



THE CHARTERED ACCOUNTANT

JOURNAL OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

INDIA RISING

INNOVATION AS THE ENGINE OF GLOBAL LEADERSHIP



Nation Building to Global Collaboration: Strengthening Trust, Enabling Growth





The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)



CRAFTING CAPTIVATING THOUGHTS

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Chartered Accountants and other subject experts, with academic passion and flair for writing, are invited to share their expertise through the ICAI Journal – *The Chartered Accountant*. The article may cover any topic relevant to the **accounting world covering auditing, finance, laws, strategy, taxation, technology, artificial intelligence, sustainability, ethics, financial reporting** and so on. While submitting articles, please keep following aspects in mind:

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The New India Story: Technology, Talent and Transformative Impact

A writer has lifted the pen once again, rewriting the story of a nation, and this time, the author is not one individual but the collective spirit of 1.4 billion Indians. It is said that “a rising tide lifts all boats,” and India’s tide of aspiration is propelled by people who refuse to settle for mediocrity. The people of India have never been ordinary; history testifies to their extraordinary resolve. The zeal to embrace technology, integrating and implementing it at every conceivable level, has become one of India’s defining strengths. As a nation eager to be truly tech-savvy, India has harnessed its vast talent pool to unlock the full potential of digital innovation. This transformative leap, born from ingenuity and collective will, has earned admiration across the world.

The talk of the town truly begins with the letter “T” — Technology. In recent years, India’s march toward a high-tech future has only gained momentum, and the latest signal is loud and clear as a leading American media and technology company pledged to invest up to ₹1 lakh crore in the upcoming Bharat Future City, a sprawling smart-city project built around deep tech, infrastructure, and innovation, and a strong endorsement that “India is on the rise” and ready to lead the world in technology. This commitment, alongside India’s push in AI, digital infrastructure, and emergent technologies, shows that the nation isn’t just adopting modern tech; it is shaping the future with homegrown ambition and global-scale vision. By leveraging its enormous talent pool and embracing collaboration and investment, India is making the shift from potential to powerhouse. As the old adage goes, “strike while the iron is hot,” India has done just that, unlocking an entirely new horizon of opportunities and seizing them with remarkable intent. Today, the nation forges ahead with the confidence that when collective will converges with opportunity, the sky is truly the limit.

Talent has become India’s true north star, illuminating the nation’s pathway to progress with both precision and purpose. In a country blessed with one of the world’s youngest and most dynamic workforces, the collective drive to innovate and excel has become the heartbeat of national transformation. “Where there’s a will, there’s a way,” and India’s talent pool has demonstrated this time and again, whether by pushing the boundaries of science, powering global technology ecosystems, or uplifting grassroots communities. Today, this reservoir of skill and creativity is steering advancements across critical sectors. The opening up of the nuclear energy space to private players has created new avenues for engineers, researchers, and entrepreneurs to pioneer advanced reactor technologies

and strengthen India’s energy security. Simultaneously, the updated National Policy for Electronics, rooted in the ethos of ‘Zero Effect, Zero Defect’, emphasises domestic manufacturing processes that cause zero adverse environmental impact while ensuring defect-free production. Through this approach, the policy seeks to leverage India’s vast manufacturing and design talent to build a globally competitive electronics ecosystem.

On the international front, accelerated engagement with the Eurasian Economic Union and landmark agreements like the India–UK CETA are set to unlock new markets for Indian MSMEs and Startups, farmers, service professionals, and innovators, placing talent at the forefront of India’s global ambitions. Social and labour reforms, including the simplified Labour Codes and the National Sports Policy 2025, further aim to empower workers and nurture youth potential, ensuring that opportunity reaches every corner of society. With each reform widening horizons and each policy sharpening capabilities, India’s human capital is not merely participating in growth; it is architecting it.

The era we are experiencing today is marked by transformation. It is evident that no profession can remain untouched by change, and the Chartered Accountancy profession is no exception. The integration of Artificial Intelligence has already begun to reshape professional practices, elevating Chartered Accountants from traditional compliance roles to becoming strategic advisors and forward-looking thinkers. This shift is not merely technological; it represents a profound evolution in the expectations, responsibilities, and influence of the profession. Simultaneously, the Indian Government’s revolutionary reforms across digital governance, taxation systems, and business processes have further accelerated this momentum, opening new avenues for innovation, efficiency, and global competitiveness. These developments collectively signal that the future of the profession will be defined not by routine tasks but by value-driven insights, ethical leadership, and adaptive capabilities.

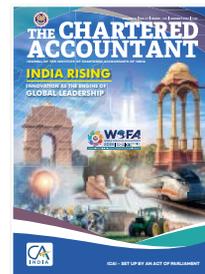
In this journey, CAs must continue to embrace lifelong learning, adopt emerging technologies, and uphold the highest standards of professional integrity. The road ahead is dynamic, but it is replete with opportunities for those prepared to evolve, lead, and contribute meaningfully to a rapidly changing world.

-Editorial Board ICAI

Partner in Nation Building

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From the President



CA. Charanjot Singh Nanda
President, ICAI

Dear Professional Colleagues,

Wishing You all a very Happy New Year

“India’s rise is a continuum of reform, resilience, and responsible ambition - a nation’s confidence in its path and global responsibilities.”

The joy and pride in these words capture our nation’s remarkable economic trajectory. India affirmed its dynamism with an extraordinary 8.2% GDP growth in the second quarter of 2025, far outpacing the global average of about 3.2%, positioning the country as a key driver of global economic momentum. With inflation at historic lows, India has provided an ideal environment for investment and prosperity, brimming with optimism and opportunity for every citizen. The Reserve Bank of India has revised its GDP forecast for FY26 upward to 7.3%, up from the earlier estimate of 6.8%, signalling sustained momentum amid global challenges. These achievements made the close of 2025 a memorable one and ignited an inspiring start to 2026.

What elevates this growth narrative is the overwhelming confidence from global investors. India has emerged as a magnet for major tech corporations pledging long-term investments in artificial intelligence, exports, and infrastructure. This wave underscores global endorsement of our vision, markets, and entrepreneurial spirit, positioning

India as a lighthouse of innovation and inclusive progress.

In this dynamic landscape, I am reminded of the timeless words of Carl Rogers: *“The only person who is educated is the one who has learned how to learn and change.”* This philosophy resonates deeply with the spirit of today’s India, where the idea of change is not just confined to policy corridors but lives in the aspirations of over a billion minds. India has emerged as the world’s third-largest startup ecosystem, a testament to our collective ability to adapt, innovate, and reimagine the future. With over 4.15 lakh startups, including nearly 75,000 women-led enterprises, the nation is witnessing an entrepreneurial renaissance that is both inclusive and transformative. These ventures have already generated over 17,00,000 jobs, turning ideas into livelihoods and ambition into opportunity.

This vibrant ecosystem reflects more than economic momentum; it signifies a shift in mindset.

Young innovators, first-generation entrepreneurs, and women leaders are boldly addressing real-world challenges, harnessing technology, sustainability, and social purpose to build enterprises of lasting value. Our willingness to learn, relearn, and evolve stands as India’s greatest competitive advantage, forming the cornerstone of our progress.

The numbers do not speak for themselves; they echo the commitment and intellect forged by the sweat of lakhs of professionals, including Chartered Accountants, who have firmly taken up the baton of change. As guardians of financial integrity and strategic advisors, Chartered Accountants strengthen governance, ensure regulatory confidence, enable capital formation, and facilitate cross-border investments, forming the invisible backbone of India’s rise as a global investment powerhouse.

The call of the moment is for Next-Generation CA Firms that are agile, tech-savvy, innovative, and are willing to take risks, to embed the startup ethos and meet evolving client needs. Continuous upskilling is imperative, and the Institute is leading with specialised courses in artificial intelligence, data analytics, sustainability, and global compliance. This empowers CAs to deliver strategic, technology-driven solutions that will attract investment, bolster transparent governance, and elevate India’s global credibility.

I believe that future CA Firms, in upcoming years, will not only serve clients but also shape a future-ready India with

global credibility and inclusive progress by promoting ethical governance, sustainability, and ease of doing business.

Let's have a look at some recent developments since our last communication

Reforms to Strengthen Indian Firms – Aligned with the National Vision

In line with the Hon'ble Prime Minister's vision of strengthening Indian firms and showcasing India's professional excellence on the global stage, the Institute has recently approved a landmark set of reforms. This includes:

■ Revision in Code of Ethics

The Council has approved the revised 13th Edition of the Code of Ethics. The new Code will be applicable from 1.4.2026, and a major highlight of the reforms is the amendments to the advertisement guidelines. This long-awaited move opens new possibilities for Indian CA firms, especially emerging and mid-sized practices, to enhance visibility, expand their reach, and compete confidently at a global level.

With this revision, ICAI has now converged its Code of Ethics with the 2024 edition of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics. New Ethical Standards for Sustainability Assurance, which are based on the International Ethics Standards for Sustainability Assurance (including International Independence Standards) issued by IESBA, have been incorporated into the Code of Ethics.

Further, under the revised Code of Ethics, the list of Management Consultancy and Other Services (MCS) that a Chartered Accountant may provide has been further expanded to include a wider range of contemporary, digital-age services. These now encompass areas such as social impact assessment, artificial intelligence-related services, forensic accounting, and other emerging professional domains. This expansion reflects the evolving needs of the economy and enables Chartered Accountants to offer more diverse and modern professional services.

■ ICAI (Global Networking) Guidelines, 2025

The Council also approved the ICAI (Global Networking) Guidelines, 2025, a milestone that unlocks a new era of global alliance for Indian CA firms. These guidelines provide a structured, transparent, and compliant framework for Indian CA firms, domestic networks, and ICAI-registered consultancy companies to forge international affiliations and access opportunities across global markets. They further

empower domestic networks to collaborate with overseas entities across jurisdictions.

WOFA 2.0: A Global Confluence of Accounting Leadership

Anchored in the theme *Nation Building, Global Collaboration: Strengthening Trust, Enabling Growth*, WOFA 2.0 advances the Institute's thought leadership and India's rising role in the world economy. The execution phase of the forum is progressing with focused momentum, with meticulously curated 60+ technical sessions, 200+ national and global speakers, which will ensure discourse in depth and build a roadmap for future readiness. In addition, around 100 exhibitors will showcase new ideas, solutions, and best practices, creating opportunities for learning, collaboration, and growth across the profession. Delegates from 15 countries have already registered, the strong global response highlights India's rising stature as a trusted knowledge hub.

I urge you all to register and participate in WOFA 2.0 to showcase our professional excellence on the global stage.

Delegation from the Cayman Islands

In an ever-evolving global economy, the institute hosted a delegation led by the Hon'ble Premier and Minister for Financial Services and Commerce of the Cayman Islands, Mr. André M. Ebanks, on 2nd December 2025. Discussions focused on strategic ties in technology-driven services, education, tax literacy, and policy research, strengthening the economic ties between India and the Cayman Islands.

Advancing the Indian Accountancy Profession Globally

CA. Prasanna Kumar D., Vice President, ICAI, visited Jakarta from 3rd – 6th December 2025 and, participated in the Institute of Indonesia Chartered Accountants 68th anniversary celebrations. The deliberations at the convention highlighted the evolving role of accountants as strategic advisors of sustainability, digital transformation, and governance.

He also participated in the CAPA Members' Meeting, the Extraordinary General Meeting, and IFAC Connect Asia Pacific 2025. At IFAC Connect Asia Pacific 2025, he was one of the panellists in a session on "*Trust in AI: Preparing the Profession for Assurance and Ethics*," highlighting the growing responsibility of accountants in providing ethical and independent assurance over AI systems. Further, he delivered a session on *Public Accountancy Organization Development Strategy* at the AFA-IFAC Dialogue, underscoring ICAI's leadership in institutional capacity building and global professional governance.

Submission of Inputs before Select Committee on Insolvency and Bankruptcy Code (Amendment) Bill, 2025

Earlier during the year, ICAI submitted comprehensive views to the Parliament Select Committee, constituted to examine the Insolvency and Bankruptcy Code (Amendment) Bill, 2025, on the proposed amendments, including various provisions of the Bill and the concerns, if any, arising therefrom.

Recently, on an invitation received, ICAI made a detailed presentation before the Select Committee on the subject 'Examination of the IBC (Amendment) Bill, 2025' on 6th November 2025. The Select Committee appreciated the focused, comprehensive, and constructive inputs of the Institute on the proposed amendments.

Expanding Global Pathways for Indian Professionals

The Council has approved Granting of Most Favoured Nation treatment under the India–New Zealand FTA negotiations on a reciprocal basis on similar lines to the India-UK FTA, with the objective of reducing regulatory barriers, creating a predictable business environment, and expanding professional and employment opportunities.

The Council has also approved Certificate Courses on Overseas Outsourcing Services for Australia and Canada, aimed at equipping professionals to serve global markets and leverage outsourcing potential.

Augmenting the Trust in Financial Ecosystem

■ UDINs Generated Crosses 10 Crore Milestone

It is a matter of pride to note that the number of Unique Document Identification Numbers (UDINs) generated by ICAI members has crossed the milestone of 10 crore in December, making 2025 a particularly significant year for UDIN. This achievement reflects the widespread adoption of the UDIN system across the profession.

■ Migration of UDIN Portal to ICAI DigiCA Platform

From 20th December 2025, the UDIN Portal has migrated to the newly developed ICAI DigiCA Platform, offering an enhanced interface, improved usability, and strengthened security. Post-migration, the UDIN Mobile Application for iOS and Android platforms is also proposed to be launched, enabling members to conveniently generate, view, and download UDINs on a real-time basis.

RESOLVE-2025

I am delighted to share that the Institute organized the 3rd edition of RESOLVE-2025, the International Convention on Insolvency Resolution and Valuation, in Mumbai on 1st and 2nd December 2025. With the theme '*Enabling Resolution, Maximizing Value*,' the global convention brought together regulators, policymakers, insolvency professionals, valuers, and domain experts from multiple jurisdictions to deliberate on evolving best practices and forward-looking strategies.

It was inaugurated by the Chief Guest, Shri Tirunelveli Kamalashamy Viswanathan, Chairman, Bankruptcy Law Reforms Committee, and Shri Ravi Mital, Chairperson, Insolvency and Bankruptcy Board of India, as Guest of Honour. The Conference focused on varied topics including the discussion on Group Insolvency and Cross Border Insolvency, Shaping Policy amid Global Trade Shifts, IBC Amendment Bill and Way Forward, Valuation under IBC framework, Perspective of various Stakeholders of IBC like Judiciary, Regulators, COC, IP, Bankers, Asset Reconstruction Companies etc., Issues and Challenges faced by IPs and Valuers, Issues in Real Estate Resolutions.

ICAI Sets Guinness World Record in Youth Career Guidance

I am proud to share that ICAI has achieved one more Guinness World Record for conducting the 'largest careers advice lesson' during the "*Career in Accounting and Finance for Youth (CAFY 4.0) & Super Mega Career Counselling Programme - "भविष्य की राह"*" held in Mumbai on 27th November 2025. Over 7400 Students, Teachers, and Principals set the eligible record. This initiative helped young minds distinguish between a short-term job and a long-term career while exploring diverse career opportunities across science, commerce, humanities, sports, and emerging digital domains.

This achievement highlights ICAI's enduring role in shaping youth with clarity, confidence, and purpose, transforming guided students into empowered professionals who contribute to a stronger, self-reliant India.

'Project Vanijya' to Strengthen India's Economic Foundations

In alignment with the vision of Viksit Bharat @2047, the Institute launched 'Project Vanijya' on 19th December 2025, a visionary national initiative aimed at strengthening commerce education from the early stages of schooling. The project aims to empower young students with early exposure to commerce, trade, banking, money management, taxation, and ethical business practices, making education more practical, relevant, and future-oriented. The initiative

is aligned with the National Education Policy (NEP) 2020, which emphasizes holistic, multidisciplinary, skill-based, and experiential learning to prepare students as per the demands of the 21st-century workforce. Senior leaders and representatives of education boards from 17 states across India participated in the event.

ICAI has also signed an MoU with the Punjab State Education Board on 22nd December 2025, at Mohali to promote Commerce Education and career guidance about the Chartered Accountancy Course among the students of Punjab State.

Chintan Shivir on 'Expanding Global Horizons: Opportunities for Indian Professionals'

The Institute participated in the Chintan Shivir organised by the Department of Commerce (DoC), Ministry of Commerce and Industry, under the theme 'Expanding Global Horizons: Opportunities for Indian Professionals' on 23rd December 2025 at Vanijya Bhawan, New Delhi. During the event, Shri Rajesh Agrawal, Secretary, Department of Commerce, Ministry of Commerce and Industry, while inaugurating, emphasised the importance of enhanced stakeholder coordination, reforms in the domestic ecosystem, and legally binding commitments on professional services under various FTAs to unlock global markets for Indian professional services.

The Chintan Shivir provided an opportunity for professional bodies to exchange ideas on global best practices as well as practices followed among peers in India. I shared the accountancy profession's perspective and ICAI's strategy for globalising the Indian CA profession. ICAI's strategy was well appreciated by the ministry and delegates, in terms of initiatives like establishing chapters, certificate courses to service global markets, language courses, and alike towards developing professionals for global markets. Further discussions were held on exploring and making MRAs & FTAs more effective in India's future professional services export strategy. Based on the deliberations, a way forward will be developed for expanding Indian professional services globally.

Expanding Infrastructure - Support

With the growing profession and envisioning the future, the Institute has been consistently strengthening its infrastructure across the country that will help promote research, skill-building, training, and improved services for the professional community and society at large. I, along with CA. Prasanna Kumar D., Vice President, ICAI, and Central Council members, participated in the Bhoomi Pujan for the new ICAI Building in Hyderabad on 30th November 2025.

Also, I, along with Central Council members, participated in the Bhoomi Pujan for the new ICAI Building in Gwalior on 16th December 2025.

ICAI Convocation - December 2025

A nationwide convocation was conducted on 29th December 2025 to confer Certificate of Membership to newly qualified CAs across 15 locations, namely Ahmedabad, Mumbai, and Pune in West; Chennai, Bangalore, Ernakulam, Vijayawada, and Hyderabad in South; Kolkata in East; Jaipur, Indore, and Ghaziabad in Central; and New Delhi, Chandigarh & Ludhiana in North.

Chief Guest Shri Vivek Bharadwaj, Secretary, Ministry of Panchayati Raj, Government of India, inaugurated the event centrally from New Delhi and addressed the young minds. Around 17800 young minds were conferred Certificates of Membership at the Convocation. The occasion marked a defining milestone not only in the professional journey of the new members but also for their families, as they entered one of the world's most trusted and respected professions.

Conclusion

India is moving forward with determination and purpose, and as a profession integral to this journey, we too must move with resolve and responsibility. Let's keep in mind that the ultimate aim is to meet the aspirations of 1.4 billion Indians.

As we welcome the New Year, let us choose to protect what nurtures us. The shade we enjoy today is a reminder of our shared responsibility. Let me conclude with a couplet:

पेड़ काटने आये हैं
कुछ लोग मेरे गाँव में,

अभी धूप बहुत तेज है
कहकर बैठे हैं उसकी छांव में।

May the year ahead inspire conscious growth, where progress and care for nature walk together, creating a greener and more hopeful tomorrow.



CA. Charanjot Singh Nanda
President, ICAI

New Delhi, 31st December, 2025

1. Meeting with Speaker of Lok Sabha



CA. Charanjot Singh Nanda, President, ICAI along with CA. Prasanna Kumar D., Vice-President, ICAI, and Central Council Member met Hon'ble Shri Om Birla, Hon'ble Speaker of Lok Sabha in New Delhi on November 28, 2025. The leadership discussed key initiatives for strengthening the profession and advancing national development.

2. Meeting with Minister of Law & Justice



CA. Charanjot Singh Nanda, President, ICAI along with Central Council Member met Shri Arjun Ram Meghwal, Hon'ble Union Minister of Law & Justice in New Delhi on November 25, 2025. The meeting focused on strengthening the profession, regulatory synergy and advancing India's reform agenda.

3. Meeting with Minister for Environment, Forest & Climate Change



CA. Charanjot Singh Nanda, President, ICAI, and CA. Prasanna Kumar D., Vice-President, ICAI, met Shri Bhupender Yadav, Hon'ble Minister for Environment, Forest & Climate Change in New Delhi on December 11, 2025, to discuss ICAI's sustainability initiatives & other mutual areas of collaboration.

4. Meeting with Principal Secretary to the Hon'ble Prime Minister of India



CA. Charanjot Singh Nanda, President, ICAI along with CA. Prasanna Kumar D., Vice-President, ICAI, met Shri Shaktikanta Das, Principal Secretary to the Hon'ble Prime Minister of India, discussing key initiatives and ICAI's expanding role in national development.

