments.

Balancing both procedural lapses and the conduct of the petitioner, the Court held that while the department's failure to issue Form RFD-03 invalidated the rejection order, the petitioner was equally responsible for not utilizing the opportunity provided under the SCN. Thus, as a matter of equity, the Court directed that:

- The impugned refund rejection order is set aside;
- The original refund application (Form RFD-01) is restored to the file;
- The petitioner must pay ₹2,00,000 as costs to the department within 4 weeks;
- Post-payment, the refund application is to be reprocessed within 3 months, and any deficiency, if found, must be properly communicated via Form RFD-03.

The Court clarified that it had not adjudicated on the merits of the refund claim, and all rights and contentions of both parties remain open.

Citation

2024 (12) TMI 929 - BOMBAY HIGH COURT

Author's Comments

It is important to distinguish between deficiencies in a refund application and disputes regarding eligibility for refund under the GST regime. Form GST RFD-03 is issued only in cases where the refund application is found to be incomplete, inconsistent, or prima facie deficient. These are issues of procedural irregularity—not matters requiring evaluation of legal entitlement or factual justification. In contrast, where the department has doubts about the substantive eligibility of the claim, the appropriate mechanism is issuance of Form GST RFD-08, followed by adjudication through RFD-06.

A critical nuance often overlooked is that RFD-03 is not a show cause notice. There is no statutory right to “reply” to an RFD-03 under the CGST Rules. Once an RFD-03 is issued, the original application is treated as if it was never filed at all. Rule 90(3) of the CGST Rules codifies this legal

fiction, providing that a fresh refund application must be filed after rectifying the deficiencies noted.

The procedural legitimacy of this approach has been reinforced through paras 9 to 12 of CBIC Circular No. 125/44/2019-GST, which clearly demarcate the scope and consequences of deficiency memos. This codification serves as a safeguard against unfettered administrative discretion, ensuring that only clearly deficient applications are summarily closed, while those involving legal or factual contest must proceed through adjudication.

From a taxpayer's standpoint, this distinction is crucial. A refund application rejected via RFD-03 cannot be challenged or appealed, as it does not culminate in any adverse order. However, once an RFD-08 is issued, the matter enters into the realm of quasi-judicial determination, triggering the taxpayer's right to be heard and to appeal if required.

Link to download judgment



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2. Whether a taxpayer who fails to obtain GST registration and pays tax only after departmental inspection can claim cum-tax benefit and avoid penalty under Section 74 of the CGST Act, 2017?

No, the Hon'ble Madras High Court in *Annai Angammal Arakkattalai (Pre Mahal) v. Joint Commissioner of GST* [W.P.(MD) No. 28502 of 2022, dated January 28, 2025] dismissed the writ petition filed by the assessee, holding that failure to obtain GST registration and delayed tax payment post-inspection amounts to deliberate tax evasion, attracting penal consequences under Section 74 of the CGST Act. In this case, the petitioner, a charitable trust operating a marriage hall, was found to have been providing taxable services from July 2017 to January 2020 without obtaining GST

registration. It was only after an inspection by the CGST Preventive Unit on January 23, 2020, that the petitioner applied for registration and made partial payments towards tax and penalty. The petitioner claimed that the payments made post-inspection were voluntary and sought the benefit of cum-tax calculation under Rule 35 of the CGST Rules. However, the department rejected this claim, issued a show cause notice under Section 74, and passed an order confirming the full tax liability along with interest and penalty equal to the tax amount.

The petitioner challenged the demand before the appellate authority and subsequently through a writ petition, contending that there was no willful suppression or fraud to justify the invocation of Section 74, and that the payments were made in good faith. The High Court, however, dismissed these arguments, observing that the petitioner's failure to register and its issuance of donation receipts in place of proper tax invoices clearly indicated an attempt to evade tax. The Court held that the subsequent registration and payment, made only after departmental intervention, could not be considered as voluntary compliance. It concluded that the conduct amounted to suppression and misstatement, attracting the rigours of Section 74. Therefore, the benefit of cum-tax valuation was rightly denied, and the imposition of full penalty was legally justified. Accordingly, the Court upheld the orders passed by the adjudicating and appellate authorities and dismissed the writ petition.

Citation

2025 (1) TMI 1429 - MADRAS HIGH COURT

Author's Comments

The invocation of Section 74 of the CGST Act, 2017 is a serious matter and must be grounded in clearly established circumstances. It is not sufficient for the department to merely allege non-compliance; rather, it must prove: (i) non-payment of tax, (ii) knowledge of liability, (iii) active concealment or suppression designed to thwart detection, and (iv) a resultant benefit or gain to the taxpayer. Absent these cumulative elements, the jurisdictional foundation for invoking Section 74 collapses.

Importantly, entries recorded in the regular books of accounts or disclosed in contemporaneous records cannot be construed as suppression. These disclosures may reflect an alternative understanding or interpretation of law, but they do not indicate intent to conceal. Suppression requires a deliberate act to hide information—not a bona fide disagreement on taxability or

classification.

The expression "failure" under provisions like Section 25(8) must also be interpreted carefully. Failure in this context implies intentional or willful neglect of a statutory obligation, not a mere lapse or oversight. For a charge of tax evasion to be sustained, there must be a demonstrable unjust gain to the taxpayer—without such gain, the allegation of evasion loses legal force.

Additionally, any tax demand must satisfy the four essential elements as laid down by the Hon'ble Supreme Court in *Govind Saran Ganga Saran v. CST* [AIR 1985 SC 1041], namely: (i) the nature of the supply, (ii) its taxability, (iii) the correct HSN classification, and (iv) the time and place of supply. A demand lacking in any of these aspects is vague and legally unsustainable.

Moreover, caution must be exercised when dealing with voluntary payments made during inspections or preliminary stages of proceedings. Payments made under duress, when not qualified or made under protest, are often construed as admissions of guilt. This can severely prejudice the taxpayer's case and may foreclose the opportunity for further rebuttal or legal remedy.

Link to download judgment



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3. Whether Input Tax Credit can be denied to a purchasing dealer solely on the ground that the selling dealer's registration was subsequently cancelled

No, the Allahabad High Court in the case of *M/s. Solvi Enterprises vs. Additional Commissioner Grade 2 and Others* (Writ Tax Nos. 1282, 1285, 1287, 1288, and 1289 of 2024, dated 24.03.2025) held that Input Tax Credit cannot be denied to the purchaser merely on the ground that the selling dealer's registration was cancelled at a later stage, particularly when the transaction was backed by valid tax

invoice, e-way bill, and return filings, and when the selling dealer was registered at the time of transaction. The petitioner had purchased goods from a registered supplier on 06.12.2018. The seller's registration was cancelled prospectively with effect from 29.01.2020. The department alleged fraudulent availment of ITC under Section 74 of the GST Act and denied credit on the ground that the seller was found non-existent subsequently and no conclusive proof of actual movement of goods or tax payment by the seller was furnished.

The petitioner contended that the transaction was genuine, supported by valid documents, and reflected in the auto-populated GSTR-2A. It was further argued that GSTR-1 and GSTR-3B were duly filed by the selling dealer, and once such compliance is reflected on the GST portal, denial of credit on the basis of mere suspicion or subsequent cancellation of registration is untenable in law. The authorities, however, denied credit and passed orders without verifying GSTR records or acknowledging the existence of valid registration at the time of the transaction. The Hon'ble Court noted that at the time of the transaction, both the purchaser and the seller were registered under GST, and the seller had duly filed its GSTR returns. Once GSTR-1 is filed and GSTR-3B is submitted, GSTR-2A becomes auto-populated for the purchaser, which establishes a prima facie case of genuineness. The Court observed that the authorities had failed to examine whether tax was paid by the supplier and ignored the documentary trail including e-way bills and GST returns. It distinguished the judgments relied upon by the department by noting that those cases involved cancellation of registration from the inception, which was not the case here.

The Court set aside the impugned orders and remanded the matter to the adjudicating authority for reconsideration in accordance with law. It directed the authority to pass a fresh, reasoned, and speaking order within two months after providing opportunity of hearing. Any deposit made by the petitioner in compliance with the impugned orders was directed to be subject to the outcome of the re-adjudication.

Citation

2025 (3) TMI 1313 - ALLAHABAD HIGH COURT

Authors Comments

This judgment rightly sets aside the growing trend of denying ITC to bonafide purchasers solely on the ground of subsequent cancellation of the supplier's registration, especially when such cancellation

is not retrospective. In the author's considered view, retrospective cancellation of registration from a later date is a clear affirmation by the Revenue that all transactions undertaken by the supplier prior to the effective date of cancellation are accepted to be genuine, based on the investigation carried out by the department. If so, then the allegation in the show cause notice that the inward supply was fictitious becomes self-defeating, rendering the entire demand unfair, unjust, and presumptive in nature.