5. 32-day Capacity Building Programme



CA. Charanjot Singh Nanda, President, ICAI along with CA. Prasanna Kumar D., Vice-President, ICAI, Shri K. Sanjay Murthy, Hon'ble C&AG, Shri A. M. Bajaj, Hon'ble Dy. C&AG, Central Council Members, ICAI & CAG officials, graced the Valedictory Session of the 32-day Capacity Building Programme held at ICAI COE Hyderabad on November 27, 2025.

6. ET Young Industry Leaders 2025



CA. Charanjot Singh Nanda, President, ICAI, with Chief Guest Ms. Taapsee Pannu graced the ET Young Industry Leaders 2025 held in New Delhi on November 28, 2025, celebrating innovation & India's emerging talent. His insights on the future of industry & growth inspired young achievers across sectors.

7. Chintan Shivir on Professional Services



Shri Rajesh Agrawal, Secretary, Department of Commerce inaugurated the Chintan Shivir on Professional Services in the presence of CA. Charanjot Singh Nanda, President, ICAI, CA. Prasanna Kumar D., Vice-President, ICAI, and Central Council Members. The event was organised by Ministry of Commerce and Industry jointly with ICAI and SEPC in New Delhi on December 23, 2025.

8. RESOLVE 2025



CA. Charanjot Singh Nanda, President, ICAI, addressing the gathering during inaugural session of RESOLVE-2025 held in Mumbai on December 1, 2025, sharing insights on insolvency reforms.

9. MDP for CA Rank Holders (Sept 2025)



CA. Charanjot Singh Nanda, President, ICAI along with CA. Prasanna Kumar D., Vice- President, ICAI, Shri K. Sanjay Murthy, Hon'ble C&AG, Shri A. M. Bajaj, Hon'ble Dy. C&AG, Central Council Members, shared their words of wisdom at 4th Batch of MDP for CA Rank Holders (Sept 2025) at ICAI COE Hyderabad on November 27, 2025, inspiring participants on excellence.

10. PSU Meet



CA. Charanjot Singh Nanda, President, ICAI along with Central Council Members addressed senior leadership of Public Sector Undertakings at the PSU Meet held in New Delhi on November 29, 2025. He highlighted ICAI's pivotal role in strengthening accountability, financial excellence & strategic collaboration across India's PSU ecosystem.

11. CA 40 Under 40 Awards



CA. Charanjot Singh Nanda, President, ICAI, and CA. Prasanna Kumar D., Vice-President, ICAI, along with Central Council Members and Secretary, ICAI, graced the CA 40 Under 40 Awards organized in Agra on December 9, 2025, honoring outstanding young CAs leading change and inspiring growth.

12. AICA Level 1 Program, IOCL-Gurugram



CA. Charanjot Singh Nanda, President, ICAI, addressed participants of AICA Level 1 Program held for Indian Oil Corporation Ltd. officials in Gurugram on December 18, 2025. Also, CA. Chakresh Jain, ED-IOCL & other dignitaries shared insights on AI-driven finance transformation and leadership readiness.

13. World Book of Records- ICAI's CAFY 4.0 programme



CA. Charanjot Singh Nanda, President, ICAI, CA. Prasanna Kumar D., Vice-President, ICAI, and Central Council Members graced the Award Ceremony held in New Delhi on December 10, 2025, wherein the Chartered Officer & Editor, World Book of Records UK-London, presented a Certificate for ICAI's CAFY 4.0 programme held on November 27, 2025 across 87 Branches.

14. Inauguration of the ICAI MSME Clinic



CA. Charanjot Singh Nanda, President, ICAI, CA. Prasanna Kumar D., Vice-President, ICAI, and Central Council Members graced the inauguration of the ICAI MSME-Clinic in New Delhi on December 10, 2025, held in the esteemed presence of dignitaries from the Ministry of MSME, GeM, UP MSME, NSIC and SIDBI.

15. ICAI & AU Small Finance Bank tie-up



CA. Charanjot Singh Nanda, President, ICAI along with CA. Prasanna Kumar D., Vice-President, ICAI, Central Council Members, & CA. Sanjay Agarwal, MD & CEO, AU Small Finance Bank graced the unveiling of the ICAI & AU Small Finance Bank tie-up on November 28, 2025, offering exclusive Savings, Current A/c & Credit Card facilities for ICAI members.

16. 39th WIRC Regional Conference



CA. Charanjot Singh Nanda, President, ICAI along with CA. Prasanna Kumar D., Vice-President, ICAI, Central Council Members, Past Presidents and WIRC Members, graced the 39th WIRC Regional Conference held in Mumbai on December 19, 2025, reinforcing ICAI's vision for a future-ready profession and to help in Nation Building.

18. National Conference "JAGRUTI", Meerut



CA. Charanjot Singh Nanda, President, ICAI along with Central Council Members and Branch Management Committee Members, graced the National Conference "JAGRUTI" held in Meerut on December 14, 2025, sharing inspiring insights on professional excellence, leadership, and future readiness of the CA profession.

20. National Conference, Guwahati



CA. Charanjot Singh Nanda, President, ICAI along with Central Council Members and Branch Management Committee Members graced the National Conference "LAKSHYA" held in Guwahati on December 20, 2025, inspiring members with a forward-looking vision for the profession & reinforcing ICAI's commitment to nation building.

22. Project Vanijya



CA. Charanjot Singh Nanda, President, ICAI along with CA. Prasanna Kumar D., Vice-President, ICAI, Central Council Members and Secretary, ICAI, graced Project Vanijya held in New Delhi on December 19, 2025, inspiring education leaders to strengthen commerce education and empower students towards a Viksit Bharat.

17. Sub-Regional Conference, Faridabad



CA. Charanjot Singh Nanda, President, ICAI along with Central & Regional Council Members and Branch Management Committee Members, shared his words of wisdom at the Sub-Regional Conference organized by NIRC of ICAI in Faridabad on November 28, 2025, inspiring members on excellence, technology adoption and the evolving role of CAs in nation-building.

19. National CA Conference 2025, Bhubaneswar



CA. Charanjot Singh Nanda, President, ICAI, with Shri Tuhin Kanta Pandey, IAS Chairman, SEBI, Shri Injeti Srinivas, IAS (Retd.), Chairman, NSE, Central Council Members, EIRC & Branch Management Committee Members, graced the Session on Capital Markets at National CA Conference-2025 held in Bhubaneswar on December 13, 2025.

21. National Conference, Udaipur



CA. Charanjot Singh Nanda, President, ICAI, shared his words of wisdom at the National Conference "Pragyan" held in Udaipur on December 21, 2025. Also present were Central Council Members, Regional Council Members and Branch Management Committee Members, inspiring members with visionary perspectives on professional growth.

23. All Vidarbha Conclave



CA. Charanjot Singh Nanda, President, ICAI graced the All Vidarbha Conclave on Intricacies of Real Estate Transactions & Pooja Ceremony hosted by ICAI Nagpur Branch on December 6, 2025. Also present were ICAI Past Presidents, Central Council Members, WIRC Regional Council Members & Branch Team. He shared key insights on the profession's future & ICAI's vision.

24. Bhoomi Poojan-New ICAI Bhawan, Gwalior



CA. Charanjot Singh Nanda, President, ICAI along with Central Council Members & Branch Management Committee Members, graced the Pujan Ceremony for the New ICAI Bhawan in Gwalior on December 16, 2025, marking a significant step towards strengthening institutional infrastructure and professional excellence.

25. Bhoomi Pujan of the new ICAI Bhawan - Hyderabad Branch



CA. Charanjot Singh Nanda, President, ICAI, CA. Prasanna Kumar D., Vice-President, ICAI along with Past President, Central Council Members, SIRC and Branch Management Committee members graced the Bhoomi Pujan of the new ICAI Bhawan, Hyderabad Branch on November 30, 2025, marking a proud milestone for ICAI's growth and service.

26. Super Mega Career Counselling Programme



CA. Charanjot Singh Nanda, President, ICAI along with Central Council Members, virtually addressed CAFY 4.0 & Super Mega Career Counselling Programme held in Mumbai on November 27, 2025, where ICAI—the world's largest Accounting Body—set a Guinness World Record for the largest career advice lesson ever held.



27. EDUVISION 4.0 2025 (The Times of India)



CA. Charanjot Singh Nanda, President, ICAI, shared his words of wisdom with 400+ school principals & founders from Haryana at EDUVISION 4.0, 2025-26 held in New Delhi on December 15, 2025, stressing the need to introduce Commerce Education from Class VI to build financially aware, future-ready students.

28. Inauguration of the Accounting Museum at DPS MIHAN, Nagpur



CA. Charanjot Singh Nanda, President, ICAI inaugurated the Accounting Museum at DPS MIHAN, Nagpur on December 6, 2025, joined by Central Council Members, WIRC Regional Council Members, ICAI Nagpur Branch Team and the school leadership team. A visionary step to spark early interest in commerce and finance among students.

29. Meeting with Cayman Islands Government Team



CA. Charanjot Singh Nanda, President, ICAI along with CA. Prasanna Kumar D., Vice-President, ICAI and Central Council Members met Cayman Islands Government Team comprising of Hon. André Ebanks MP, Hon'ble Premier & Minister, Dr. Dax Basdeo, Chief Officer-MFS & Mr. Sean Whewell, IA Analyst, Cabinet Office in New Delhi on December 3, 2025.

About WOFA 2.0

World Forum of Accountants

The World Forum of Accountants (WOFA 2.0) is the leading global platform dedicated to celebrating and advancing the Chartered Accountancy profession. At the heart of economic growth and good governance, Chartered Accountants serve as architects of prosperity, guardians of financial transparency, and uncompromising stewards of integrity. WOFA 2.0 brings together these influential professionals from around the world, recognizing their vital contribution to economies, societies, and the greater good.

More than a forum, WOFA 2.0 is a dynamic movement, highlighting the profession's pivotal role in fostering responsible innovation, financial stability, and inclusive growth. It emphasizes the unwavering commitment of Chartered Accountants to ethical practices and transparency, strengthening the economic foundation of nations and ensuring public trust in financial systems.

Furthermore, WOFA 2.0 is more than an event; it is a nexus for collaboration, lifelong learning, and shared advancement. The forum brings together thought leaders, policymakers, industry innovators, and young professionals, creating valuable opportunities for exchange, partnership, and inspiration. By nurturing dialogue and encouraging diverse perspectives, WOFA 2.0 empowers accountants to become catalysts for change, bridging the gap between governments, businesses, and communities.

At WOFA 2.0, we celebrate the extraordinary power of the profession to transform expertise into practical, global solutions. Through uplifting stories, insightful

6 Concurrent Sessions

15 CPE hrs

- Technology Track
- Marketsphere Track
- Global Edge Track
- Aatmanirbhar Bharat Track
- Eco Rise Track
- Assurance to Resolution Track

sessions, and unparalleled networking, WOFA 2.0 is shaping a future that is ethical, sustainable, and prosperous for all.

WOFA 2.0 Theme

The theme of WOFA 2.0 reflects the journey of the Chartered Accountancy profession from being a cornerstone of nation building to becoming a vital force in global collaboration. Chartered Accountants have long safeguarded trust, upheld ethics, and enabled growth within national economies.

Today, as the world navigates rapid change driven by technology, artificial intelligence, and sustainability, the profession is expanding its role on a global stage. Chartered Accountants are not only guardians of financial integrity but also catalysts for innovation, inclusion, and responsible growth.

This theme underscores our shared mission: to Strengthen Trust in a rapidly changing environment, Enable Growth through ethical expertise and innovative solutions, and embrace opportunities that extend beyond national borders. Together, we are shaping a resilient, forward-looking profession that leads the way in building a more prosperous and sustainable future for all.

ICAI Awards • 31st Jan, 2026

- ICAI Awards for Excellence in Financial Reporting 2024-25
- ICAI Awards for Promotion of Accounting Reforms in Local Bodies 2025-26

ICAI Awards • 1st Feb, 2026

- 19th ICAI Awards
- 3rd CA Women Excellence Awards
- ICAI 4th Sustainability Reporting Awards 2024-25

ICAI 76th Annual Function • 1st Feb, 2026

WOFA 2.0 Secretariat
The Institute of Chartered Accountants of India
ICAI Bhawan, Indraprastha Marg, New Delhi - 0002
Ph: +91 11 3011 0487

www.wofa.icai.org

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KEY SPEAKERS

Government & Regulatory



Shri Nitin Gadkari

Hon'ble Minister of Road Transport & Highways



Shri Arjun Ram Meghwal

Hon'ble Minister of State Ministry of Law and Justice (IC)



Dr. Chandra Sekhar Pemmasani

Hon'ble Minister of State for Rural Development and Communications



Shri Prataprao Jadhav

Hon'ble Minister of State for Health and Family Welfare



Shri Sanjay K Murthy

CAG India



Vivek Tankha

Hon'ble Member of Parliament



CA. Arun Singh

Hon'ble Member of Parliament



Shri Tejasvi Surya

Hon'ble Member of Parliament



PP Chaudhary

Hon'ble Member of Parliament



Shri Tuhin Kanta Pandey

Chairman SEBI



Shri S Krishnan

Secretary MeitY



Anand Mohan Bajaj

Deputy CAG



Ravi Mittal

Chairperson IBBI



Shri K Rajaraman

Chairperson IFSCA



Shri Dipesh Shah

Executive Director IFSCA



Mr. Amitabh Nag

CEO Digital India Bhashini Division



Shri G Satheesh Reddy

Former Chairperson DRDO

International



Mr. Jean Bouquot
 President
 IFAC



Prof. Dale Pinto
 President & Chair
 CPA Australia



Mr. Lee White
 CEO
 IFAC



Ms. Carol Wilding
 President & CEO
 CPA Ontario



Mr. David Franklin
 CFO
 ICAEW



Ms. Azlina Bulmer
 Director International
 Affairs, ICAEW



Ms. Alta Prinsloo
 CEO
 PAFA



Mr. Mohammad Humayun Kabir
 President
 SAFA*



Mr. Mohamed Haleem Abdulla
 President
 CA Maldives



Mr. Prabin Kumar Jha
 Vice President
 SAFA



CA. Tishan Subasinghe
 President
 CA Sri Lanka



Prof. Lakshman R Watawala
 President
 CMA Sri Lanka

Corporate/Technical/Others



CA. Kumar Manglam Birla
 Chairman
 Aditya Birla Group



Swami Ram Dev
 Yog Guru



Shri Sridhar Vembu
 Co-founder
 ZOHO Corporation



CA. Navneet Munot
 MD & CEO
 HDFC AMC Ltd.



CA. Sunil Singhania
 Founder
 Abakkus Asset Manager



CA. Anil Singhvi
 Managing Editor
 Zee Business



Mr. Tejas Goenka
 MD
 Tally Solutions



CA. Raj Mullick
 Controller
 Reliance Industries Ltd.



Dr. Vijay Kedia
Renowned Investor



Pankaj Tibrewal
Founder & CIO
Ikgai Asset Manager



Mr. Yatin Mota
Deputy Editor
Network18



CA. Ashish Bahety
Co-founder
NAV Investment



Mr. Mitesh Thakkar
President Retail Research
Bonanza Portfolio



Atul Satya Koushik
Theatre Director



CA. (Dr.) Girish Ahuja
Eminent Tax Expert



Anup Soni
Actor & Anchor



CA. T P Ostwal
Eminent Expert



Mr. Abhinav Aggarwal
Co-founder & CEO
Fluid AI



CA. Amit Jindal
Co-founder
Febi AI



Mr. Shiv Khera
Motivational Speaker



CA. S Ravi
Former Chairman
BSE



CA. Ashwajit Singh
Founder and MD
IPE Global Group



CS. Satwinder Singh
Founder
Aekom Legal



CA. Mithilesh Reddy
Founder and CEO
Steadfast Business
Consulting LLP



CA Bimal Jain
Eminent Expert



Mr. K P Narayanan
Vice President
Global Alliances
ZOHO



Mr. Prashant Ganti
Vice President
Global Product Strategy
ZOHO



CA. Jitendra Khandol
FCA



CA. Nirlep Bhat
Group Financial
Controller AL Majid
Jawad W.L.L.



CA. Amit Gupta
FCA



Mr. Prakash Diwan
Investment Professional



CA Anand Prakash Jangid
Chief Change Agent,
ajlabs.ai



CA Durgesh Pandey
Eminent Expert



CA. R Vittal Raj
Eminent Expert



CA Mukesh Gupta
Director IEML



WORLD FORUM OF ACCOUNTANTS 2.0

Nation Building to Global Collaboration: **Strengthening Trust**, Enabling Growth

PLENARY SESSION

30th January 2026, Friday - Day 1

| | |
|----------------------|--|
| 11:00 AM - 1:15 PM | Registration |
| 12:00 Noon - 2:00 PM | Lunch |
| 1:15 PM - 2:00 PM | Warm up Cultural Session - <i>Rhythms of India</i> |
| 2:00 PM - 4:00 PM | Inaugural Session |
| | • Plenary Session - 1 • |
| 4:00 PM - 5:15 PM | Shaping the Future Together: Vision for a Global Profession |
| | • Plenary Session - 2 • |
| 5:15 PM - 6:30 PM | From Vision to Vikas: Shaping India's Inclusive Growth Story |
| | • Plenary session - 3 • |
| 6.30 PM - 7:30 PM | Wellness@Work: Building Balance, Strength & Resilience |
| 8:00 PM onwards | Cultural Evening followed by Dinner |

31st January 2026, Saturday - Day 2

| | |
|---------------------|--|
| | • Plenary Session - 4 • |
| 10:00 AM - 11:45 AM | Bullish on Bharat: Powering Capital Market Revolution |
| | • Plenary Session - 5 • |
| 11:45 AM - 1:00 PM | Decade of Transformation: The Indian Digital Leadership |
| 1:00 PM - 2:00 PM | Lunch Break |
| | • Plenary Session - 6 • |
| 2:00 PM - 3:30 PM | Made in India, Admired by the World |
| | • Plenary Session - 7 • |
| 3:30 PM - 5:00 PM | Nation First: Regulatory Excellence for Transparent and Trusted Future |
| | • Plenary Session - 8 • |
| 5:00 PM - 6:00 PM | Building India's Global Audit and Consulting Champions - The Blueprint |

International Supporting Organization



• **Plenary Session - 9** •

6:00 PM - 6:45 PM

Talk Show- Inspiring Excellence: The Essence of ICAI Motto
Ya Esa Suptesu Jagarti

6:45 PM - 8:00 PM

ICAI Awards - I

ICAI Awards for Excellence in Financial Reporting 2024-25
ICAI Awards for Promotion of Accounting Reforms
in Local Bodies 2025-26

8.00 PM onwards

Cultural Evening followed by Dinner

1st February 2026, Sunday - Day 3

• **Plenary Session - 10** •

10:00 AM - 11:45 AM

Money, Mindset, Metaverse: The New Age of Finance

• **Plenary Session - 11** •

11:45 AM - 1:00 PM

India@2047: A Century of Freedom, A Future of Global
Leadership

1:00 PM - 2:00 PM

Lunch Break

• **Plenary Session - 12** •

2:00 PM - 3:30 PM

Taxation and the Indian Economy: Trends, Impacts, and the
Road Ahead

• **Plenary Session - 13** •

3:30 PM - 4:45 PM

India - A Global Economic Power in the Making

4:45 PM - 6:00 PM

ICAI Awards - II

19th ICAI Awards
3rd CA Women Excellence Awards
ICAI 4th Sustainability Reporting Awards 2024-25

6.30 PM onwards

Annual Function

BREAKOUT SESSIONS

TECHNOLOGY TRACK

31st January 2026

SATURDAY

• **Session - 1** •

11:00 AM - 12:00 PM

Trust First - Effective Adoption of AI in Finance & Reporting

• **Session - 2** •

12:00 PM - 1:00 PM

AI and the World Economy: Shaping Growth, Risk and Opportunity

1:00 PM - 2:00 PM

Lunch Break

• **Session - 3** •

2:00 PM - 3:30 PM

Setting AI Standards: Enabling Ethical AI Innovation

• **Session - 4** •

4.45 PM - 6:00 PM

Autonomous Finance: The Rise of Intelligent AI Agents

Note: Program is subject to change.