Further, Revenue cannot approbate and then reprobate on the same issue to demand reversal of ITC. Petitioner is admitted in Impugned order to be a Trader, that is, if outward supplies of a trader are genuine then inward supplies are also genuine. But if inward supplies are (allegedly) non-genuine then Revenue ought to have demand and appropriated output tax under section 76 of CGST Act, 2017. In absence of any objections to genuineness of outward supplies of the petitioner, no aspersions can be lawfully cast on genuine inward supplies from the said supplier.

Link to download judgment



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4. Whether Input Tax Credit can be denied solely on the basis of an incorrect GSTIN of the recipient mentioned on the invoice?

No, the Hon'ble Delhi High Court in the case of B Braun Medical India (P.) Ltd. v. Union of India [W.P. (C) 114 of 2025 dated March 12, 2025] set aside the order wherein a demand order was passed for claiming excess Input Tax Credit, where invoices were raised by the supplier inadvertently on a different address and GSTIN. The Petitioner had purchased a large quantum of products on the basis of various purchase orders. The invoices for the said products were raised on the Petitioner, however,

the said invoices inadvertently reflected the Bombay address and Bombay GSTN of the Petitioner, instead of the Delhi GSTN number. This has led to the impugned demand. The Petitioner relied upon the purchase orders and invoices, to submit that, the Petitioner is clearly a Delhi based company and incorrect reflection of Petitioner's Bombay GSTN on the invoices was merely an error by the supplier. However, the Department had taken a stand that the Petitioner is not entitled to the ITC and has accordingly, passed the Order dated June 28, 2024. The Hon'ble Court observed that the Petitioner's name is correctly mentioned in the invoices, however, the wrong GST number, i.e., of the Bombay office has been mentioned. On this issue, there is no stand taken by the Department in the counter affidavit. On a direct query being put to the Id. Standing Counsel for the Respondent, he fairly admitted that no other entity has also claimed at ITC on these purchases. The only basis for rejecting the ITC is the mention of the Bombay office GSTN instead of the Delhi office GSTN. Substantial loss would be caused to the Petitioner if the credit is not granted for such a small error on behalf of the supplier. Further noted that, if the correction in the invoices is permitted and the Petitioner is provided the ITC, the challenge to the constitutional validity of Section 16(2)(aa) of CGST Act 2017 shall not be pressed by the Petitioner. Hence, the Impugned Order rejecting ITC was set aside and the petition was disposed of.

Citation

2025 (3) TMI 774 - DELHI HIGH COURT

Author's Comments

The present case serves as a classic illustration of the doctrine of moulding relief, wherein Courts of Equity—such as the High Courts and the Supreme Court—exercise their discretionary jurisdiction to grant equitable relief, even when strict statutory limitations may not permit it. This principle empowers constitutional courts to look beyond procedural technicalities and deliver substantive justice when compelling circumstances warrant intervention.

However, a growing concern in GST litigation is the recurring failure of departmental representatives to advance arguments rooted in the GST framework itself. Given that GST is a relatively new and evolving legislation, it is imperative that departmental counsel engage with the statutory text, scheme, and objectives of the law rather than relying solely on legacy approaches or procedural defenses.

In this case, the petitioner conceded that an incorrect ITC claim was made, amounting to a violation of

Section 16(2)(aa) of the CGST Act, 2017.

Once such an admission is made, the legal consequences follow as a matter of course. The Proper Officer is bound by statute and cannot entertain pleas for relief based on equitable or mitigating considerations—no matter how compelling they may seem. Such relief can only be granted by constitutional courts under Article 226 or 136, not by quasi-judicial authorities functioning within the bounds of delegated legislation.

This case highlights a fundamental distinction: while tax officers are bound by the letter of the law, constitutional courts can look to its spirit, especially where denial of relief would result in disproportionate hardship despite genuine compliance intent.

Link to download judgment



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5. Whether the assignment of long-term leasehold rights amounts to a taxable 'supply' under GST?