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January 2026 | www.icai.org |

19

1st February 2026

SUNDAY

11:00 AM - 12:00 PM

Session - 5

Digital Forensics for Financial Integrity

12:00 PM - 1:00 PM

Session - 6

Auditing in the Digital Era: Digital Assurance & Digital Trust

1:00 PM - 2:00 PM

Lunch Break

2.00 PM - 3:30 PM

Session - 7

Data Analytics: The New Frontier in Audit and Forensics

3.30 PM - 4:45 PM

Session - 8

Cyber Security and Cyber Resilience Frameworks- Challenges and Expectations

GLOBAL EDGE TRACK

31st January 2026

SATURDAY

11:00 AM - 12:00 PM

Session - 9

India 2030 and Beyond: Architecting India's GCC Landscape and Strategic Leadership

12:00 PM - 1:00 PM

Session - 10

The Boardroom Leadership: Indian Professionals Beyond the Back Office

1:00 PM - 2:00 PM

Lunch Break

2:00 PM - 3:30PM

Session - 11

India's Second-City Surge: Reimagining Growth Engines Across Tier-2 and Tier-3 Hubs

4.45 PM - 6:00 PM

Session - 12

Elevating the New Policy Architecture: Leveraging People, Platforms, Places and Private Capital for India Tomorrow

1st February 2026

SUNDAY

11:00 AM - 12:00 PM

Session - 13

India: The Emerging Hub for Global Operations and Tax Compliance

12:00 PM - 1:00 PM

Session - 14

Reskill. Reinvent. Revolutionize: Unlocking Potential through Upskilling

1:00 PM - 2:00PM

Lunch Break

2:00 PM - 3:30 PM

Session - 15

Navigating Global Accounting Standards: Bridging Borders, Building Trust

3.30 PM - 4:45 PM

Session - 16

Communication without Borders - Connecting the World

For More Updates visit



MARKETSPHERE TRACK

31st January 2026

SATURDAY

Session - 17

11:30 AM - 1:00 PM

Rupee Depreciation, Rising Tariffs, Persistent FII Selling and Equity Market Underperformance - Signals of Worry or a Phase to Navigate for India's Capital Markets

1:00 PM - 2:00 PM

Lunch Break

Session - 18

2:00 PM - 3:30 PM

How to Find Multibaggers with Fundamental Analysis

Session - 19

4:45 PM - 6:00 PM

How to Find Multibaggers with Technical Analysis

1st February 2026

SUNDAY

Session - 20

11:00 AM - 12:00 PM

Next-Gen Investing: REITs, InvITs & Beyond

Session - 21

12:00 PM - 1:00 PM

Investment Beyond Borders: IFSC- The New Pathways to Global Finance

1:00 PM - 2:00 PM

Lunch Break

Session - 22

2:00 PM - 3:30 PM

Future Ready Finance Professionals: Leading the Leaders

Session - 23

3:30 PM - 4:45 PM

FinFluencers: Smart Money, Smart Habits for a Smart Future

AATMANIRBHAR BHARAT TRACK

31st January 2026

SATURDAY

Session - 24

11:00 AM - 12:00 PM

Vision to Venture: The rise of a Startup Nation

Session - 25

12:00 PM - 1:00 PM

Decoding the Policy Blueprint - Leveraging India's Economic Growth

1:00 PM - 2:00 PM

Lunch Break

Session - 26

2:00 PM - 3:30 PM

MSMEs Ascent: Fuelling India's Journey

Session - 27

4:45 PM - 6:00 PM

Enterprise to Equity: Navigating the Journey from Startup/MSME to IPO

1st February 2026

SUNDAY

Session - 28

11:00 AM - 12:00 PM

Journey to a Trillion-Dollar Economy: Uttar Pradesh Leading the Way

Session - 29

12:00 PM - 1:00 PM

Ethics in Business: The Roadmap to Global Leadership

1:00 PM - 2:00 PM

Lunch Break

Session - 30

2:00 PM - 3:30 PM

Navigating Cross-Border Mobility for a Global Profession - I

Session - 31

3:30 PM - 4:45 PM

Navigating Cross-Border Mobility for a Global Profession - II

ECO RISE TRACK

31st January 2026
SATURDAY

| | |
|----------------------------|---|
| | Session - 32 |
| 11:00 AM - 12:00 PM | Sustainability Reporting & Assurance - Best Practices |
| | Session - 33 |
| 12:00 PM - 1:00 PM | Sustainable Development Goals: Accountants Creating Sustainable World |
| 1:00 PM - 2:00 PM | Lunch Break |
| | Session - 34 |
| 2:00 PM - 3:30 PM | Building Climate-Ready, Circular Value Chains |
| | Session - 35 |
| 4:45 PM - 6:00 PM | Green Finance - Related Policies & Regulations |

1st February 2026
SUNDAY

| | |
|----------------------------|--|
| | Session - 36 |
| 11:00 AM - 12:00 PM | ESG Governance, Risk & Compliances |
| | Session - 37 |
| 12:00 PM - 1:00 PM | Women, Wealth, and the Economy: Driving Inclusive Growth |
| 1:00 PM - 2:00 PM | Lunch Break |
| | Session - 38 |
| 2:00 PM - 3:30 PM | Purpose, Passion and Paycheck: Rethinking Career Wellbeing |
| | Session - 39 |
| 3.30 PM - 4.45 PM | Upskilling for the Future: Technology, Talent and Transformation |

ASSURANCE TO RESOLUTION TRACK

31st January 2026
SATURDAY

| | |
|----------------------------|--|
| | Session - 40 |
| 11:00 AM - 12:00 PM | Audit Regulation: Vision, Reform and the Way Forward |
| | Session - 41 |
| 12:00 PM - 1:00 PM | Global Convergence in Auditing Standards: The Road to International Alignment |
| 1:00 PM - 2:00 PM | Lunch Break |
| | Session - 42 |
| 2:00 PM - 3:30 PM | Auditing Less Complex Entities — Proportionate Standards for Real-World Challenges |
| | Session - 43 |
| 4:45 PM - 6:00 PM | Strengthening the Financial Reporting Ecosystem: Preparer Accountability in Focus |

1st February 2026
SATURDAY

| | |
|----------------------------|--|
| | Session - 44 |
| 11:00 AM - 12:00 PM | Ind AS and Critical Accounting Judgements: Credibility in Financial Reporting |
| | Session - 45 |
| 12:00 PM - 1:00 PM | Tax Policy and Litigation: Navigating Disputes, Risk and Resolution |
| 1:00 PM - 2:00 PM | Lunch Break |
| | Session - 46 |
| 2:00 PM - 3:30 PM | Insolvency and Valuation under the IBC: Protecting Creditor Value and Outcomes |
| | Session - 47 |
| 3.30 PM - 4.45 PM | Arbitration and Mediation: Shaping the Future of Commercial Dispute Resolution |

Note: Program is subject to change.



CA. Mukul Lamba
Member of the Institute

Startups and India's Economic Transformation: The Expanding Role of Chartered Accountants

Startups are no longer a buzzword; they have become a part of our daily lives. We can see why the term startup revolution feels more real today than before. A transformation is happening now. Families that once pushed children toward professions such as engineering, medicine, law or government service now celebrate risk-taking as a real career choice. The startup revolution is

driving a transformation in the Indian business landscape, reflecting how families are increasingly valuing risk-taking. We can notice that discussions around seed funding, valuation, and acquisitions take place in company boardrooms, while conversations about startups are equally common in college canteens, co-working cafés, group discussions, and industry networking spaces. This goes on to show that Startups are changing the identity of the country.

We can see transformation in the decisions individuals make each day. Groceries arrive at home within minutes of an order placed through a quick-commerce app. Cab services anticipate the need for mobility even before it arises. Food aggregators deliver meals at all hours.

It can be seen that India today is home to one of the fastest-growing startup ecosystems in the world. The number of startups has grown rapidly, and unicorn valuations have risen at a speed that earlier seemed impossible for a developing economy with regulatory constraints. The spread of entrepreneurship beyond the cities is also noteworthy. Cities that were once unknown to venture capital firms are now places for ideas. These cities may be manufacturing hubs, college towns, or new technology clusters that get help from state incentives.

Today, India proudly stands as the third-largest startup ecosystem in the world, with nearly 125 unicorns and thousands of early-stage ventures emerging not just from metros but also from Tier-2 and Tier-3 cities. More importantly, there has been a cultural shift. Young Indians are no longer asking, “Where will I get a job?” Instead, they are asking, “What problem can I solve?” In doing so, they are creating jobs for many others. For years, parents encouraged their children to get stable government or corporate jobs. That mindset is now changing. Rather than prioritizing

job security, young professionals want to create job opportunities for other people, address problems in industries, and use technologies to solve challenges. This shift shows renewed confidence among the youth and highlights their aspiration to become creators instead of just consumers of global technology.

Decoding the Startup Ecosystem and its Definition

In professional practice, especially for Chartered Accountants, clarity matters. Not every new business qualifies as a “startup” in the legal or policy sense.

Under the DPIIT framework, a startup must satisfy specific conditions. It must be less than ten years old, structured as a private limited company, limited liability partnership (LLP), or registered partnership, and its turnover must not have crossed ₹ 100 crores in any financial year. Most importantly, it must be innovation-driven, working on a product, process, or service with scalability and the potential to generate wealth and employment.

A business formed by simply splitting or restructuring an existing entity does not qualify. This distinction is crucial. Many

“ The Startup India Seed Fund Scheme (SISFS), an oxygen tank for ideation, ensures that many promising ideas do not die, not because they lack merit, but because they run out of money too early and was designed precisely to address this gap. ”

founders often discover too late that their structure makes them ineligible for benefits they were counting on.

This is where the CA's role begins, not at the time of audit, but at the very inception of the idea. One correct decision at the structuring stage can unlock years of tax benefits and government support.

Government as an Enabler, Not Just a Regulator

The Startup India initiative, launched in 2015, changed the tone of policymaking. Entrepreneurship was no longer treated as a risky deviation from stable employment but as a national priority. The government's approach rests on three pillars: funding support, regulatory ease, and digital infrastructure.

Navigating the Tax Holiday: Section 80-IAC: Section 80-IAC offers eligible start-ups a 100% tax exemption on profits for three consecutive years out of their first ten years. On paper, it sounds straightforward, but in practice, it is not. Beyond DPIIT recognition, start-ups must clear scrutiny by the Inter-Ministerial Board (IMB), which evaluates whether the business is genuinely innovative. Documentation, audits, timely filings, and compliance discipline become non-negotiable.

In order to successfully claim the deduction under Section 80-IAC, startups must follow a clear and structured process:



- **Obtain DPIIT Recognition and Section 80-IAC Eligibility Certificate:** The startup must first apply for DPIIT recognition through the official portal, submitting required documents such as the certificate of incorporation and details of its innovative business model. After DPIIT recognition, the Certificate of Eligibility must be obtained from the Inter-Ministerial Board (IMB).
- **Tax Audit and Form 10CCB:** The startup's accounts must be audited by a Chartered Accountant. The audit report must be submitted in Form 10CCB, which includes details of the profits and the calculation of the deduction under Section 80-IAC.
- **File the Income Tax Return (ITR):** The ITR should be filed by the due date, including the details of the 80-IAC deduction claimed under the Chapter VI-A deductions section.

The Startup India Seed Fund Scheme (SISFS), an oxygen tank for ideation, ensures that many promising ideas do not die, not because they lack merit, but because they run out of money too early and was designed precisely to address this gap. With an outlay of ₹ 945 crore, the scheme provides grants of up to ₹ 20 lakh for proof of concept and prototype development, and debt or convertible instruments of up to ₹ 50 lakh for commercialization

and scaling. Eligibility conditions are strict, and funds are routed through approved incubators. Preparing a credible fund utilization plan, milestone mapping, and financial projections is essential. This is where a CA quietly adds immense value, bringing structure, realism, and credibility to the founder's vision.

The CA's advisory role is paramount in confirming eligibility. The startup must be DPIIT-recognized, incorporated not more than 2 years ago at the time of application, and have at least 51% Indian ownership. Furthermore, it must not have received more than ₹ 10 lakhs in monetary support from other government schemes. The CA assists in crafting a compelling application, which requires detailed financial statements, a clear fund utilization plan, and a milestone roadmap. The incubators evaluate applications based on novelty, team strength, and the feasibility of the technical claims. The CA ensures the financial presentation is robust, credible, and aligns with the scheme's evaluation criteria.

It can be seen that financial support comes with reforms that aim to cut the compliance burden and build trust in the ecosystem. In the past, inspection mechanisms made new businesses feel apprehensive about harassment or unexpected penalties. Now, companies can self-certify labour and environmental compliance requirements for a specified period. Insolvency and exit processes now

make business closures quicker. Intellectual property laws have also been strengthened, with rebates on patent filing fees, faster procedures, and access to facilitators who help with applications. These measures encourage the founders to focus on protecting innovation. Protecting innovation attracts quality investors. The government has also provided significant non-fiscal support, which are as follows:

■ **Intellectual Property (IPR)**

Rebate: Startups receive an 80% rebate on patent filing fees, along with a panel of facilitators to assist in the process. Protecting intangible assets such as patents and trademarks is fundamental to a startup's valuation.

■ **Regulatory Relaxation:** In the case of labour laws, no inspections will be conducted for a period of 5 years.

■ Startups shall be allowed to self-certify compliance with 6 labour laws and 3 environmental laws through a simple online procedure.

■ Closure/Winding up will be a quicker process, completed within just 90 days!

■ In the case of environment laws, startups that fall under the 'white category' (as defined by the Central Pollution Control Board (CPCB)) would be able to self-certify compliance and only random checks would be carried out in such cases.

■ **The BHASKAR Platform:** The Bharat Startup Knowledge Access Registry (BHASKAR) aims to be a single, centralized database connecting all stakeholders, including founders, investors, mentors, and policymakers. The CA guides startups to leverage this network, enhancing their credibility and access to resources.

It can be noticed that the profession of Chartered Accountancy has grown alongside the growth of startups. In the past, the Chartered



“ Startups receive an 80% rebate on patent filing fees, along with a panel of facilitators to assist in the process. Protecting intangible assets such as patents and trademarks is fundamental to a startup's valuation. ”

Accountant focused primarily on tax, audit, and bookkeeping. Today, the entrepreneurial world asks the Chartered Accountant to do more. The Chartered Accountant now works as an advisor for business decisions at every stage. The Chartered Accountant builds budget plans, checks cash flows, maps risks, creates models, runs audits, prepares MIS reports, performs valuation, advises on funding tools, plans cap-table structures, and designs investor communications. Many first-time founders do not know these frameworks and try to grow without guidance. Rapid scaling can bring chaos to records and also lead to governance deficiencies. Chaos in records and governance deficiencies can threaten the survival of the business even when revenue grows.

Deal structuring is a part of a startup's life and requires professionals who

understand both the rules and the business. Investors seek returns while also expecting transparent accounting and a fair price, whereas founders want money but want to retain control. Striking a balance requires people who know the rules and the business. Chartered Accountants who advise founders during deal structuring ensures that agreements, share issuances, convertible instruments, and funding terms follow tax rules, FEMA regulations, and long-term plans. It is advisable to startups to plan their structure carefully, as poor planning can lead to faster-than-expected dilution, which in turn reduces the founders' ability to protect their vision.

Artificial Intelligence, machine learning platforms, predictive analytics, automation software, and cloud-based ERP solutions are tools that CAs use every day. CAs used to reconcile hundreds of entries by hand. Now, CAs use automated checks to spot anomalies. CAs used to prepare MIS by hand. Now, dashboards auto-generate real-time insights for decision-makers. These developments let CAs deliver value and move from a compliance practice to a strategic advisory role. Automation is not a threat. Instead of fearing automation, the profession is learning to embrace automation as a partner.



The profession is redirecting its focus toward interpretation, planning, and governance.

New areas now need advisory systems. Deep-tech ventures working in AI, machine vision, or robotics need cost plans for computer setup, data collection, model learning, and ongoing improvement. Green-tech ventures need advice for carbon tracking, reporting, subsidy utilization records, and financing. Agri-tech ventures need guidance on buying prices, supply chain grouping, FPO structuring, and taxation of primary produce. Healthcare technology ventures must also comply with service delivery models, hybrid pricing plans, and liability exposure. It can be noticed that travel technology enterprises need expertise in cross-border taxation. Travel technology enterprises also need expertise in testing pricing algorithms and managing fluctuating forex exposures.

All of these developments point to one fact i.e., innovation works best when it rests on the foundation of governance, compliance, and financial discipline. Ideas alone do not build a lasting business. Trust comes from conduct, sound controls, and accurate financial disclosures. Trust grows when a CA's work is honest and well-checked. These expectations elevate the CA's role from a mere compliance

“ The profession of Chartered Accountancy has grown alongside the growth of startups. In the past, the Chartered Accountant focused primarily on tax, audit, and bookkeeping. Today, the entrepreneurial world asks the Chartered Accountant to do more. ”

agent to an integral part of the startup ecosystem.

The Chartered Accountant can support this journey. The Indian CA curriculum provides knowledge in tax, finance, audit, and corporate law. When the Chartered Accountant adds the right mindset, technology skills, and sector focus, they become a guide. The Chartered Accountant must now grow both in skill and in thinking. We should stop seeing the Chartered Accountant as a watchdog or compliance enforcer. Instead, start seeing the Chartered Accountant as an architect of trust and a growth partner in the startup journey.

In my view, India's economic future depends on the ability to nurture

entrepreneurship and maintain honesty and responsibility. If startups fail, it is because the market did not accept the innovation, not because of governance problems. If startups succeed, they must follow the rules, not exploit regulatory loopholes. This development strengthens the economy.

Conclusion

India's journey as a startup powerhouse has only just begun. The immense potential of our youth, combined with the government's digital and financial infrastructure, promises a future brimming with opportunities. However, ideas alone do not build economies; compliant, financially disciplined execution does.

The Chartered Accountant is not merely a service provider in this journey; we are the architects of trust and scalability. By mastering complex funding schemes like SISFS, navigating the tax maze of Section 80-IAC, and specializing in future-ready domains such as ESG and AI governance, CAs transform raw, high-risk ideas into stable, profitable, and global business models. It is a time for our profession to embrace innovation and move beyond the ledger to the boardroom, seizing the massive opportunity before us. Let us embody the spirit of the ecosystem and carry on with the mission “Har Har Startup! Har Ghar Startup!” (A Startup in Every Street, an Entrepreneur in Every Home).

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CA. Vaishal Dalal

Member of the Institute

The 21st Century Uprising of India as a Global Innovation Leader

Gone are the times when there used to be underdog stories about India rising to the global stage and becoming a leader. Gone are the times when “The Great Indian Dream” was just an aspiration, or at best, a projection. Today, we are living in the era of Indian excellence, and that too across a number of sectors. India leads the bandwagon of innovation in technology, manufacturing, logistics, and a number of services.

While it's still a bit away from India to be on the absolute top in everything, no matter what industry you consider, India would be in the top 5, or even top 3, to watch out more often than not.

Indian enterprises are no longer here only for participation; they are here to win and that too, with domination. Today, they are playing a key role in shaping global markets and paving the way for the future. What is actually interesting, or rather almost shocking, is not the speed at which India has grown, but the nature of that growth. If you think about it, post-independence India has never had a huge chunk of capital, bankable inherited privileges, or even a pre-existing pool of talent. What it did have was sheer discipline in entrepreneurship, effortless problem-solving ability, and the biggest difference maker in the Indian success story - efficiency that the West could only dream of achieving.

Amidst this phase of transformation, there's a whole new generation of entrepreneurs in India who are building sustainable systems. They understand that this game is not to be won by building corporations, chasing trends, or mirroring an existing success model. Instead, they are identifying gaps in systems that have been taxing for decades, and fixing the real problem - the system itself. At the heart of it all is technology. They are combining their sectoral expertise with next generation

technology and, gradually, they have stopped playing by the textbook and created innovative solutions that the world, today, banks heavily upon. While it may sound a little over the top, India has defied odds with its success in systems like UPI (United Payment Interface), Aadhaar Cards, and world class pharmaceutical manufacturing that is exported all across the globe. Not only that, with moves like global tech giants shifting their manufacturing to India, ISRO's historic success with Chandrayan, the unprecedented growth of quick commerce, and their rising EV-ecosystem, the world is well-aware of India's arrival at the leadership table.

What is staggering about all of this is how efficiently it was built. Limited capital, price-sensitive markets, market fragmentation, and a complex regulatory structure - all of these obstacles didn't bring the Indian entrepreneurs down. Instead, they thrived under pressure, only to use these conditions to their advantage later. Because of these constraints, Indian businesses and brands today ensure clarity, transparency, and efficiency. Today, you cannot get away with selling a substandard product to an Indian consumer. Businesses need

to provide incredible value, quick delivery, and justify their price tag every step of the way. If a business can create a buyer's haven, it can also create an entrepreneur's haven. This has become a mindset today, rather than a consequence of the system. That is exactly why the Indian growth story includes contributions from both private startups as well as government backed infrastructure.

At a times when global markets are becoming increasingly unstable, the Indian model has proved to be quite solid and sustainable. Indian entrepreneurship is perfectly aligned with the needs of the global economy, and it is pushing qualities like scalability, efficiency, and result-driven solutions.

Especially over the last decade and a half, India's startup ecosystem has grown manifold. The focus is shifting from products and marketplaces to infrastructure and platforms. This shift is part of the “build systems, not companies” mindset. Indian businesses are continuously boosting the growth of platforms that enable better planning, execution, analysis and optimization, ultimately allowing the entire industry to function better.

“At a times when global markets are becoming increasingly unstable, the Indian model has proved to be quite solid and sustainable. Indian entrepreneurship is perfectly aligned with the needs of the global economy, and it is pushing qualities like scalability, efficiency, and result-driven solutions.”

This shift is not merely an observational analysis. It is quite evident across a number of sectors such as finance, logistics, education, media, and commerce. This is a major reason why not only local markets, but also other consumer bases are leaning towards solutions from Indian enterprises owing to their global relevance. They are not really trying to be global. They are global by design. This is because India is spearheading the growth wagon.

Artificial Intelligence is another term that rarely misses a conversation in the Indian context. Afterall, it has played a significant role in the country's current success and will continue to power Indian innovations in the future too. Today, AI is no longer a buzzword or something that we are supposed to prepare ourselves for. It's not going to arrive. It has arrived, and it has changed everything. It impacts decision-making in nearly every major industry



today. Whether it is prediction, personalization, optimization, learning, executing, or analyzing, AI is everywhere and undeniably so.

This is quite a significant development, especially when it comes to India. This is one of the first major waves in the past few decades that has not originated in the West first, but has spread across the world simultaneously. It could turn into either a catastrophe or an opportunity, depending on what you make of it. As far as India is concerned, it is the beginning of a golden age. A market that had mastered affordability, now also possesses unparalleled intelligence. How powerful is that combination?

Moreover, it is taking the game to the next level by providing high-quality products and services at highly competitive prices. As a result, Indian startups have today become the number one choice for global clients.

However, this age of innovation in India is also focusing more and more on decentralization. Entrepreneurship is not limited to Tier 1 metros. Founders from Tier 2 & Tier 3 areas are rising to global standards just as strongly. That is what the development of technology and the internet has given us over the last few years. It has enabled possibilities that were unimaginable for rural residents just a couple of decades ago. Geography is no longer a catalyst for success.

At its heart, Indian entrepreneurship is rooted in a deep understanding of human behavior. We don't say "Unity in diversity" for nothing. It requires incredible empathy, adaptability, and research to understand the diversity of Indian culture. And once that cultural



understanding comes together with machine intelligence, magic happens!

Having the right balance is what fuels the sustainability of this system. Only businesses that gain and maintain that balance will lead the future. AI is meant to enhance humans, not replace them. This is the philosophy at the core of brands that are making it big during this era of AI adoption.

Another significant theme of the era we live in today is sustainability. Growth without discipline brings chaos. Therefore, it is very important that value governance, transparency, and long term planning remain at the core of our near future. Great technology combined with strong ethics is what earns global credibility.

This firm belief in building systems is something that I have experienced personally. Over a decade ago, outdoor advertising in India was highly fragmented. It lacked structure, transparency, and effective ways to measure the performance of campaigns. Over time, we realized that our business would not find success merely by running campaigns, but by organizing them and creating an ecosystem. That belief has been at the centre of everything we have built.

“ The next ten to twelve years are not going to be about catching up to speed, but about setting new benchmarks for building businesses. They will have to be future-ready, sustainable, efficient, and of course, value conscious. ”

Today, we are focused on creating platforms that allow brands to plan, execute, and measure the success of their campaigns with a single tap. The lower the dependency, the better the experience.

To add more structure and flexibility in the advertising field, we also developed an artificial intelligence based media planner where brands can develop their own media plans irrespective of location. As the owner of an advertising firm, my biggest dream is for advertisements to move beyond the limitations of location, network, and scalability, and reach people who are ready to grow and develop.

Our AI media planner enables brands to independently investigate and choose the media they would like to advertise on, and our AI media optimizer smartly helps the brand to optimize the media mix. Brands can now view the options, weigh their choices, and plan their campaigns depending on their needs, without any manual intervention.

It does not substitute strategic thinking; in fact, it reinforces it. It enables brands to make informed decisions about planning and entering the advertising ecosystem because of its simplicity and the absence of entry barriers.

Another crucial aspect of the ‘Digital India’ campaign is the ability to make use of fragmented public knowledge in terms of intelligence

within minutes. This is because AI-based applications can now assist businesses in understanding who exactly they are communicating with. Through the development of ‘Know Your Customer’ by Excellent Publicity, we are now capable of understanding who we are engaging with, including their professional background, organizational role, and industry perspective, long before the conversation has even commenced. This is achieved through the use of 5 LLMs and 2 search engines.

It also becomes a great ice-breaker and a statement of intentions. It reveals that we are truly interested in the business, that we have taken time to learn about the person behind the position, and that we value a two-way communication process rather than merely listening to elevator pitches.

Know Your Customer is an improvement to human judgment and not a substitute for it. This allows our teams to focus on strategy, relevance, and relationship building, so that meetings become informed conversations and opportunities become partnerships.

What happens next, in my opinion, depends on three key factors.

First, constrained innovation. By constrained, I mean the constraints that encourage you to find creative and efficient solutions without suppressing the idea.

Second, intelligence powered by AI but not dependent solely on it.

And third, ethical management.

Indian founders understand this complex scenario better than most, having faced a lot of these challenges themselves. Now, with AI as their thinking partner, India absolutely can and will become the next global leader.

Let me share a recent experience of mine that reinforced this belief. I was travelling to Ranchi for a meeting when my bag suddenly tore. After the initial few moments of habitual panic,



I took out my phone and looked up some bags on a quick commerce app. Ten minutes later, all my stuff was in a brand new bag. This is what I mean when I say that India is bringing together cultural understanding with advanced technology. And it's all instant. There's no waiting in lines or filling up forms or describing your problems to an expert anymore. One tap, and voila! It's almost a norm today in India and soon will be in the rest of the world.

The next ten to twelve years are not going to be about catching up to speed, but about setting new benchmarks for building businesses. They will have to be future-ready, sustainable, efficient, and of course, value conscious. The world is more connected than ever today, and India is undeniably rising as the leader of this new age. And that, more than anything else, is what will define India's global leadership.

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Introduction

The term 'startup ecosystem' refers to a physical or virtual network of individuals and organizations that work collectively through shared events, mentorship and interactions to create and nurture a new model of business, i.e., 'Startups'. These organizations may be in the form of educational institutions, funding firms, legal and financial service organizations, research groups, private corporations, government agencies, media, etc. In addition, incubators, accelerators and angel investors are also essential components of a startup ecosystem.

India's startup ecosystem has experienced remarkable growth since

India's Startup Ecosystem: Advancing Towards the Milestone of 'VIKSIT BHARAT@2047'

Over the years, with transformations motivated by the entire development and upsurge of an enthusiastic professional workforce, the 'Startup Ecosystem of India' has grown rapidly. Now, it is documented as the third-largest startup ecosystem in the world. When India is striving to realize the vision of 'VIKSIT BHARAT', this ecosystem stands out as an important milestone. It embraces huge potential to navigate socio-economic development. This article outlines the key components and shining signals of 'India's Startup Ecosystem'. It also highlights cutting-edge initiatives taken by the Central Government and emerging trends and significant contributions to this landscape. At the end, the major challenges faced by Indian startups have also been discussed.

2016, driven by the country's rapidly booming business environment. During the last nine-year period (2016-2024), some metropolises of India like Mumbai, Bengaluru, Hyderabad and Delhi-NCR have arisen as epicenters of startup companies. However, this ecosystem is now witnessing a significant shift towards Tier II and III cities. These cities offer abundant opportunities, along with a young and skilled workforce and a supportive environment. With the help of dynamic employees, government initiatives, and affordable internet access, India has firmly recognized itself as the third-largest vibrant startup ecosystem in the world. Fig. 1 shows this concrete fact.

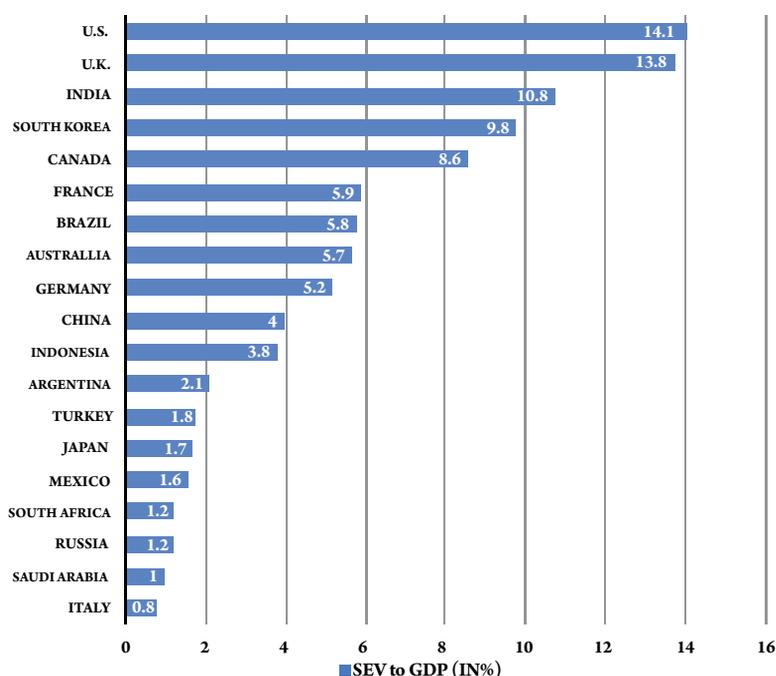
In the present wave of tech-based developments, India's startup ecosystem serves as a driver of technological advancement and innovations. It plays a transformative role in mounting economic growth, generating extensive employment

opportunities, encouraging digital adoption, boosting GDP growth, stimulating climate financing, providing an R&D environment, etc. Rural-focused startups are improving the living standards of people by addressing critical gaps in agriculture, education and healthcare. Additionally, startup companies in India attract substantial investments in the form of Foreign Direct Investment (FDI), Private Equity (PE), Angel Investor and Venture Capital.

When India initiated its journey towards becoming a 'Viksit Bharat' (developed country) by 2047, the importance of the startup ecosystem became self-evident. This ecosystem has a great transformative capacity to become a milestone for developed India. It can provide a strong foundation along with practical opportunities to achieve the ambitious goals outlined in the 'Approach Paper' on 'Vision for Viksit Bharat@2047', released by NITI Aayog on July 27, 2024. This paper

Fig. 1:

Startup Ecosystem Value to Gross Domestic Product in 2024 (in %)



Source: Startup Genome, 2024

underlines that, “As for the economy, to become a developed nation, we need to strive to be a USD 30 trillion economy by 2047 with a per capita income of USD 18,000 per annum. The GDP would have to grow nine times from today’s USD 3.36 trillion and the per capita income would need to rise 8 times from today’s USD 2,392 per annum.” In the pursuit of these significant targets, India’s startup ecosystem has consistently played a vital role. It will continue to provide substantial support in the growth of all pillars described in the vision of developed India.

As on 9th December 2025, 2,03,463 startups in 779 districts of the country have been recognized by the Department for Promotion of Industry and Internal Trade (DPIIT). In these startups, over hundred unicorn companies play a vital role in boosting domestic progress through their innovations and resilience. Notable that a ‘unicorn startup’ is a privately owned

company having a scalable business model valued at over USD 1 billion. It is characterized by rapid growth with high potential based on innovative technologies for the creation of wealth and employment. It is estimated that the number of unicorns in India will reach at 250 by 2030. This growing scenario highlights India’s capabilities to become a worldwide startup front-runner.

Key Components of Startup Ecosystem

■ Cutting-edge Government Initiatives:

To support and nurture the startup ecosystem, the Central Government has introduced a series of advanced initiatives. Some contemporary initiatives may be pointed out as below:

1. Under the *Credit Guarantee Scheme for Startups (CGSS)*, 2022, INR 555.24 crores in

loans were granted to 235 startups, including INR 24.60 crores to 18 women-led startups as of October 31, 2024 (data released by DPIIT on January 15, 2025).

2. *Fund of Funds Scheme (FFS)*, 2022, for Startups having a corpus of INR 10,000 crores managed by SIDBI.
3. *Mentorship, Advisory, Assistance, Resilience and Growth (MAARG) Portal*, 2022, a one-stop platform to provide personalized, efficient and expert guidance along with customizable mentorship for startups across diverse sectors and stages.
4. *National Deep-Tech Startup Policy*, 2023, aims to thrive and address the exclusive and multifaceted challenges faced by deep-tech startup companies. It also provides guidelines to these companies regarding innovations, research and development.
5. To establish a seamless business regulatory framework across India, the *Business Reforms Action Plan-2024* was introduced.
6. To empower student entrepreneurs by facilitating their meeting with the capital providers, policy makers and big business houses, ‘UDYAMOTSAV 2025’ was organized by the Ministry of Education’s Innovation Cell and AICTE in January 2025. As a part of ‘National Startup Week, 2025’, it was held across 14 cities in India.
7. Considering the overall contributions of startups to the nation’s economy, “National Startup Day” is celebrated on January 16th every year. This festivity also aims to generate a supportive environment for entrepreneurial projects. On the 9th Startup Day celebration,

Fig. 2:



Source: Department for Promotion of Industry and Internal Trade (DPIIT)

major DPIIT (Startup India) initiatives were launched, i.e., *Bharat Startup Grand Challenge* and *PRABHAAV Factbook (Powering a Resilient and Agile Bharat for the Advancement of Visionary Startups)*, to mobilize private capital, particularly to support startups in Tier-II and Tier-III cities. Moreover, it will empower startups to scale their operations.

8. Launched *BHASKAR (Bharat Startup Knowledge Access Registry)*, 2024, a new digital platform, which aims to bring diverse stakeholders of India's startup ecosystem, such as entrepreneurs, mentors, investors, service providers, and government bodies, onto a unified platform. Through unique BHASKAR IDs and personalized dashboards, the platform enhances visibility, networking and discoverability, thereby enabling collaboration and smoother engagement

across the ecosystem. As on 9th December 2025, 6,49,482 BHASKAR Users are registered with Startup India.

9. To motivate and support the startup arena, the DPIIT organized the 2nd Edition of 'Startup Mahakumbh-2025'. It was India's largest startup showcase with 2,923 exhibitors, 103,349 exclusive attendees, and over 2.5 lakhs exhibition footfall. With the involvement of 60 countries, this event occurred as a universal stage for alliance and entrepreneurial evolution. Notable that 'Startup Mahakumbh – 2026' will take place on March 9 -10, 2026, at the Yashobhoomi Convention Centre in New Delhi. There will be opportunities to hear perspectives from experts, investors, industry leaders and policy makers. Additionally, to strengthen the nation's Startup ecosystem, the DPIIT is also organizing a "Startup

Mahakumbh Road Show". It is scheduled from December 5, 2025 to January 23, 2026, across 7 cities like Mumbai, Kolkata, Bangalore, etc. in India.

10. Additionally, the Central Government has reduced compliance burdens and relaxed norms for startups by offering:

- Tax exemptions on capital gains and investments above market value.
- "White Category Startups" can self-certify compliance in respect of three environmental Acts.
- Startups Intellectual Property Rights Protection (SIPP) Scheme for facilitating fast-track filing of patents, trademarks, designs, and other IPRs. Under this scheme, startups can enjoy an 80% reduction in the cost of filing patents, along with other procedural benefits.
- Simplifications of reverse flipping standards (September 2024).
- Abolishing the Angel Tax from FY 2025-26.
- Startups shall be allowed to self-certify (through the Startup mobile app) with 9 Labour Laws and 3 Environment Laws.
- The Startups are eligible for the Income Tax Exemption on profits under Section 80-IAC of the Income Tax Act.

11. Atal Innovation Mission (AIM) – This mission includes 'Atal Tinkering Labs' at the school level to foster creativity, 'Atal Incubation Centers' to build a robust startup system, and 'Atal Community Innovation Centers' to serve unserved and underserved regions.

12. Budget (2025-26) Proposals – To nurture the startup sphere, the following proposals have

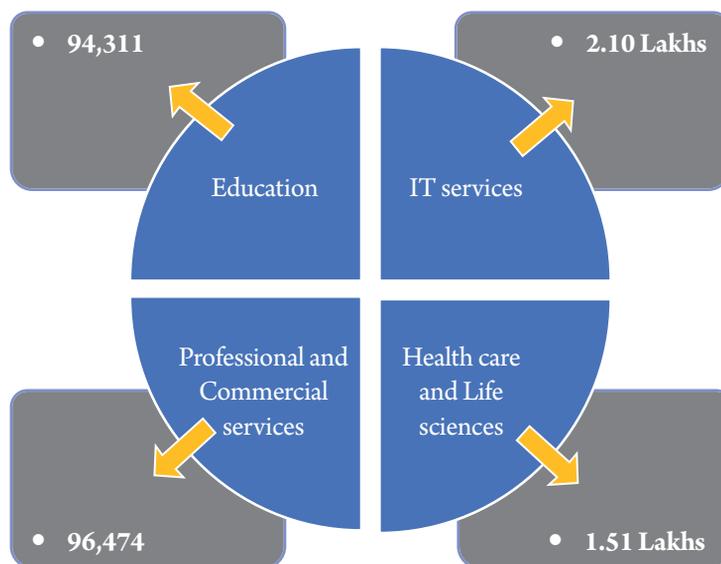
been projected on 1st February 2025, by Finance Minister Smt. Nirmala Sitharaman in her eighth consecutive Union Budget:

- Extension of time limit aimed at another period of five years u/s 80-IAC for eligible startups incorporated before 1st April 2030.
- To catalyze the next generation of startups, a 'Deep Tech Fund of Funds' will be explored.
- A new 'Fund of Funds' with a fresh contribution of another Rs. 10,000 crores will be set up.
- The credit guarantee cover will be enhanced for startups, from Rs. 10 to 20 crores.

Emerging Trends: India's startup ecosystem has transformed significantly over the period of last nine years. Its emerging trends can be enumerated as under:

- **Increasing number of Tech-driven Startup Firms** – In our country, startup companies have leveraged emerging technologies such as Artificial Intelligence (AI), blockchain, Language Model (LM), Internet of Things (IoT), etc., to provide solutions to domestic and global problems. With the help of automation, innovation, and enhanced customer experiences, these technologies are transforming sectors like healthcare, e-commerce, q-commerce, finance, logistics, etc. Data shared by the Press Information Bureau, Delhi, (press release - 29th May 2025) confirms that 10 cutting-edge Indian startups have been selected under the Ministry of Electronics and Information Technology (MeitY) for the prestigious **AI Accelerator Program** in Paris (France). It is a four-month acceleration program, and it provides global market expansion, mentorship, investor networks and backing for comprehensive scaling to the startups. India AI Mission's

Fig. 3:



Source: Press Release by PIB, Ministry of Commerce and Industry, GOI, on 31st January 2025.

“New roles of women entrepreneurs are emerging regularly in the corporate sector, including startups. The Government of India is executing certain specific schemes and programs like Women Capacity Development Program (WING), Virtual Incubation Program, Super Stree podcast, State Workshops for Women Entrepreneurship, Startup India Hub, etc., which are supporting women-led startups.”

partnership with institutions like Station F and HEC Paris marks a significant step in strengthening India's innovation ecosystem. It is expected to foster cross-border collaboration, open access to global markets, and facilitate international scaling for India's AI-based startups.

- **Recognizing Women Leadership** – New roles of women entrepreneurs are emerging regularly in the corporate sector, including startups. The Government of India is executing certain specific schemes and programs like Women Capacity Development Program (WING), Virtual Incubation Program, Super Stree podcast, State Workshops for Women Entrepreneurship, Startup India Hub, etc., which are supporting women-led startups. As a result of such schemes, as of 30th June 2025,

87,285 startup companies with at least one woman director/partner are contributing a vital role in the development of the economy. This number represents nearly half of the 1,80,683 startups of India.

- **Becoming Job Provider Podium** – At present, India's startup landscape is becoming a new platform for jobs. It provides employment opportunities for IP/Patent Executive (for tech startups), data analysts, project managers, machine-learning engineers, robotics programmers, software architects, content creators, growth hackers, customer relationship managers, design managers, user researchers, visual designers, mobile app developers (Android/iOS) and many more.

- According to the data of DPIIT, recognized Indian startups have created 17,69,605 direct jobs across India since 2016. Startups' jobs have been growing at over 25% year-on-year. In 2023, startups provided 3,92,181 jobs as compared to 2,74,920 in 2022. In the year 2024, 3,51,921 jobs were provided by startup companies. It is estimated that they could employ over 50 million people by 2047.