No, the Hon'ble Gujarat High Court in case of Alfa Tools Private Limited vs Union of India & Anr. (R/Special Civil Application No. 12047 of 2024 dated 06.03.2025) held that the assignment of leasehold rights does not constitute a 'supply' under section 7(1)(a) of the CGST Act read with Schedule II and Schedule III, and therefore, is not liable to GST. The Hon'ble Court noted that the petitioner was allotted an industrial plot by Gujarat Industrial Development Corporation (GIDC) under a 99-year lease deed dated 27.09.1978. After holding the lease for more than 39 years, the petitioner assigned its leasehold rights in the said plot to Beta Poly Plast Private Limited through a deed of

assignment dated 28.03.2018, for a consideration of Rs. 75,00,000/-. This transaction was confirmed by GIDC via a final transfer order dated 30.03.2018. Subsequently, the petitioner applied for and obtained suo motu cancellation of its GST registration on 18.01.2021. More than three years later, on 27.06.2024, the department issued a communication calling upon the petitioner to deposit GST on the consideration received from the assignment of leasehold rights. This was followed by a show cause notice dated 11.07.2024, invoking demand along with interest and penalty. The petitioner challenged the validity of the said notice before the Gujarat High Court under Article 226 of the Constitution of India. The Court observed that the transaction of assignment of leasehold rights was essentially a transfer of interest in immovable property. Relying on its earlier judgment in Gujarat Chamber of Commerce and Industry v. Union of India [2025 SCC Online Guj 537], the Court reiterated that such a transaction does not amount to 'supply' under section 7(1)(a) of the CGST Act, and thus does not attract GST. Accordingly, the Hon'ble Court quashed the impugned show cause notice dated 11.07.2024 for being ex-facie illegal and without jurisdiction. The petition was allowed, and the rule was made absolute with no order as to costs.

Citation

2025 (3) TMI 887 - GUJARAT HIGH COURT

Author's Comments

This judgment reinforces a critical distinction in GST law – the nature of what is being transferred when it comes to immovable property. While land and building readily conjure up a tangible image of immovable property, this case compels us to reflect on the equally significant, albeit less visible, category of intangible immovable property – the rights, titles, and interests in such property.

In GST, this distinction becomes paramount. A titleholder to immovable property, for instance, is understood to have the full bouquet of rights – possession, use, enjoyment, and transfer. However, the reverse is not always true. A person may hold certain rights in land without being a titleholder. A lessee, for instance, has rights of possession and use, but not title. Similarly, someone may have an interest in the property (say, under a development agreement or a financial arrangement) that does not translate into ownership or identifiable rights.

The judgment draws upon this layered understanding of immovable property, recognizing that the

assignment of leasehold rights – though contractually created – represents a transfer of benefits arising out of land, which is immovable property. This falls outside the scope of ‘supply’ under section 7(1)(a) of the CGST Act read with clause 5 of Schedule III. The key reasoning is aligned with the earlier decision in Gujarat Chamber of Commerce, which clarified that such assignments are not taxable under GST.

However, a note of caution is warranted. All transfers of rights in immovable property do not automatically qualify for exclusion from GST. For instance, where the rights are created contractually without transferring possession or control – such as easement rights, mining rights, forest leases, water drawing rights, or development rights – the transaction may still be taxable as a supply of service. These rights are often considered inferior to absolute sale and are not always saved by the Schedule III exclusion.

Therefore, while this decision strengthens the jurisprudence that outright assignment of leasehold interest in land is not a ‘supply’, it does not offer a blanket exemption to all transactions involving intangible rights in immovable property. A deeper understanding of the nature and extent of such rights, the transfer mechanism, and the factual matrix of control, possession, and benefit becomes essential in determining taxability.

Link to download judgment



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CA. Rahul Sharma
Jaipur

A background image showing three business professionals in an office. A man in a suit and glasses is in the foreground, looking to the right. Two women are seated behind him, also looking in the same direction. They are all working on laptops.

AUDIT DOCUMENTATION

Audit Documentation : SA 230

“The auditor should document matters which are important in providing evidence that –the audit was carried out in accordance with the basic principles of Auditing, Laws applicable to the entity and conclusion as to achievement of overall audit objectives.”

Definition As per SA 230 “Audit Documentation is the record of audit procedures performed, relevant audit evidences obtained and conclusions the auditor reached (terms such as “Working Papers” or “Work papers” are also sometimes used.

Documentation refers to the working papers prepared or obtained by the auditor and retained by him, in connection with the performance of his audit. Working papers (Documents) may be related with a.

Aid in the planning and performance of the audit, b. Aid in the supervision and review of the audit

work and c. provide evidence of the audit work performed to support the auditor's opinion.