Fig. 2 shows industry-wise job creation as of **31st January 2025** in Indian startups:

- **Watching towards Stock Exchanges** – At present, favorable sentiment of stock market attracts the startup companies for collection of funds. Present-day tech startups are looking towards stock exchanges for capital. In 2024, INR 29,000 crores were collected through Initial Public Offers (IPOs) by 13 startup companies. As of October 2025, 10 startups have been listed on the stock exchanges. This trend shows a shining signal regarding the maturity of India's startup ecosystem.
- **Accrescent Role as Wealth Creators** – India's startups are also playing an attractive role as wealth creators. They give shares through an Employee Stock Option Plan (ESOP) to their employees to uplift their economic standard. Notable that ESOPs generate a sense of proprietorship amongst employees. In the year 2024, shares valued at INR 1,470 crores were distributed by 23 startups to nearly three thousand employees. To retain and satisfy the personnel force, this trend is becoming an effective device for startup companies.
- **Attracting Domestic Investment** – Earlier, global venture capitalists were treated as the main source of financing in India's startups. But this trend is now changing. These startups now have outstanding funding from our domestic investors, including Qualified

Institutional Buyers (QIBs) Nationalised Banks, State Finance corporations like Government Institutions. At present, more than 80% of funds are being collected through domestic investors. In this context, some significant government schemes like CGSS (implemented by NCGTC), Atal Innovation Mission (launched by NITI Aayog), Startup India Seed Fund Scheme (SISFS) are playing a vital role to boost the domestic investment in India's Startups.

- **Strengthening the Arena of Regional Startups** – To create an effective environment for the promotion of regional startups, capacity-building workshops are being organized year-round in Tier-II and Tier-III cities under the 'States Startup Ranking Framework'. Moreover, these workshops aim to assist States in developing local ecosystems for young startups/entrepreneurs. To provide proper guidance to the incubators, special handholding sessions are also conducted in these workshops.
- **Stepping up towards Sustainable Solutions** – Some prominent Startups are now moving towards sustainable solutions like waste management, renewable and clean energy, green-techs, organic farming, etc. It means they are playing a vital role in the direction of sustainable development, which is an essential element for Viksit Bharat.

Major Challenges: Despite remarkable growth, India's startup ecosystem faces many operational challenges/problems, some of which are –

- **Selection of appropriate business structure** – It is one of the most critical challenges for any startup firm. Due to the involvement of so many factors like the nature of business, regulatory attentions, growth strategies, cost of operation, peripheral capital need, plan for

“ **India's startup ecosystem emerged as a catalyst for the nation's journey towards 'VIKSIT BHARAT'. It contributes to industrial growth, technological advancements, socio-economic transformation, sectoral innovations and employment, etc.** ”

profit sharing, etc., founders/owners cannot make the right decision easily.

- **Compliance with Rules and Regulations** – To ensure complex rules and regulations concerning business incorporation and operation governed by different laws and Acts is a key challenge for startup companies. The consequences of non-compliance with laws generate so many problems. Time-consuming activities like obtaining permits, approvals and licenses, acquiring desired land & building, purchasing foreign machinery/technologies, etc., also make a depressing atmosphere for many buddy entrepreneurs. Obedience to SDGs, CSR, ESG, etc., also needs attention. The State Single Window Clearance Portal should contain all 200 services like Tamil Nadu.
- **Protection of Intellectual Property Rights (IPRs)** – Due to lesser knowledge and ignorance, protection of high-tech uniqueness and innovation in the form of intellectual property rights (IPRs) is also a significant problem for startups.
- **Problems in respect of Employment Agreements** – Unclear terms and conditions regarding job profile, compensation, benefits, participatory management, operation of competing business,

claiming of IPRs, etc., can create conflicts with employees. These conflicts get involved in legal battles. Sometimes, a founder's agreement and third-party agreements also create obstacles.

■ **Challenge of Fund Management** –

It is one of the most troublesome aspects of operating a startup firm. Due to a shortage of working and fixed capital, Indian startup companies frequently encounter funding issues. It is more challenging for early-stage startups, because VCFs, angel investors and other capitalists consider the degree of high risk involved in these entities. New startups don't have credit platforms and sufficient security properties for obtaining required funds; this situation can limit their operational and marketing activities and hamper their business progress. Moreover, due to a lack of proper knowledge of financial management, they cannot create an effective and sharp revenue structure. Nationalised Banks should fund these startups.

■ **Shortage of Skilled Personnel Force** –

Like other business organizations, startup entities also fight to acquire and retain skilled employees. Startups cannot attract trained and efficient employees due to a lack of competitive pay and incentive/reward plans, an absence of sufficient training facilities, uncertainty of future



growth, a lack of job security, the non-existence of chances for career development, etc. There is still a deficiency of AI professionals, data scientists, cybersecurity experts, etc., in the startup landscape of our country. State Skill Development Corporations should train them accordingly.

■ **Worrying about Intense competition** –

In the present era of intense competition, thousands of startup companies are stressed to overcome the severe consequences of it. This unfair race/competition is regularly increasing due to excellent services, brand recognition, superior offerings, collaborations and strategic alliances, changing technologies, innovative marketing methods, AI and ML-based production procedures, increasing customer expectations and preferences, etc. In the present competitive environment, it is a tough job for startups to attract and hold trustworthy customers. To get market share, they are struggling with well-established competitors and emerging entrepreneurs. Startups should make use of the Government e-Market to get more orders.

As per data shared by the Ministry of Commerce & Industry, GOI, on July 25, 2025, 6019 recognized startups have been categorized as closed, and 59 recognized startups have been categorized as dormant. For this unfortunate situation, some common problems/ reasons like insufficient funding, unsustainable framework of business model, detaching between the offerings and genuine market demands, etc. are being held responsible. Nationalised Banks should intervene and provide sufficient working capital.

Conclusion

India's startup ecosystem emerged as a catalyst for the nation's journey towards 'VIKSIT BHARAT'. It contributes to industrial growth, technological advancements, socio-economic transformation, sectoral innovations and employment, etc. Moreover, it also



adopts sustainable business practices to align with the SDGs of the UN as well as the key pillars of the vision of developed India. Despite achieving 3rd position at a global level, India's startup ecosystem is in its investigational stage, and so many financial and operational problems/challenges create barriers in the growing path of this landscape. To make India a global leader in the arena of startups, emerging opportunities should be explored, and existing challenges must be addressed through effective measures and long-term strategies. Continued contribution and rapidly changing trends of this ecosystem will certainly lead the efforts towards accomplishing the goals of 'Viksit Bharat' by 2047.

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IPO Surge and Public Market Evolution in Indian Startups: Structural Transformation of India's Capital Markets

The landscape of India's first public offering has radically changed since 2021, shifting towards a less niche exit path of established companies and toward an overall mainstream capital-raising strategy of high-growth startups. This article is a study that explores the IPO boom based on market dynamics, investor participation, as well as development of regulations. Based on the empirical data of India's 80 mainboard IPOs in fiscal 2025, which raised 1.63 trillion, this article concludes that the IPO boom in India signifies a structural change because of three forces, including the emergence of a domestically rooted investor base, increased financial discipline amongst startups, and active regulatory reforms by SEBI. Viewing case studies of some of the unicorns, it can be seen that the investor expectations on profitability and sustainable business models have changed drastically as compared to the growth-at-any-cost mindset of 2021.

Introduction

The global rise of the Indian startup ecosystem has been widely covered, but its development as a market destination has not been properly studied. During the 2010s, Indian entrepreneurs perceived foreign markets, especially those in the United States, as natural destinations of venture-backed exits. In 2021, an online platform for food ordering, restaurant discovery, and dining-out services named Zomato became the first unicorn to seek a domestic IPO; however, the story took a very different turn. The implications of this shift in the domestic market fundamentally altered how the Indian public market was perceived. The change is indisputable five years down the line. In the fiscal year 2025, 80

mainboard IPOs were done in India with a raise of 1.63 trillion, which was the strongest capital mobilization cycle in the country. Most importantly, investors within the domestic market are providing 75% of IPO funds, compared with 25% ten years ago. This reversal is an indication of the development of a self-perpetuating, self-determined capital market, not reliant on foreign flows to be authenticated or liquidated.

The 2021 Inflection Point

In July 2021, Zomato's IPO of 9,375 crores at 76 per share (NSE) had 52.63% first-day listing returns, to 116 (opening price). This premium indicated that homegrown investors had gained confidence in the

unprofitable technology firms, an impressive change. This was followed by an Indian omnichannel retail company, Nykaa, in November 2021, which shot up 79.4% between 1,125 and 2,018, achieving aspirational profitability. Another leading digital payment company, Paytm, which collected 18,300 crore at 2150 per share, listed at 1950 (NSE), a 9.3% loss, an indicator that investors' enthusiasm had definite boundaries.

These three products were important firsts: home investors were able to value technology businesses with global-level multiples; investor interest in startup IPOs was real but discriminating; and valuations without profitability vehicles were still at risk. The fact that Paytm fell by 9.3% in the

short run proved that market discipline had certain limits and that size alone was not going to make investors gung-ho.

Table 1: Major Indian Startup IPOs (2021) - Inaugural Offerings Establishing Market Discipline

| Company | IPO Year | Issue Price (₹) | Listing Price (₹) | IPO Size (₹ Cr) | First Day Return (%) |
|---------|----------|-----------------|-------------------|-----------------|----------------------|
| Zomato | 2021 | 76 | 116.00 | 9,375 | 52.63 |
| Nykaa | 2021 | 1,125 | 2,018.00 | 5,349.72 | 79.38 |
| Paytm | 2021 | 2,150 | 1,950.00 | 18,300 | -9.3 |

Source: NSE/BSE Official Records, Goldman Sachs IPO Track Record, SEBI-registered data providers

The Profitability Pivot: Financial Discipline as Entry Fee

Between 2022 and 2023, with Paytm stock crashing and start-up funding halting, investor hopes were summarized in profitability timelines. By 2024, this wisdom, which was established with difficulty, had percolated into the ecosystem. Businesses that were planning their 2024-2025 listings: "Swiggy, Ola Electric, FirstCry" had their explicit focus on unit economics and path-to-profitability stories.

Swiggy showed cyclic expansion in EBITDA margins; food delivery was profitable; FirstCry had unit economics, although it incurred losses; even Ola Electric had a runway to profitability, despite cash burn. This openness was a stark contrast to the 2021 growth at all costs positioning. Regulatory adjustments by SEBI strengthened the expectations by introducing higher expectations of profitability of SME IPOs, which indicated that there was a market where profitable or near-profitable businesses could be floated in the public markets as opposed to an open cash burn subsidization.

The Domestic Investor Revolution

The biggest structural transformation regards the inversion of investor identity. As of 2020, 75% of IPO capital came as a result of foreign portfolio investors; by 2025, 75%

was domestically sourced, i.e., retail investors, mutual funds, insurance companies, and pension funds.

This change indicates a trend of several forces: the number of demat account holders has grown by 18.5 crore (December 2024) over 4 crore (2020); the young investor, less than 30, forms 48% of the base; 25% of NSE investors are women. The assets being managed by mutual funds grew by 68.5 lakh crore (Oct 2024), by comparison to ₹12 lakh crore (2020), and this generated efficient aggregation mechanisms.

The numerical scale of such a base transformation of investors is impressive. The recent change in the IPO capital sourcing structure over the past six years demonstrates the shift in the dominance of foreign portfolio investors over domestic investors.

Case Study Analysis: Divergent 2024 Trajectories Profitability Pathway to a leading Online food Ordering, and Delivery Company

An online food ordering and delivery company, Swiggy, went public in November 2024, debuting with a modest first-day listing premium of 7.7% at ₹390 and attracting an oversubscription of 3.59 times. The depressed performance indicated by the scales of investor discrimination alone was no longer charged with premiums. Most importantly, the food delivery segment had become

profitable in terms of EBITDA, and the losses were accumulated in experimental sections. The 34% year-on-year revenue growth and the reduction of the losses gave apparent profitability highway maps.

Growth vs. Reality Check

In August 2024, in the IPO that Ola Electric conducted at 76 at a 19.97% premium, the pre-profit company was valued at 73000 crores by a valuation of 6146 crores. The projections of electric two-wheelers hitting 60-70% of the market by 2030 by a multinational strategy and management consulting firm were an excuse to become a real enthusiast in the long term. However, an increase in losses despite 88% revenue growth casts some concerns on execution. This was followed by trading below the opening prices in the following weeks, indicating that investors were not homogeneous; there was retail trading fuelled by narrative and institutional investors who were disciplined in their analysis.

Brand-Driven Moats

In August 2024, an Indian multinational retail company, FirstCry held an IPO at ₹465 which soared 40% to ₹651 and raised 4,194 crore. Even after incurring losses of 321.51 crore, unit economics increased, and 1,063 physical retail touchpoints served as competitive moats worth the 43,000 crore market cap. Shareholders were aware of true business excellence and not the speculative enthusiasm.

The following three case studies demonstrate the non-uniform investment by investors in mega 2024 IPOs. The correlation between the size of the IPO and the enthusiasm of the investors shows that bigger offerings do not necessarily result in higher first-day returns and shows a higher level of discriminating investor behavior.



Table 2: Major Indian Startup IPOs (2024) - Profitability-Focused Offerings with Market Maturity

| Company | IPO Year | Issue Price (₹) | Listing Price (₹) | IPO Size (₹ Cr) | Listing Returns (%) |
|--------------|----------|-----------------|-------------------|-----------------|---------------------|
| Swiggy | 2024 | 390 | 420 | 11,327 | 7.69 |
| Ola Electric | 2024 | 76 | 91.18 | 6,146 | 19.97 |
| FirstCry | 2024 | 465 | 651 | 4,194 | 40 |

Source: NSE/BSE Official Records, SEBI-registered data providers, IPOJI

Regulatory Framework Evolution

The regulatory direction of SEBI during 2021-2025 was becoming more and more sensitive to the idea that active IPO markets must have their balance between investor protection and issuer accessibility. In response to the recognition that deep capital markets do not need large floats to be efficient, the September 2025 amendments reduced minimum public float requirements by a factor of two to 2.5% of ultra-large caps.

The December 2024 reforms of SME IPO proposed explicit profitability requirements (operating profit of 1 crore in two of three previous years), tightened the offer-for-sale rule, and increased disclosures. These are the calibrated guardrails which avoid abuses and do not eliminate access to capital to really growing businesses. The provisions of expanded anchor investors now incorporate insurance

companies and pension funds whose long-term obligations provide inbuilt basic value-investment incentives.

Market Evolution: Quantified Transformation

The development of the market is an expression of maturity that goes through various stages of development and redemption. The curve shows a movement from the sporadic extravagance of speculation to a rigorous tightening to a steady expansion.

Capital Mobilization Through Mainboard IPOs:

India IPO market developed during a specific cycle that last between FY2020 and FY2025. Activity level in FY2020-21 was low and was 31,000-31,300 crore/annum. The inflection point emerged in FY 2021-22, when 47 mainboard IPOs mobilised ₹1,09,900 crore, the highest ever in a single year, reflecting heightened domestic investor participation and several high-profile market debuts.

The inflection point came in FY2021-22, when 47 mainboard IPOs had mobilized 1,09,900 crore which is the highest by all times and showed Zomato, Nykaa and Paytm debuts, as well as high domestic investor interest. Activity was reduced in FY2022-23 by valuation corrections, which included 37 IPOs raising ₹52,116 crore. Nonetheless, starting with FY2023-24, the market showed a strong recovery: 76 IPOs raised ₹61,915 crore in FY24, and record activity in FY2024-25: 80 IPOs raised ₹1,63,000 crore, the highest amount of capital raised in any given financial year. This path is the process of maturation out of speculative excess (FY22) to disciplined correction (FY23) to sustainable growth on the basis of better issuer profitability and investor selectivity (FY24-25).

Transaction Volume: Having fallen to 32 IPOs (FY2021) and then 25 (FY2023), followed by 76 (FY2024) and 80 (FY2025), suggests that the market is coming to be dominated by smaller offerings and purely random mega-caps.

Domestic Participation: To be changed to 75% (FY2025) versus 25% (FY2020) and closer to or more mature market ratios.

Subscription Metrics: Unsubscriptions have been normalized with high ratios (25x-30x) in 2021 and brought within 3-4x healthy ratios, which translate to sensible investor positioning and pricing discipline.

Table 3: IPO Market Evolution in India (2020-2025) - Structural Transformation Metrics

| Financial Year | Number of Mainboard IPOs | Total Capital Raised (₹ Crore) | Total Capital Raised (₹ Billion) | Average Issue Size (₹ Crore) | Notes |
|----------------|--------------------------|--------------------------------|----------------------------------|------------------------------|---|
| FY 2019-20 | 30 | ₹ 31,512 | ₹ 315 | ~₹1,050 | Pre-pandemic baseline |
| FY 2020-21 | 35 | ₹ 31,268 | ₹ 313 | ~₹893 | Limited activity during COVID-19 |
| FY 2021-22 | 53 | ₹ 1,11,547 | ₹ 1,115 | ~₹2,104 | All-time high: Zomato, Nykaa, Paytm IPOs; strong domestic investor appetite |
| FY 2022-23 | 37 | ₹ 52,116 | ₹ 521 | ~₹1,408 | Correction phase; LIC mega-IPO (₹20,557 Cr) drove aggregate |

| Financial Year | Number of Mainboard IPOs | Total Capital Raised (₹ Crore) | Total Capital Raised (₹ Billion) | Average Issue Size (₹ Crore) | Notes |
|----------------|--------------------------|--------------------------------|----------------------------------|------------------------------|---|
| FY 2023-24 | 76 | ₹ 61,915 | ₹ 619 | ~₹815 | Recovery begins; 76 IPOs (highest count); diversified sectors |
| FY 2024-25 | 80 | ₹ 1,63,000 | ₹ 1,630 | ~₹2,038 | Record capital mobilization: Ola Electric, Swiggy, FirstCry; PE-backed IPOs (₹562 Bn) prominent |

Source: KPMG India (2025). *IPOs in India - FY 2025*, based on final offer documents filed with ROC, NSE, BSE. PRIME Database Group (2023, 2024) press releases on FY22, FY23, FY24 capital mobilization. All figures in Indian Rupees (₹); financial year = 1 April - 31 March.

“ Those firms that successfully oriented through the 2022-2023 funding downturn did so having gained a better ability to manage their finances and established profitability roadmaps. ”

Venture Capital Pipeline and IPO Readiness

The Indian venture capital ecosystem had become symbiotic with the maturity of the IPO markets. In 2024, total VC/growth equity funding had increased to ₹1,19,437 crore (13.7 billion), and the number of transactions (1,270) showed 43% year-over-year growth, a 45% growth that indicates it has been widely participated in.

Those firms that successfully oriented through the 2022-2023 funding downturn did so having gained a better ability to manage their finances and established profitability roadmaps. Small and medium-ticket transactions of 95% dealings formed pipelines of hundreds of high-growth companies with enhanced unit economics; exactly what the public market was gaining greater and greater favor.

The various government policy efforts, such as the abolition of angel taxes, reduction of long-term capital gains



taxes, simplification of foreign VC registration, etc, have further boosted the attractiveness of venture investing and minimized the cost of friction.

The Convergence Thesis: Why 2024-2025

Record IPO activity reflected multiple converging forces:

Retail Investor Maturation: By 2024, pandemic-era account openings had created experienced investor cohorts with 2-3 years of market experience and rational valuation frameworks, contrasting with 2021's less sophisticated participants.

Profitability Achievement: The 2018-2020 venture groups to go to IPO by 2024-2025 had many companies that had already achieved profitability or had been operating at near-profitability; as compared to 2021, when most startups were burning cash as long as they were open.

Regulatory Clarity: Cumulative SEBI developments created increased transparency in IPO procedures, disclosure standards, and investor protections, reducing uncertainty costs for both issuers and investors.

Global Capital Reorientation: The global markets changed to focus on profitable-growth models instead of growth-at-any-cost models. When the revaluation of public technology became apparent throughout 2022, Indian startups that had been showing better performance in profitability worked to their advantage, as the valuation of global technology began to stabilize.

Remaining Challenges

A number of issues are to be addressed in order to have sustainable growth. The sustainability of post-IPO performance is based on the ability of companies to fulfill profitability

“ The development of the market is an expression of maturity that goes through various stages of development and redemption. The curve shows a movement from the sporadic extravagance of speculation to a rigorous tightening to a steady expansion. ”



promises, but the level of shortfalls would instantly kill retail confidence and limit subsequent issues. Some of the 2024-2025 products are still trading at valuations based on heroic growth assumptions, most notably in quick commerce and electric mobility.

Although the shift in domestic capital is an actual type of strength, there may be some global institutional involvement that can add depth to the market and offer stabilizing large-block investors. The participation of lower-tier cities is still limited; the geographical expansion to smaller areas will further diversify the domestic capital base and will democratize investment.

Conclusion

The IPO boom in India through 2024-2025 will embody structural development to the prevalence of local-investor control, enhanced issuer financial discipline, and regulatory regulations in consonance with fresh market best practices. The progression from an initial breakthrough phase to sustained record performance reflects a broader maturation process, where early enthusiasm gives way to valuation discipline, eventually evolving into a more stable and advanced market equilibrium.

The present IPO market, with features of healthy subscription

multiples, better profitability profile, capital mobilization by domestic sources, and a regulatory environment, can be viewed as being on the path of long-term growth and not the cyclical fluctuations. To the greater Indian economy, thriving domestic IPO markets decrease reliance on foreign capital, allow venture-funded entrepreneurs to find domestic liquidity, and introduce congruence amid start-up development and capital formation.

Mega-technology firms such as PhonePe, Flipkart India, and Reliance Jio Infocomm are possible future products that may easily surpass the existing records, further pushing the boundaries of the Indian market and institutional maturity. The 2024-2025 experience offers the assurance that the capital markets of India have the infrastructure and investment savvy to take such transformational capital raises in a disciplined and well-judged way.

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From MSMEs to Markets: Strengthening India's Growth Pipeline

India is an entrepreneurial powerhouse with tens of millions of micro, small, and medium enterprises (MSMEs), and a swelling base of growth-ready companies. Yet, only a vanishing fraction reaches institutional scale or the public market. This persistent “graduation gap” is at once a challenge and an opportunity. Closing it by improving governance and market readiness will deliver a governance dividend: lower cost of capital, formalisation of business practices, higher valuations, deeper capital markets, and stronger global competitiveness. The Small and Medium Enterprise (SME) segment's recent listing surge suggests India is at an inflection point. But the funnel remains narrow and leaky, underscoring the urgency for systemic reforms.

The Numbers: The Funnel

The entrepreneurial pyramid is steep and unforgiving:

- **Micro, Small and Medium Enterprises (MSMEs):** ~6.33 crore registered enterprises (NSSO 73rd Round, Udyam 2024–25). This makes India one of the three largest MSME ecosystems globally, alongside China and Indonesia.
- **Small and Medium Enterprises (SMEs, ₹10–500 crore turnover):** ~3.3 lakh enterprises, which is just 0.5% of the total MSME base. This tiny fraction reflects the difficulty of scaling beyond the micro-enterprise level.
- **Listed SMEs:** ~1,231 on BSE SME and NSE Emerge (as of mid 2025), just 0.4% of the SME pool.

By contrast, India's ~25,000 large enterprises (>₹500 crore turnover) include ~6,000 listed companies – a listing ratio of ~25%. This gulf shows how few Indian businesses successfully move from micro → SME → listed entity.

In developed economies, 20–25% of micro-enterprises graduate into the SME band. In India and other

developing markets, the figure is closer to 0.5% – a gap of 40–50x. The “funnel” is simply too narrow, with leakage at every stage.

Why This Gap Matters

MSMEs are not a fringe sector – they are the backbone of the Indian economy:

- **Gross Domestic Product (GDP) contribution by MSMEs:** 30–35%.
- **Exports by MSMEs:** ~45%.
- **Employment generated by MSMEs:** 12–20 crore people, second only to agriculture.

Yet most MSMEs remain undercapitalised and informal, unable to transition into high-growth SMEs or listed entities. This has several consequences:

1. **Shallow capital markets** – A handful of large firms dominate indices, while SMEs remain excluded from equity financing.
2. **Constrained job creation** – SMEs that scale are the true engines of formal employment; their underdevelopment caps India's job potential.

3. **Export competitiveness** – While MSMEs contribute significantly, their fragmented scale limits global competitiveness.
4. **Governance trap** – Without strong disclosure, board, and control structures, SMEs face high borrowing costs and limited investor trust.

In short, India's economic promise is tied to whether this vast entrepreneurial base can graduate and integrate into capital markets.

Snapshot: SME IPO Activity (2012–2025)

The evolution of SME Initial Public Offerings (IPOs) over the past decade highlights why governance readiness is now urgent:

- **2012–2014:** SME IPOs were experimental and modest. Average issue size was <₹10 crore, largely restricted to a few regional industrial clusters. Investor appetite was thin, and awareness was minimal.
- **2015–2019:** Listings gained momentum, though still concentrated in selected states. Average issue sizes rose gradually,

“ Firms with audited accounts, transparent disclosures, and independent boards secure better borrowing terms and higher valuations in initial public offerings (IPOs). ”

signalling deeper acceptance of the SME platform.

- **2020–2022:** The COVID-19 pandemic briefly disrupted momentum. However, liquidity support measures, lower interest rates, and rapid digital adoption gave SMEs renewed growth trajectories. By late 2021, the rebound was visible.
- **2023:** A breakout year. ~175 listings raised ~₹4,600 crore, with average issue size climbing to ~₹27–28 crore. Investor participation expanded beyond regional circles, and SME IPOs began drawing pan-India attention.
- **2024:** A record year. ~240–246 listings raised ~₹8,700–9,500 crore. Average issue size rose further to ~₹36–37 crore. The market witnessed an average of one IPO every working day – a milestone signalling scale and regularity.
- **2025 (till August):** Already ~87 listings raising ~₹4,000 crore, with average issue size crossing ~₹45–46 crore. This indicates not just higher volumes but larger, more ambitious SMEs accessing the market.

Cumulative Impact

- Funds raised since inception: ₹28,000+ crore.
- Market value generated: ~₹4 lakh crore.
- One-third of SME-listed companies have migrated to the main board, validating the SME platform as a proven gateway for scaling.

Trendlines reveal that average issue size has quadrupled within a decade. A present-day SME IPO of ₹40–50 crore resembles the scale of mid-cap fundraising a decade earlier. The trajectory is unmistakable: SMEs are scaling larger, faster, and with growing investor interest. Yet, when viewed

against the universe of ~3.3 lakh SMEs, the listed pool of ~1,231 remains a drop in the ocean.

India at an Inflection Point

Two truths emerge clearly: (i) SME listings are finally achieving scale and visibility, and (ii) the graduation rate remains negligible compared to the massive MSME universe. This is the defining inflection point. Governance through better disclosures, stronger boards, and professional management is the multiplier that can bridge the gap. Without it, India risks falling into an “SME trap”: a vast pool of entrepreneurial energy unable to cross the formalisation threshold.

Why So Few Graduate? The Scale Bottleneck

Despite 6.3 crore Micro, Small, and Medium Enterprises (MSMEs), only ~3.3 lakh qualify as Small and Medium Enterprises (SMEs). Of those, barely ~1,231 are listed. Why do so few firms climb the growth ladder? The answers lie in a combination of structural, operational, and market frictions.

- **Graduation rate:** In India, only 0.5% of MSMEs evolve into SMEs. In developed economies, 20–25% of micro firms manage the transition. This stark contrast highlights the scale bottleneck and explains why India lags 40–50 times behind advanced peers in terms of enterprise graduation.
- **Comparison with large enterprises:** Around 25,000 enterprises in India qualify as large (turnover >₹500 crore). Nearly 6,000 of them are listed, translating to ~25%. Compare this with SMEs, where the ratio is only 0.4%. Clearly, barriers are not about the market alone, but about readiness to scale and comply with governance norms.

Structural Barriers: Finance & Market Linkages

Access to finance is the single largest bottleneck:

- **Credit gap:** International Finance Corporation – IFC – and Reserve Bank of India – RBI – estimates that MSMEs face a documented credit gap of ₹20–25 lakh crore). Banks remain hesitant, citing limited collateral and weak balance sheets.
- **Informality:** Many SMEs remain half-informal, with unreported revenue or cash transactions. This reduces their ability to present auditable, reliable accounts for lenders or investors.
- **High cost of capital:** Borrowing costs for SMEs can be 300–500 basis points higher than for large corporates, reflecting perceived governance and disclosure risk.

Market access is equally challenging:

- SMEs struggle to secure steady buyer relationships, particularly in export markets, due to size, certification gaps, and inability to meet scale requirements.
- Value chains remain dominated by large corporates, with SMEs often squeezed on margins, preventing long-term growth planning.

Operational Barriers: Governance, Audit & Compliance

Scaling requires not just more revenue, but more robust systems:

- **Governance culture:** Many SMEs are promoter-driven, with family-style management and minimal delegation. Independent directors are rare; boards often function informally, leading to limited accountability.
- **Financial reporting:** Delays in audited financials, non-standardised disclosures, and inconsistent internal controls are common. For investors, this translates into heightened risk perception.

- **Tax & regulatory compliance:** Frequent Goods and Services Tax (GST) disputes, labour compliance lapses, and Registrar of Companies (ROC) penalties deter SMEs from engaging with formal equity markets.
- **Succession planning:** Family succession without formal governance structures creates uncertainty for investors and disrupts continuity.

Market Barriers: Liquidity & Investor Confidence

Even when SMEs are listed, challenges persist:

- **Liquidity issues:** SME shares are thinly traded. Retail investors dominate, while institutional investors remain cautious due to research coverage gaps and small free floats.
- **Analyst coverage:** Very few brokerage houses provide research on SME stocks, which limits visibility and valuation discovery.
- **Volatility:** Thin liquidity magnifies volatility, reinforcing the perception of risk and making long-term institutional participation rare.

Why Governance is the Multiplier

Governance is not just a compliance cost, it is a growth enabler:

- **Lower cost of capital:** Firms with audited accounts, transparent disclosures, and independent boards secure better borrowing terms and higher valuations in initial public offerings (IPOs).
- **Investor trust:** Disclosure discipline and credible governance practices widen the pool of investors, including institutions.
- **Migration pathway:** Of the ~1,231 SMEs listed, one-third migrated to the main board. These firms are typically those that invested in governance early better boards, stronger financial reporting, and internal controls.

Global Benchmarks

Comparisons underscore India's challenges:

- **UK AIM (Alternative Investment Market):** Hosts more than 800 growth companies, with average deal size far larger than India's SME IPOs. AIM's success is built on strong disclosure standards and an active investor-analyst ecosystem.
- **Hong Kong GEM (Growth Enterprise Market):** Provides a structured pathway for SMEs to graduate into the main board, but requires strict governance practices upfront.
- **Taiwan & Korea SME boards:** Heavily supported by state-backed credit guarantees and investor education, ensuring liquidity and trust in the SME equity segment.

India's SME exchanges have achieved rapid growth in listings, but the governance ecosystem still lags these global counterparts, limiting scalability and investor confidence.

Case Evidence: The SME Challenge

- Some SMEs that fail to build robust governance structures often stall after IPO. Thin liquidity, compliance lapses, or promoter disputes lead to erosion of investor trust and long-term value.
- By contrast, SMEs that prioritise governance regular disclosures, professional management, and transparent reporting secure higher valuations and sustained investor interest.

Fixing the Bottleneck

The graduation bottleneck is not just about finance it is fundamentally about governance. Without reliable disclosures, institutional investor participation will remain limited, and the listing funnel will stay narrow. As India aims to quadruple its Gross Domestic Product (GDP) in the coming decades, the burden cannot be borne only by large corporations. SMEs

“As India aims to quadruple its Gross Domestic Product (GDP) in the coming decades, the burden cannot be borne only by large corporations. SMEs must be empowered to scale. The key lever is governance: from promoter-led informality to professionalised, transparent, and investor-ready enterprises.”

must be empowered to scale. The key lever is governance: from promoter-led informality to professionalised, transparent, and investor-ready enterprises.

Policy and Regulatory Signals

India's Small and Medium Enterprise (SME) ecosystem is at a critical inflection point, shaped by reforms and regulatory nudges:

- **Securities and Exchange Board of India (SEBI) reforms:** Streamlined disclosure norms, more flexibility in migration, and stricter eligibility criteria for main board listing. Migration requirement was extended from 2 years to 3 years, ensuring SMEs demonstrate robust governance before scaling.
- **Exchange initiatives:** National Stock Exchange (NSE) Emerge and Bombay Stock Exchange (BSE) SME actively run awareness programs, regional investor connect sessions, and SME indices to boost visibility.
- **Government policy:** Schemes like the Credit Guarantee Fund Trust for Micro and Small Enterprises

(CGTMSE), the Fund of Funds for Startups, and the Production Linked Incentive (PLI) scheme indirectly strengthen SME capital bases, making them stronger IPO candidates. In addition, some state governments directly incentivise listing. For example, Kerala offers a subsidy of up to ₹1 crore to eligible SMEs to cover SME IPO issue expenses, while Rajasthan provides a subsidy of up to ₹30 lakh for the same purpose. These state-level measures encourage more SMEs to enter the capital markets and offset initial listing costs.

Financing Corridors: New Channels Emerging

Beyond traditional bank finance and SME IPOs, several new financing corridors are opening up:

- **Institutional participation:** The Interest of Mutual funds and Alternative Investment Funds (AIFs) is increasing in the SME Space. Dedicated SME-focused funds are being established.
- **Green/Impact capital:** Environmental, Social, and Governance (ESG)-focused funds are targeting SMEs in renewable energy, manufacturing efficiency, and social enterprises. Governance upgrades make such SMEs prime beneficiaries.
- **Private equity/venture debt:** Though concentrated in start-ups, there is a growing appetite for established SMEs with revenues between ₹50–200 crore, especially export-oriented firms.

Migration Playbook: From SME Board to Main Board

The SME platform is not the destination, but a gateway. The migration journey offers important lessons:

- **Track record:** Roughly one-third of SME-listed companies have successfully migrated to the main board.
- **Timeframe:** Migration can occur after 3 years of listing; after satisfying several criteria

of stock exchanges, governance, profitability, and compliance standards are consistently met.

- **Valuation uplift:** Migration often results in significant re-rating, as institutional investors gain access.
- **Governance requirement:** Migration-ready SMEs typically display timely disclosures, professional boards, internal audit frameworks, and consistent dividend and earnings records.

India's Opportunity Window

India is projected to be the world's third-largest economy by 2030. For this ambition to materialise, scaling SMEs is indispensable:

- **Employment:** To absorb ~10 million annual workforce entrants, SMEs must expand faster and formalise jobs.
- **Exports:** India's target of US\$1 trillion exports by 2030 rests significantly on SME competitiveness and integration into global supply chains.
- **Capital markets:** Deepening beyond ~6,000 listed large companies into tens of thousands of SMEs would make Indian markets more representative and resilient.

If even 2% of SMEs (~6,000 firms) list over the next decade, India could see:

- Fund mobilisation of ₹3–4 lakh crore.
- Market capitalisation creation exceeding ₹15–20 lakh crore.
- Millions of new formal jobs in urban and semi-urban India.

Conclusion – The Governance Dividend

India's ~6.3 crore Micro, Small, and Medium Enterprises (MSMEs) prove that it is a land of entrepreneurs. But only ~3.3 lakh SMEs and ~1,231 listed firms highlight the scale barrier. Bridging this gap requires more than finance, it demands governance: transparent disclosures, professional

management, and investor trust. The SME platform is now validated as a powerful gateway, but its true potential lies in pulling thousands more firms into the formal capital market fold.

The next decade will decide whether India leverages its entrepreneurial base to build global champions or remains constrained by informality. By focusing on governance as the key multiplier, SMEs can unlock lower capital costs, stronger valuations, and integration into global supply chains. That is the governance dividend and it is India's next big growth lever.

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Real-Time Impact: RBI's Concurrent Audit Framework Driving Accountability and Risk Mitigation in Indian Banks

The RBI's Concurrent Audit Framework ensures real-time or near real-time examination of banking transactions to proactively detect irregularities, manage risks, and enhance compliance. Introduced in the 1990s, it has evolved to cover key areas like loans, forex, KYC/AML, and treasury operations across public, private, and cooperative banks. Unlike traditional audits, concurrent audits offer immediate feedback, deter fraud, and strengthen operational efficiency. With rising digitization, banks are leveraging automation, AI, and analytics to enhance audit effectiveness. Concurrent audits not only ensure regulatory adherence but also provide critical business insights, supporting strategic decision-making and reinforcing trust in India's banking ecosystem.

Introduction: The Essence of Concurrent Audit

In the dynamic landscape of India's banking sector, Concurrent Audit stands out as a powerful mechanism for near real-time vigilance and proactive risk control. Mandated by the Reserve Bank of India (RBI), the concurrent audit is a system of simultaneous examination of transactions and procedures as they occur, ensuring that any deviations, inefficiencies, or non-compliance issues are flagged immediately.

Unlike conventional audits that are conducted post-facto, concurrent audits operate in parallel with the day-to-day operations of a bank, thereby serving as a near-instant feedback loop on operational integrity and compliance adherence.

Genesis and Regulatory Evolution

The concept of concurrent auditing emerged in India during the early 1990s

as the banking sector was undergoing liberalization. As private and foreign banks entered the market, the volume of financial transactions increased, financial products expanded, and the risk of fraud and non-compliance grew.

To address fraud and malpractices in banks, the RBI formed a High-Level Committee in 1992, led by Shri A. Ghosh, the then Deputy Governor of RBI. Among other measures, the Ghosh Committee recommended introducing concurrent audits in commercial banks to improve internal controls, support administrative functions, ensure adherence to systems and procedures, and detect lapses and irregularities. Consequently, all scheduled and primary (urban) cooperative banks with deposits over Rs. 50 crores were required to adopt the concurrent audit system.

Thereafter, the Concurrent Audit Regulatory Framework has evolved as below:

- **1996-1997:** Defined scope, coverage, reporting systems and remunerations.
- **2001-2007:** Enhanced scope and responsibilities under concurrent audit, including mandatory coverage of sensitive and high-value branches.
- **2015:** Revised guidelines on concurrent audit system, including the requirement to have at least 50% of their business under concurrent audit coverage, along with a detailed minimum audit program.
- **2019 and onwards:** Scope of work and sampling coverage to be at the discretion of the internal audit team of the bank, with broad minimum areas of coverage defined. Specific regulations issued by the RBI from time to time mandate coverage of certain areas under concurrent audit review.



Scope and Applicability
Scope of Concurrent Audit

The RBI has laid down broad guidelines for minimum areas of coverage under Concurrent Audit in its circular on Concurrent Audit System dated September 18, 2019 (DBS.CO.ARS. No.BC.01/08.91.021/2019-20). However, banks are expected to define the specific scope based on their risk profile and business complexity. Minimum areas of coverage include loans and advances, treasury operations and foreign exchange transactions, Know Your Customer / Anti-Money

Laundering guidelines, Remittances, Trade Finance, Branches, SWIFT transactions, Internal Accounts and as per regulatory guidelines issued from time to time.

Applicability

- Scheduled Commercial Banks (including Public and Private Sector Banks and Foreign Banks)
- Small Finance Banks
- Payments Banks
- Local Area Banks

Methodology: How Concurrent Audit is Conducted

Appointment of Concurrent Auditors

- Can be conducted by internal teams or external Chartered Accountant firms empanelled with the bank, at the discretion of the individual banks.
- In case of outsourced concurrent audit function, the Internal Audit team should participate in the selection process, and the auditors

should be rotated every 3 years to ensure independence.