Working papers must record a. audit plan and nature, timing and extent of procedures performed and b. Must also record conclusions drawn from the evidence obtained during the conduct of audit. The form and content of working papers are affected by matters such as : a. Nature of the engagement (Concurrent, Internal or Statutory), b. Format of Audit report (Conclusions out of Audit), c. Nature and Complexities of the client's business, d. Nature and Condition of the client's records and the degree of reliance on internal controls and finally e. The need of direction, supervision and review of work performed by the assistants.

To choose one out of several working papers available is a matter of facts and circumstances. Extent of documentation is a matter of professional judgement since it is neither necessary nor practical that every observation, consideration or conclusion is documented by the auditor in his working papers. All significant matters which requires the exercise of judgment together with the auditor's conclusion thereon, should be included in the working papers. To improve audit efficiency, the auditor normally obtains and utilizes schedules, analyses and other working papers prepared by the client. In such circumstances, the auditor should satisfy himself that these working papers have been properly prepared. Example of such working papers re detailed analysis of important account receivables etc. In case of recurring audits working paper files may be classified as permanent audit files (Which are updated periodically with information of continuing importance) and current audit files (which contain information relating to the audit of a single period).

A Permanent Audit file may include following documents:

- Information concerning the legal and organizational structure of the entity. In the case of a company, this includes the Memorandum and Articles of Association. In the case of a statutory corporation, this includes the Act and Regulation under which the corporation function
- Extracts or copies of legal documents, agreements and minutes relevant to audit.
- A record of the study and evaluation of the internal controls related to the accounting system. This might be in the form of narrative descriptions, questionnaires or flow charts (Or some combination thereof)
- Copies of published financial statements for previous years
- Copy of Management letter issued on matters which are of continuous relevance.
- Record of communication with the retiring auditor, if any, before acceptance of the appointment as

auditor.

- Notes regarding significant accounting policies and
- Working Papers related to Significant Accounting observations of earlier years.

On the contrary the Current Audit File normally includes:

- Correspondence relating to acceptance of annual reappointment
- Extracts of important matters in the minutes of Board Meetings and General Meetings, as are relevant to period under audit
- Evidence of planning process (Defining Scope, Resources available i.e. Manpower and objectives) of the audit and the audit program)nature timing and extent of audit procedures to be performed.)
- Working Papers related with work performed by the assistants and related with supervision & review thereof.
- Copies of communication with other auditors, experts and other third parties.
- Copies of letters or notes concerning audit matters communicated to or discussed with the client including the terms of engagement and material weakness in relevant internal controls.
- Letter of representation or confirmation received from the client related with period under review
- Conclusions reached by the auditor concerning significant aspects of the audit, including the manner in which expectations and unusual matters, if any, disclosed by the auditor's procedures were resolved and treated.
- Copies of the financial information being reported on and the related audit reports.
- Copies of the financial information being reported on and the related audit reports.

Legal Position as to ownership of Working Papers:

- Working Papers are the property of the auditor. The auditor may, at his discretion, make portions of or extracts from his working papers available to his client.
- The auditor should adopt reasonable procedures for custody and confidentiality of his working papers and should retain them for a period of time sufficient to meet the needs of his practices and satisfy any pertinent legal or professional requirements of record retention.

Some Important matter related to the documentation:

- 1.The audit file containing all the documentation should be assembled and completed within 60 days after the date of Audit Report.
2. The retention period for Audit File is 7 years and the Auditor should not delete or discard any

any documentation before the end of its retention period.

3. The duplicate, discarded or superseded documentation need not be retained.
4. Numbering and cross referencing of Audit documentation – is essential.

Working Papers related with audit of Companies registered under Companies Act, 2013:

“Working Papers – Schedule III”

1. Share Capital (ROC record and compliances). List of Share Holders holding more than 5%, shares held by promoters.
2. Secured Term Loans and Short Term Borrowings – Sanction Letters to identify noncurrent and current maturity, securities given and terms & conditions.
3. Deferred Tax Working including work sheets, previous income tax returns and current computation of income.
4. List of creditors – MSME / Non MSME (With Aging)
5. Stock Statements submitted to banks
6. Tax returns – TDS, TCS and GST
7. Actuarial Valuation for Gratuity and leave encashment
8. Title deeds for properties held in client's name and not held in client's name
9. Copy of Asset addition bills
10. Copies of Investments
11. Copies of FD receipts
12. Confirmation of Loan taken and Given
13. Stock working with reference to AS 2 and quantity working
14. Details of working director's remuneration
15. Copies of BE (Bill of Entry) in respect of Imports and BL (Bill of Lading) in respect of Exports
16. RPT disclosures
17. Underlying working papers for Segment Reporting