Typical Concurrent Audit Lifecycle/ Process Flow

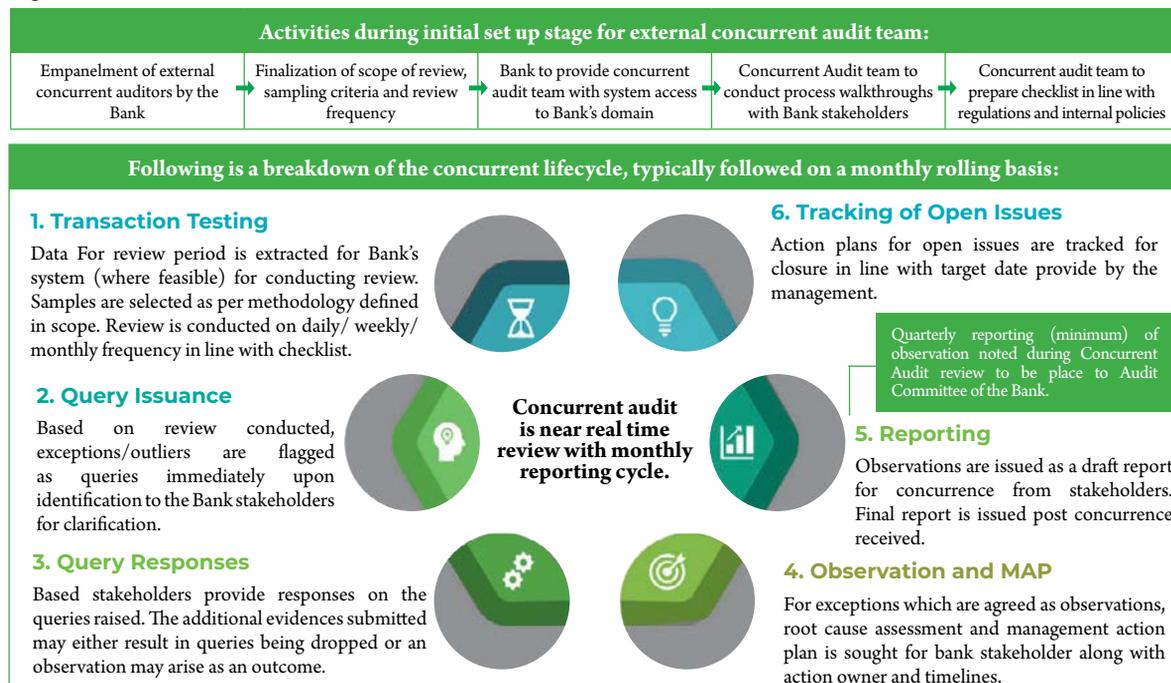
Concurrent audit in Indian banks is a cyclical and continuous process, aimed at ensuring real-time transaction scrutiny, regulatory compliance, and operational risk control. Fig. 1 shows a breakdown of the concurrent lifecycle/ process flow.

Benefits of Near Real-Time Auditing

Concurrent audits offer a multitude of advantages, especially when compared to traditional, retrospective audit frameworks:

- **Proactive Risk Management:** Irregularities are flagged at the time of occurrence or shortly thereafter, enabling early intervention and damage control.
- **Deterrent to Frauds:** Employees are aware that transactions are under continuous scrutiny, reducing the likelihood of fraudulent behavior.
- **Faster Decision Making:** Audit insights help in real-time correction,

Fig 1.



“ Unlike many global internal audit practices that are periodic in nature, concurrent audit in India is real-time or near real-time, offering a continuous assurance mechanism. This model reflects India’s regulatory expectations and the need for robust internal control in a rapidly evolving financial ecosystem. ”

improving efficiency and reducing customer grievance redressal time.

- **Improved Regulatory Compliance:** Banks can ensure ongoing alignment with RBI norms, reducing the risk of regulatory action or penalties.
- **Enhanced Customer Confidence:** A robust audit framework instills trust among stakeholders, reinforcing the credibility of the banking system.

Uniqueness of Concurrent Audit in the Indian Context

Concurrent audit in India holds a distinct and critical role in the country’s financial system, especially in the banking sector. Unlike many global internal audit practices that are periodic in nature, concurrent audit in India is real-time or near real-time, offering a continuous assurance mechanism. This model reflects India’s regulatory expectations and the need for robust internal control in a rapidly evolving financial ecosystem.

- **Volumes and Scale:** India’s banking ecosystem is vast, with a high volume of transactions occurring across both urban and rural branches daily. Concurrent audits are uniquely designed to handle this scale, including review of branches at multiple locations.

- **Mandatory Oversight and Effectiveness Review by Audit Committee of the Bank:** Regulation mandates annual review of the effectiveness of the concurrent audit system as well as the performance of the concurrent auditors, with a performance memo issued by the bank.

- **Accountability:** Empanelled concurrent auditors are expected to maintain high standards of integrity and independence. In case of any serious acts of omission or commission, failing which their appointment may be cancelled. Material irregularities, fraud indicators, and non-compliance cases are expected to be reported immediately to higher management and, if necessary, the regulator.

- **Direct Interactions with Regulators:** Regulators in India place strong reliance on concurrent audits as a frontline defense mechanism. In some cases, regulators/inspectors have direct interactions with concurrent auditors during their annual inspections and other calendarized inspections.

- **Adaptability to Change:** The environment in which concurrent audit operates is dynamic, with shifts in business models, regulatory framework and technology landscapes constantly triggering the need for concurrent audits to evolve.

i. Policy & Process Changes:

Organizations frequently revise internal policies and standard operating procedures due to changing business objectives, risk appetite, or external market dynamics. Auditors must quickly adapt to revised process flows and control points and update their checklists and test procedures accordingly.

ii. Regulatory Change:

India’s financial regulatory environment is dynamic, with frequent updates to KYC

norms, provisioning rules, credit assessment frameworks, and digital compliance. Regulatory change management is important to ensure audit checklists remain current and aligned with the latest regulatory circulars. Concurrent Auditors are usually among the first to validate implementation of regulatory changes at the operational level.

iii. Technology and System Changes:

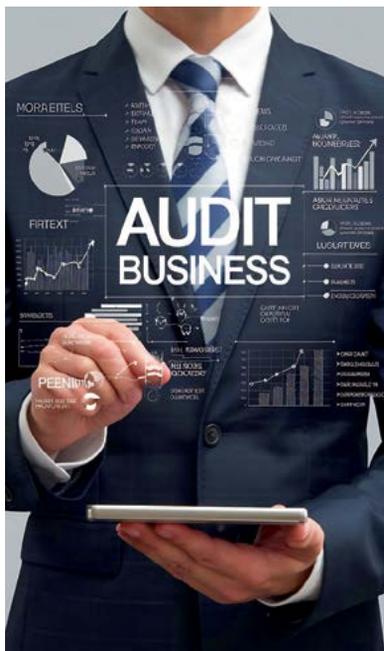
Introduction of new systems (e.g., CBS, ERP), automation tools, digital platforms, or data analytics engines requires auditors to review data sources, test procedures and existing checklists.

iv. People and Organizational Changes:

Changes in organizational structure, staff turnover, or shifts in roles and responsibilities can alter how processes are executed, and it is critical to manage these changes by way of adequate training.

- **Access to Banks’ Systems:** One of the defining features of concurrent audit is the direct access granted to auditors to banking systems, enabling auditors to view real-time transactions, customer profiles, sanction notes, loan documents, and exception reports.





■ **Integration with Third Line of Defense:** Concurrent audit acts as a support to the Third Line of Defense (Internal Audit), and findings from concurrent audits are directly reviewed and acted upon by the internal audit department, which is considered the independent assurance provider to the board and audit committee.

How Concurrent Audit Can Deliver Business Insights Beyond Assurance

In today's fast-paced business environment, the role of audits has evolved significantly. No longer confined to a backward-looking assessment of compliance and control, concurrent audits, conducted in real-time or near real-time, have the potential to deliver deep, actionable insights that drive operational efficiency, strategic planning, and business innovation.

● **Real-Time Process Monitoring and Optimization:** Auditors often identify inefficiencies, delays, or deviations from standard procedures in near real time. Management can use these observations to reengineer processes, reduce turnaround time,

or eliminate redundant workflows, ultimately improving service delivery and cost efficiency.

- **Early Detection of Trends:** By consistently monitoring transactions, concurrent auditors are uniquely positioned to detect patterns and anomalies early, long before they escalate into larger issues. A surge in certain types of customer complaints, an increase in unauthorized overrides, or a shift in transaction volumes may signal underlying operational or market trends which can enable organizations to be proactive rather than reactive, adjusting strategies, modifying controls or innovating new solutions.
- **Enhanced Risk Management:** While concurrent audits naturally contribute to risk mitigation, their data-rich findings can significantly enhance enterprise risk intelligence. Frequent breaches of specific controls, recurring procedural lapses, or concentration of risk in certain branches or segments can all be captured and analyzed. Organizations can strengthen their risk management frameworks, prioritize high-risk areas, and integrate audit findings into broader enterprise risk dashboards.
- **Assessing Efficiency of Operations:** Concurrent audits can help to identify areas of repeat operational errors, such as delays in processing, frequent manual interventions, or high error percentages of manual errors. Management can use these insights to improve staff training, redesign workflows, or invest in automation where needed.
- **Support for Strategic Decision-Making:** Over time, concurrent audits produce a wealth of data that goes beyond compliance. When synthesized effectively, this information becomes a powerful input for strategic decisions. Aggregated findings on process performance, risk exposure, and

“ Organizations frequently revise internal policies and standard operating procedures due to changing business objectives, risk appetite, or external market dynamics. Auditors must quickly adapt to revised process flows and control points and update their checklists and test procedures accordingly. ”

operational gaps create a real-time snapshot of business health. Such insights can inform digital transformation plans, mergers and acquisitions evaluations, and long-term policy revisions.

How Automation is Reshaping Concurrent Audit Practices

As banking operations shift toward digital and real-time environments, concurrent audits have embraced technology for enhanced efficiency and scope. The following are the trends in technology adoption in the concurrent audit space:

- **Real-time dashboards** and audit planning tools
- Automation for **routine audit checks**; for example, automation of daily SWIFT reconciliation, regulatory reporting checks, etc.
- **System Generated Exception Reports (SGERs)** to reduce manual errors.
- **Data analytics** to identify trends, outliers, red flags and anomalies.
- **API-based data extraction** from source systems.
- **Centralized monitoring for tracking audit findings**, open

“ Auditors often identify inefficiencies, delays, or deviations from standard procedures in near real time. Management can use these observations to reengineer processes, reduce turnaround time, or eliminate redundant workflows, ultimately improving service delivery and cost efficiency. ”

issues, etc., in real time across multiple locations.

- **Leveraging Optical Character Recognition (OCR) technology** for converting scanned documents, such as account opening forms, into machine-readable text format.

Note: The above are applicable for private sector banks and foreign banks, where all the data is available centrally at the HO and not fragmented across branches.

Further, there is potential to transform how concurrent audits are conducted using artificial intelligence:

- **Intelligent Anomaly Detection:** AI models, especially those based on machine learning, can detect outliers and anomalies far beyond the capability of traditional rule-based systems. For example, an AI model monitoring transactions can flag deviations in amount, frequency, or timing that don't match the user's historical behavior, even if the transaction is technically within the policy limits.
- **Natural Language Processing (NLP) for Document Review:** NLP can be used to scan and interpret policy documents, contracts, or communication logs, identifying risk keywords or non-compliance issues.

- **Risk Scoring and Prioritization:** AI can score transactions or business units based on their risk levels, enabling auditors to focus on high-risk areas. For example, auto-prioritizing branches or departments for deeper review based on fraud likelihood, previous audit scores, or transaction volume anomalies.
- **Continuous Control Monitoring (CCM):** AI-driven systems can monitor key controls 24/7, sending alerts in real time when thresholds are breached. For example, detecting unauthorized access attempts, changes in vendor bank details, or back-dated entries immediately.
- **Predictive Risk Intelligence:** Using historical data, AI can predict where future breaches or compliance failures are likely to occur based on past trends.

The following are the challenges and key considerations for using artificial intelligence in concurrent audit:

- **Data Quality:** AI is only as good as the data it learns from. Poor data can lead to inaccurate results.
- **Change Management:** Auditors must be trained to trust and interpret AI outputs.
- **Ethical Use:** Clear governance must be in place to avoid bias or misuse of AI tools.
- **Integration:** Aligning AI tools with legacy systems and existing audit workflows can be complex.

Conclusion

The RBI-mandated concurrent audit system is one of the most comprehensive and unique real-time audit frameworks in the Indian banking ecosystem. It not only enhances transparency and governance but also acts as an early warning system to detect serious errors and irregularities.

As banks move deeper into digital transformation, the concurrent audit mechanism will continue to



evolve, blending human expertise with machine intelligence to build a more resilient, secure, and compliant financial system.

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Fuelling the Future: Landscape, Challenges, and Tax Optimisation in the Oil and Gas Industry

India's oil and gas sector, a prospective \$8.6 trillion GDP market, fuels the economy but grapples with tax inefficiencies. Exclusion from GST denies utilisation of ITC, leading to a cascading tax burden and ultimately an increase in the cost of fuel. Additionally, States' reliance on petroleum tax revenue makes them reluctant to transition to GST. Considering the uncertainty of GST

integration and the unavailability of ITC, the industry must leverage exemptions and concessions available under GST to structure transactions efficiently. While concerns over revenue loss exist, a balanced approach of integrating tax reforms with fiscal incentives can transform the sector. Proactive reforms today will ensure a resilient energy future tomorrow.

Introduction

Amidst a rapidly evolving global landscape, one sector has emerged as a linchpin of India's economic framework. An industry that not only fuels the ambitions of a growing nation but also positions itself as a critical player on the global stage. The industry, which is expected to reach \$8.6 trillion GDP by 2040, exported 64.7 MMT of products while producing 261.546 MMT domestically. Drawing \$8.22 billion in cumulative FDI inflows since 2000, this sector underpins the nation's foreign reserves and industrial backbone as one of the eight core industries. The Oil and Gas Exploration Industry drives India's energy future in every aspect of growth, right from revenue to returns, investments to international trade and from forex to fiscal contributions.

The industry operates across three interconnected sectors.

- The upstream sector
- The midstream sector
- The downstream sector

The industry, being heavily regulated, also requires massive capex in

exploration and infrastructure development. Additionally, geopolitical tensions have often disrupted global supply chains and added another layer of complexity, driving up costs and liquidity risks.

However, the pressing concern of the industry is the taxation policies implemented on them. With varied taxes and duties imposed without adequate benefits, especially under Indirect taxes, the members consistently urge the Ministries to consider their hardships.

Levy of Indirect Taxes in the Industry

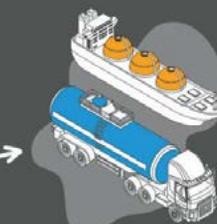
Until the implementation of the Goods and Services Tax Act, 2017 (hereinafter referred to as "The CGST Act, 2017 or "The Act"), multiple indirect taxes were levied by both the Central and State governments, leading to inefficiencies and cascading effects. The CGST Act, 2017, unified varied taxes into one single tax. However, vide Article 279A(5) of the Constitution and Section 9(2) of the Act, the Central

O&G'S THREE PRIMARY STAGES

- EXPLORATION
- DRILLING, AND
- PRODUCTION OF CRUDE OIL AND NATURAL GAS



UPSTREAM



MIDSTREAM

- TRANSPORTATION
- STORAGE OF CRUDE OIL AND NATURAL GAS



DOWNSTREAM

- REFINING
- PROCESSING,
- DISTRIBUTION OF CRUDE OIL AND NATURAL GAS INTO A WIDE RANGE OF END PRODUCTS

Board of Indirect Taxes and Customs (hereinafter referred to as “CBIC”) deferred the inclusion of petroleum crude, high speed diesel, motor spirit, natural gas and aviation turbine fuel under GST, thereby exigible as per existing tax policies.

Further, Article 246 of the Constitution grants power to the Parliament and the Legislatures of States to make laws with respect to matters under the Seventh Schedule. While entry no. 84 of the Union List empowers the Central Government to levy excise duty, entry no. 54 of the State List allows the State Government to impose VAT on the aforementioned goods. This has resulted in a situation wherein petroleum products are taxed separately through different taxes, and that too at different rates.

This exclusion of petroleum products from the ambit of GST has deferred the Government’s vision of implementing the “**One Nation, One Tax**” policy.

“**The Federation of Indian Petroleum Industry (FIPI) has been actively advocating for the industry’s concerns regarding GST exclusion. FIPI, a society representing hydrocarbon sector entities, serves as an interface with the government.**”

The introduction of GST aimed to unify taxation, reduce the cascading effect, and establish an efficient tax collection system, which currently seems to be defeated.

Since inputs required for production are taxed under GST while outputs are excluded, the break in the Input

Tax Credit (hereinafter referred to as “ITC”) chain adds a significant cost burden. As of 2025, India, the third-largest oil consumer, faces higher fuel prices due to this cascading tax effect. One of the key reasons for inflated fuel costs is the inability to offset input taxes, increasing the overall financial strain on the industry and consumers. To illustrate this, a detailed cost breakup of petrol and diesel as applicable in the State of Maharashtra is provided in Table 1.

Given that the petroleum product prices are generally determined by global benchmarks such as Brent Crude and WTI, the cost of the products cannot be increased arbitrarily, ultimately leading to the cost of input taxes being absorbed by the industry.

The Federation of Indian Petroleum Industry (FIPI) has been actively advocating for the industry’s concerns regarding GST exclusion. FIPI, a society representing hydrocarbon sector

Table 1.

| Particulars | Cost per litre | |
|--|-------------------|------------------|
| | Petrol Price | Diesel Price |
| Crude Oil (from Brent Crude + Russian Import + Other Crude Import) | Rs. 40 | Rs. 40 |
| OMC Processing Cost (Freight + Refinery Processing + OMC Margin + Logistics Operational Costs) | Rs. 7.35 | Rs. 8.15 |
| Buffer for Future Inflationary Aspect etc | Rs. 10 | Rs. 8 |
| Fuel Price after processing (A) | Rs. 57.35 | Rs. 56.15 |
| Central Government Taxes and Dealer Commission | | |
| Excise Duty (all inclusive) + Road Cess as Charged by Central Government | Rs. 19.9 | Rs. 15.8 |
| Commission to Petrol Pump Dealers | Rs. 3.8 | Rs. 2.6 |
| Fuel Cost Before VAT | Rs. 81.05 | Rs. 74.55 |
| State Taxes (Maharashtra) | | |
| Vat@ 25% on petrol/ Vat@ 21% on diesel | Rs. 20.26 | Rs. 15.65 |
| Additional tax | Rs. 5.12 | - |
| Final Retail Price in Mumbai (B) | Rs. 106.43 | Rs. 90.60 |
| Proportion of Total Tax to Final Cost | 42.5% | 34.71% |



entities, serves as an interface with the government. According to a report for FY. 2021-22, “**exclusion from the GST regime and dealing with multiple taxes has resulted in a cascading tax effect, reversal of ITC, leaving the industry stranded with taxes as high as 60%.**” Given the uncertainty surrounding GST inclusion, the industry must thoroughly assess contracts, meticulously examine invoices, and accurately determine tax rates to minimize procurement costs effectively.

Tax Optimisation Strategies

Industry relies heavily on specialised services and complex equipment at the foundational stage, making cost and financial liquidity the foremost deciding factor. Industry’s versatile landscape requires services like FEED (Front-End Engineering Design) services and seismic surveying in the upstream sector, pipeline construction and maintenance in the midstream sector and product distribution in the downstream sector across both offshore and onshore sites. Additionally, some equipment may be infeasible or restricted for direct purchase, making long-term leasing a necessary option. Given its capital-intensive nature and the unavailability of ITC, optimizing taxes becomes a key consideration.

The industry significantly contributes to the exchequer through royalty and cess over and above the direct and indirect taxes. With continued performance and persistent

representation, CBIC provided certain reliefs, which are outlined below:

i. Concessional Rate on Supply of Specified Goods

With petroleum exploration requiring a range of specialized goods, CBIC offered a concessional tax rate on specified goods that are integral to exploration projects, vide NN. 03/2017-CTR. The said notification set a concessional rate of 5% on goods essential for petroleum operations, which were later amended to 12% vide NN 08/2022-CTR effective from 18.07.2022.

While this updated rate still benefits a wide array of equipment from technical drawings and jack-up rigs to mooring ropes and communication devices, it requires compliance on meeting specific conditions, as mentioned in the said notification.

One of the critical requirements is obtaining an Essentiality Certificate issued by the Directorate General of Hydrocarbons, which allows procurement of specified goods at a reduced rate.

A question arises as to how one should proceed when the same commodity is subject to varying tax rates. Consider helicopter components. As per NN. 01/2017 - CTR, these goods attract a 5% tax rate under Sr No. 244. However, vide NN. 08/2022 - CTR, the same goods carry a 12% rate. This presents a dilemma: should the taxpayer follow the general notification with a lower rate or the

“As GST is a destination-based tax, the inclusion would shift revenue from oil-producing states to consuming states, creating concerns about revenue distribution.”

specific exemption notification, which imposes additional conditions and a higher rate?

Additionally, it is essential to examine the legal basis for such notifications. NN. 03/2017 - CTR, issued under Section 11(1) of the CGST Act, grants CBIC the power to exempt goods or services. However, instead of providing relief, this notification increases tax rates under conditional circumstances. Navigating these complexities requires a precise understanding of both legislative intent and practical application, elements that can be easily misinterpreted without specialized expertise.

ii. Relaxation of IGST for Goods Imported under Lease

Certain essential goods integral to exploration operations are required to be imported, often incurring significant costs in the form of customs duties. CBIC vide NN 50/2017-Customs introduced entry 557A and 557B, levying a Nil rate of duty for specified goods. This exemption applies to rigs imported for oil or gas exploration and production under lease agreements. This relief is crucial, as such duties could otherwise escalate costs significantly.