“Working Papers – CARO 2020”

- Management Certificate regarding periodic verification of Fixed Assets and Inventory
- Copy of previous Cost Audit Report

Copy of Internal Audit Report for period under review

Management Representation as to Long Term / Short Term Investment

It has been a sad story of the profession that Audit may be conducted rigorously, but not much attention is paid to documentation and the disclosures. This is quiet evident from the speech of NFRA Chairperson.

The documentation collected and prepared is many times haphazard without having any sequence or without understanding the consequences. To give smile, we construct the house but to do not take efforts to do the finishing work – Everything will look in shambles rather than having a neat and clean image of the work done.



“The skill of an accountant can always be ascertained by an inspection of his working papers”

Robert H. Montgomery



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Articles



CA. Pushp Kumar Sahu
Bhopal

Why Stock Market Crashes and its reason



In this article we will try to understand the reasons of stock market crashes and measures taken by SEBI to tackle the same, but before coming on to our main discussion, let us first understand what actually stock market crash is,

As per technical definition, it is a sudden dramatic decline of stock market, resulting in a significant loss of paper wealth. Crashes are driven by panic selling and underlying economic factors.

I know you haven't understood the above definition as it is little bit technical, don't worry we will deeply analyse the same with demand and supply example;

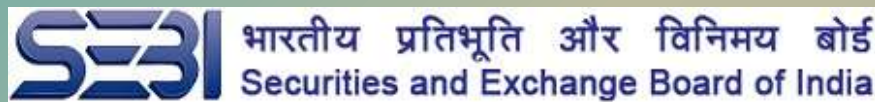
Stock Market Crash is nothing but a steep downfall of stock indices like Sensex, Nifty 50 and many other small and mid cap indices and its listed shares; gradually due to rapid dumping of shares in the market usually by big investors like FII's, DII's which ultimately creates panic among the investors and they also start selling their holdings (shares) with a fear of losing more and more value of investment which ultimately results in excess supply i.e. selling and there are less or few buyers, in simple words

it is just a basic concept of economics i.e. demand & Supply, Seller has to sell their holdings at whatever rate buyer is willing to pay which is usually low, thereby taking share price to downward,

apart from this there are several other reasons of stock market crashes like high fluctuation in inflation rates, foreign exchange rates, RBI monetary policy, rise or fall in Gold and oil prices etc. It is just an illustrative list there are as many possible reasons of rise and fall of stock market indices.

The example taken of rapid dumping of shares in above explanation is just a trailer, there are so many other reasons of market crash which are discussed below;

- 1.Economic factors of the country like GDP growth rate, inflation rates, policies of government etc.
- 2.Global Factors like most of the world stock exchange have an effect due to stock markets of U.S. i.e. Dow jones and Nasdaq, if U.S. market increases then other markets will increase and vice-versa.
- 3.Expose of any scam done by any person who is engaged in large volume of trading of shares like Harshad Mehta scam of 1992 and Ketan Parekh scam of 2001 and many more.
- 4.Expose of fraud done by large cap companies which ultimately results in market crash like Satyam computer fraud.
- 5.Rise or fall in commodities market especially gold, silver and oil prices.



To overcome market crashes problem, SEBI (Regulator of securities market in India) has prescribed certain rules like trading halt, upper and lower circuits, declaration by trader before selling and buying major stake in a company etc to protect the interest of small investors and to stop manipulation of market by big players of the market.

SEBI acts as a watch dog of the Stock market so that big players won't be able to manipulate the market by bulk buying and selling of shares which ultimately leads to tremendous amount of loss to small investors. Market crash effects the economy in a significant manner as it is one of the most important pillar of economy of any nation, Market crash leads to erosion of billions of dollar of money from the market in a single day, huge amount of capital and investment of investors are whipped out in a moment. Therefore, the steps taken by SEBI to combat the market crashes are the welcoming steps which will lead to fair trading in the market and thus protecting the interest of investors and will surely prove to be a boon for the growth of market and its capitalisation.

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THE MONTH GONE BY - APRIL 2025

PREPARATION FOR PEER REVIEW 26TH APRIL 2025



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