However, the exemption is conditional. The importer must re-export the goods within three months from the expiry of the lease period. Failure to comply would result in the payment of applicable duties as if the goods were imported under normal circumstances.



Therefore, strict adherence to these conditions is essential to retain the concessional benefits.

iii. Offshore Works Contract Services

Before exploring applicable concessions, it is important to distinguish between offshore and onshore services. Offshore activities refer to operations that are carried out in the water bodies, typically in deep water, which include services like exploration, drilling, extraction, etc. Onshore activities, on the other hand, are conducted on land. It is majorly associated with structures constructed on land near the coast for exploration and extraction. Depending on the location of oil fields, both onshore and offshore exploration may be conducted.

During exploration, certain equipment cannot be purchased directly from vendors, necessitating specialized engineers for the manufacturing and fabrication of goods. These services, which involve the supply of goods, may result in the construction of immovable property, potentially qualifying as works contracts under Section 2(119) of the Act. To address this, CBIC issued NN. 39/2017- ITR, providing a concessional tax rate of 12% on the composite supply of works contracts in respect of offshore works contracts

relating to oil and gas exploration in the offshore area beyond 12 nautical miles, which is a significant relief from the standard 18% rate.

A critical question arises regarding the interpretation of the 12 nautical-mile condition. Does the notification apply to services procured for exploration projects beyond this distance, or does it refer to the actual performance of such services beyond the limit? Consider a wellhead platform. It is a civil structure that is supported by four legs and sits above underwater wells that house personnel and machinery to extract oil through wells in the ocean bed. The construction begins at onshore sites, followed by transportation via sea and ultimately assembled, installed and fabricated beyond 12 nautical miles. Given the massive size of these structures, transporting them in a fully assembled form is impractical and thus the platforms are constructed in components and are assembled at the intended location. While construction services qualify as works contracts, a key question arises that since the initial construction occurs onshore, but the final installation and use are offshore, can the recipient avail the concessional tax benefit?

Actual performance of such services beyond the 12 nautical miles seems impractical, as the average depth

of water beyond this distance typically begins at 200 meters and can escalate to depths of 1,000 meters or more. One could take this as a logical interpretation that the exemption should be availed in relation to exploration projects initiated at 12 nautical miles and not the actual performance of services. However, a clarification is necessary to eliminate ambiguity and ensure consistent implementation.

iv. Maintenance, Repair or Overhaul services (MRO) for ships and other vessels

The industry often ensures that goods imported are ready for immediate exploration by maintaining and repairing them before shipping, which reduces reliance on local repair services and impacts domestic sales and tax revenues. Usually, such services are exigible at a rate of 18%, thereby increasing the industry's cost burden. To create a level playing field, CBIC issued NN.02/2021-CTR, establishing a concessional 5% rate on MRO services for ships, vessels, engines and other components. Vessels like drillships, anchor handling tug vessels, and FPSO units can benefit under this notification. However, it is important to determine whether the goods qualify as "vessels" to claim the exemption.

Furthermore, NN. 03/2021-CTR clarified that the POS for these services shall be the location of the recipient. This allows suppliers to benefit from export provisions under the IGST Act where the recipient is a foreign entity. This ultimately benefits both the service providers and recipients of services provided to incoming foreign vessels.

v. Support Services to the Industry

To facilitate operations across the upstream sectors, CBIC vide NN 20/2019- CTR introduced a 12% concessional rate for professional, technical and support services provided to the industry. At first

glance, one might assume that all services in this industry qualify as “support services.” However, Circular No. 114/33/2019-GST clarifies the services that can be brought under the umbrella to avail the concessional rate of tax. The circular provides two explanatory notes to determine the eligibility of services for the concessional benefit. Although the explanatory notes use the term ‘includes’ to define the list of services, the list itself is ‘restrictive’, thereby creating a dilemma for the taxpayers. Misinterpretation has led to being prey of litigation and payment of taxes at a higher rate. CBIC should clarify the restriction or inclusiveness of the term “includes” to avoid disputes.

Recommendations

The exclusion of petroleum products from the GST has sparked concerns due to its impact on production costs and consumer prices. The interplay of various taxes has increased the tax burden on businesses, while geopolitical factors further escalate production costs. Since fuel prices directly affect inflation and economic stability, government intervention often prevents companies from transferring the full tax burden to consumers. Subsuming these taxes under GST could streamline the tax structure and reduce inefficiencies.

The 45th GST Council Meeting acknowledged the taxpayer’s cost burden but deferred the proposal, citing that **“this is not the right time**

to bring Petrol and Diesel within the ambit of GST.” The decision stems from the significant revenue reliance on petroleum products by both the Central and certain State Governments. Taxes on fuel have been a major source of revenue, which is a key reason why the Council would not want to bring it under GST.

As GST is a destination-based tax, the inclusion would shift revenue from oil-producing states to consuming states, creating concerns about revenue distribution. As per a report by Petroleum Planning and Analysis Cell (PPAC), tax collected on petroleum products contributed Rs. 4,14,244 crores to the Central exchequer, whereas Rs. 3,25,583.5 crores to the State in F.Y. 2024-25. Additionally, the top-ranked states specifically with respect to revenue from taxes are provided in Table 2.

The revenue dynamics in the petroleum industry highlight a stark difference between State taxes on goods and GST collected on sales by the downstream industry. In the meantime, CBIC could provide the industry with temporary relief, discussion about which is as discussed below:

■ **Refund of Input Tax Credit**

The inclusion of petroleum products under GST is likely to take time as states work toward a consensus. Meanwhile, what interim measures can the government implement to support the industry? Under Section 55 of the Act, the CBIC, through NN. 06/2017-CTR,

“ Excluding petroleum products is not just a taxation issue but an economic roadblock that increases costs and distorts market dynamics. Without GST, fuel prices remain artificially inflated due to multiple embedded taxes, ultimately increasing the costs of end products. ”

granted a 50% refund of tax paid on all inward supplies of goods received by the Canteen Stores Department (hereinafter referred to as “CSD”) to compensate for the pre-GST exemptions and to ensure that essential goods remain affordable for the armed forces.

A similar approach could be applied to the industry. The government could identify key goods and services and introduce a partial refund mechanism, allowing businesses to claim refunds up to a specified limit.

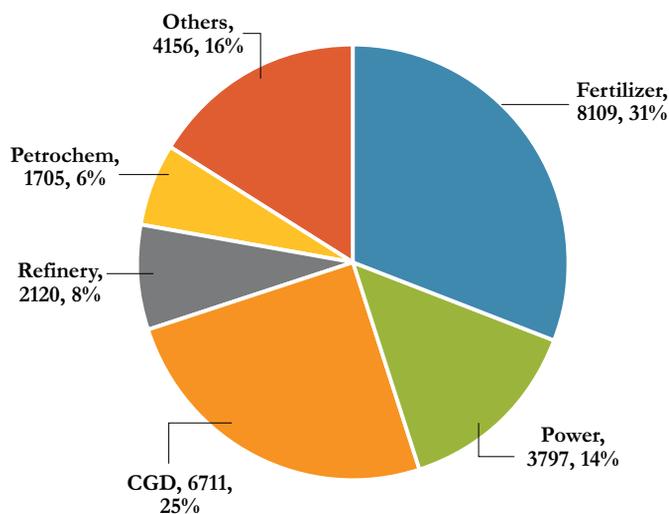
■ **Extension of Concessional Rate for Onshore Works Contracts**

Currently, the GST rate of 12% applies only to offshore works contract services beyond 12 nautical miles. However, the industry also requires works contract services for onshore

Table 2.

| | | | | Amount in Crores |
|---|---------------|---------------|------------|------------------|
| State wise Collection of State Tax/VAT/GST on Petroleum, Oil and Lubricants | | | | |
| Sr. No | State | Sales Tax/VAT | SGST/UTGST | Total |
| 1 | Maharashtra | 36,992.17 | 1653.9 | 38,646.07 |
| 2 | Uttar Pradesh | 31,214.11 | 909.72 | 32,123.83 |
| 3 | Tamil Nadu | 24,861.32 | 712.96 | 25,574.28 |
| 4 | Gujarat | 24,586.23 | 2980.24 | 27,566.47 |
| 5 | Karnataka | 23,427.58 | 410.09 | 23,837.67 |

Natural Gas Sectoral Consumption Apr - Aug 2025



projects, such as the construction of refineries, petrochemical plants, pipeline installations, etc, which face an 18% GST rate, thereby increasing costs for the industry. The same can be brought in line with Offshore Contracts.

Conclusion

The industry has constantly urged the Ministries to include petroleum products under the ambit of GST. But will this resolve all the issues? While to some extent, yes, but certain issues will persist.

Excluding petroleum products is not just a taxation issue but an economic roadblock that increases costs and distorts market dynamics. Without GST, fuel prices remain artificially inflated due to multiple embedded taxes, ultimately increasing the costs of end products. Integrating petroleum products under GST would eliminate these inefficiencies and ensure a seamless credit mechanism throughout the supply chain.

A key justification for inclusion under GST is to utilize ITC, which is currently blocked, adding financial strain on the industry. Businesses could offset input taxes against output liability, reducing cascading effects. However, concerns remain that several critical inputs will still be ineligible for ITC under Section

17(5)(c) of the Act, as it disallows ITC on immovable property (except plant and machinery), impacting works contract services. Since “plant and machinery” excludes civil structures, ITC on infrastructure such as wellhead platforms may remain ineligible. While GST inclusion lowers tax costs, ITC restrictions will still inflate expenses, thereby raising consumer prices.

On the other hand, where petrol and diesel are taxed at approximately 42% and 34% of their final cost, respectively, alongside the imperative for States to sustain their revenue streams, if brought under GST, the rate would likely be no less than 28%.

Now, consider energy-intensive industries, particularly the fertilizer industry. According to an industry consumption report by the Petroleum Planning and Analysis Cell, the industrial sector, driven by the steel and cement industry, remains the largest energy consumer of natural gas, consuming 31% share between the period April 2025 to August 2025.

Also, the logistics and transport industry, where petroleum products constitute a major component of inputs and output services, capped at 5% or 12%, including petroleum under GST, would create an inverted duty structure, with input taxes exceeding the output taxes. This issue

extends beyond transport and logistics to telecommunications, aviation, and other fuel-intensive industries.

Additionally, the refund of ITC due to the inverted duty structure creates dual financial strain, reducing State revenue and imposing an additional refund burden on the exchequer. The CBIC must ensure inclusion, as it is a comprehensive reform benefiting consumers, industries, and the economy.

Countries such as New Zealand, Canada, and Saudi Arabia have successfully adopted a unified tax system for petroleum products. India, too, stands to gain from such a reform. The 55th GST Council meeting has initiated discussions on including natural gas, considering its role in fuel and fertilizers. However, prioritizing the inclusion of other petroleum products is equally essential. Integration under GST would simplify the tax structure, reduce cascading effects, and improve trade competitiveness. While concerns over revenue distribution persist, strategic and equitable tax allocation could address these challenges. The government must prioritize long-term economic stability over short-term revenue concerns. Delays in reform will hurt industrial competitiveness and global standing. This reform is inevitable. It is now a question of when and how the government will make this historic transition.

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Interpreting ‘Own Account’ and ‘Plant and Machinery’: A Practitioner’s Guide to ITC on Civil Structures

The article critically examines the evolving interpretation of Section 17(5)(d) of the CGST Act concerning Input Tax Credit (ITC) on immovable property. It discusses the Safari Retreats judgment, which introduced the functionality test, and contrasts it with the retrospective amendment in Finance Act 2025 aligning clause (d) with clause (c). It also analyzes the Bharti Airtel ruling’s six-fold test for

movability. Through practical tests and case law, the article argues for a harmonized reading of exclusions and emphasizes that if an asset serves as a business tool, it may still qualify as “plant and machinery,” allowing ITC eligibility.

Introduction

Although the Safari Retreats judgment has a significant impact by introducing the functionality test to determine whether a building qualifies as a Plant, its influence has been short-lived due to a recent retrospective amendment proposed in the Union Budget 2025–26. Acting on the recommendations of the 55th GST Council Meeting, “*plant or machinery*” in Section 17(5) (d) has been replaced with “*plant and machinery*” to ensure consistency with the language used in Section 17(5) (c). Consequently, the explanation to Section 17(5), which defines “*plant and machinery*,” will now also apply to the provisions under Section 17(5) (d). **[Kindly note that retrospective amendment has not yet been effective]**

The *Safari Retreats* judgment also underscored that the phrase “on his own account” in clause (d) of Section 17(5) should be interpreted with a **purpose, rather than a narrow or literal approach**. Notably, this interpretation remains untouched by the Finance Bill, 2025.

In contrast, the Bharti Airtel judgment has had a lasting impact on the availability of CENVAT credit on

Telecommunication towers. The ruling provided a comprehensive analysis by laying down six guiding principles for determining whether a property qualifies as movable or immovable. These principles include: (i) the nature of annexation, (ii) the object of annexation, (iii) the degree of permanency, (iv) the intention of the parties, (v) the functionality test, and (vi) the marketability test. Based on these criteria, the classification of a property as movable or immovable is to be assessed.

Assessment of Input Tax Credit Eligibility on Inputs and/or Services Used for Construction of Immovable Property - Section 17(5)(d)

In this case, the restriction applies to the project owner or the end user, and more importantly, for determining the eligibility of Input Tax Credit, the assessment must be made from the perspective of the recipient of the taxable supply - commonly referred to as the *recipient’s test*.

Given the restriction under clause (d), input tax credit (ITC) is not available on goods or services (or both) received by a taxable person for the construction of an immovable property on their

own account. However, there are two key exceptions to this restriction:

- Where the construction relates to plant and machinery; and
- Where the construction is not on the taxpayer’s own account.

In light of the above, a three-step test should be applied to determine the eligibility of ITC on inputs and/or services used in the construction of immovable property.

- a. The goods and/or services are received by a taxable person for the construction of immovable property or movable property.
- b. The goods and/or services are received by a taxable person for the construction of immovable property, whether for his own account or otherwise.
- c. The goods and/or services are received by a taxable person for the construction of immovable property, whether such property qualifies as “*plant and machinery*” or not.

I. Test 1 : Immovable Property or not

The first test is to examine whether the inputs and/or services received

“ If a solar power plant remains operational after being dismantled and is not location-dependent, it is considered movable. Conversely, if dismantling renders it non-functional or unfit for use elsewhere, it is treated as immovable. ”

are used for the construction of an immovable property or movable property. As the term *immovable property* is not defined under the GST law, its interpretation must be drawn from the General Clauses Act and the Transfer of Property Act.

Notably, the recent Supreme Court judgment in the case of Bharti Airtel Limited has set out six guiding principles for determining whether a property qualifies as movable or immovable. In light of these principles, the nature of the property must be assessed. If, upon such assessment, the property is found to be movable, input tax credit (ITC) on goods and/or services used for its construction would be admissible.

Notably, in the explanation for the purposes of clauses (c) and (d) of Section 17(5), the following items are outside the purview of the definition of Plant and Machinery:



- i. Land, building or any other civil structure
- ii. Telecommunication towers
- iii. Pipelines laid outside the factory premises

The restriction on Input Tax Credit (ITC) in relation to the above three items applies specifically to the construction of immovable property. The exclusion of certain items from the definition of “*plant and machinery*” does not automatically render those items immovable in nature. Therefore, if an article qualifies as movable property based on the criteria laid down by the Supreme Court in Bharti Airtel Limited, ITC on such goods or services would remain admissible.

Examples –

To assess the credit eligibility of a solar power plant, the first step is to determine whether they qualify as immovable property, based on the six principles established in the Bharti Airtel judgement.

- a. **Degree and Object of Annexation** – It is essential to analyze the degree of attachment, which may differ depending on whether the installation is ground-mounted (suggesting a more permanent setup) or rooftop-mounted. However, even where solar modules are affixed to a civil foundation which is embedded in the earth, such attachment would render the structure immovable only if the modules are installed for the permanent and beneficial enjoyment of the civil foundation itself. Conversely, if the civil foundation is embedded in the earth solely to facilitate the effective and enduring functioning of the

solar power generating system, and not the other way around, then the system cannot be regarded as immovable property.

- b. **The Degree of Permanency** – It is essential to assess whether the plant can be dismantled and reinstalled at another location. The mere fact that the plant is fixed to a foundation using nuts and bolts does not, by itself, render it permanently attached to the earth, particularly if such a foundation is required solely to ensure stable and vibration-free operation of the machinery.

The owner’s intention is key i.e., if the structure serves a temporary, project-specific purpose, it indicates movability; if intended to become a permanent part of the land or building, it is deemed immovable.

- c. **The Object of Annexation** – Even if a solar power plant is fixed to a civil foundation for operation efficiency, that will not make the power plant an item of immovable property and it may also happen that some of the items may be assembled on site. That too will not make any difference to the principle. The test is whether the installed solar power plant can be sold in the market. In case it can be sold in the market, then the solar power plant must be a movable property.

- d. **The Intention of the Parties** – The solar power plant, when affixed to a civil structure using nuts and bolts, does not become permanently integrated with the land or building. This attachment is merely to provide structural stability and ensure a wobble-free installation, enabling the plant to operate effectively. The purpose of such affixation is not for the permanent beneficial enjoyment of the land or building but to support the plant’s optimal functioning and ensure uninterrupted service delivery.

- e. **The Functionality Test** – If a solar power plant remains operational after being dismantled and is not location-dependent, it is considered



movable. Conversely, if dismantling renders it non-functional or unfit for use elsewhere, it is treated as immovable.

f. The Marketability Test – A structure is considered movable if it can be disassembled and sold or transferred, either wholly or in parts, without losing its utility. However, if it cannot be marketed without being damaged or destroyed in the process, it is regarded as immovable.

II. Test 2: Receipt of Goods/ Services for Construction of Immovable Property on his own account or not

A new line of jurisprudence has emerged through the *Safari Retreats* judgment concerning the interpretation of the phrase “*on his own account.*” The judgment emphasized that this phrase should be read down and interpreted with a purposive approach rather than a narrow or literal one. In essence, if a person constructs a property and subsequently uses it for taxable outward supplies, such as leasing the premises and charging GST, such construction cannot be regarded as being undertaken *on his own account.* Consequently, Input Tax Credit (ITC) in such cases should be permitted.

Construction is said to be on a taxable person’s “own account” in two scenarios –

- i. Made for personal use and not for provision of service.
- ii. When used as a setting for carrying out own business.

On the other hand, construction cannot be said to be on taxable person’s “own account”, if it is intended to be sold or given on lease or license.

Let’s now explore the meaning of the phrase *on his own account* with the help of some examples.

Examples –

- **XYZ Ltd. received various goods and/or services for construction of an office building or factory building**

Scenario 1: XYZ Limited further leases out whole units in the office/factory building to customers and discharges output GST on the rental income. In such a case, it cannot be construed that the construction of the immovable property is undertaken on its own account. Accordingly, Input Tax Credit on goods and/or services received for the construction of such immovable property shall be allowable.

Scenario 2 : XYZ Limited uses the office/factory building for its own purpose and in this case, no further GST on the sale/ lease of such a building occurs and accordingly the embargo under Section 17(5)(d) on ITC will apply as it is construed on his own account.

- **XYZ Ltd. received various goods and/or services for construction of DATA warehouse which is to be used as a cloud service**

In this case, the data warehouse is intended to be used for storing client data, meaning the immovable property is directly utilized for providing taxable supplies on which GST is payable. Consequently, the restriction under Section

“ **Input Tax Credit (ITC) is not barred in respect of goods or services used for the construction of an immovable property, which qualifies as plant and machinery as so defined in explanation to clauses Section 17(5)(c).** ”

17(5)(d) on availing Input Tax Credit (ITC) would apply, as the construction is deemed to be undertaken on the taxpayer’s own account.

III. Test 3: Goods and/or services are received by a taxable person for the construction of immovable property, whether such property qualifies as “Plant and Machinery” or not

The third test involves examining whether the resulting immovable property falls within the scope of “*plant and machinery*” as defined in the Explanation to clauses (c) and (d) of Section 17(5) of the CGST Act.



As stated in the supra, the retrospective amendment substituting the term “plant or machinery” with “plant & machinery” in Section 17(5)(d) of the CGST Act, 2017 has been introduced vide Section 124 of the Finance Act, 2025, and the said amendment has come into force w.e.f. 01-10-2025.

Input Tax Credit (ITC) is not barred in respect of goods or services used for the construction of an immovable property, which qualifies as plant and machinery as so defined in the explanation to clause Section 17(5)(c). According to the definition, “plant and machinery” refers to an apparatus, equipment, or machinery that is fixed to the earth by means of a foundation or structural support and is used for making outward supplies of goods or services or both. It also includes such foundation or support structures. However, it explicitly excludes:

- land, buildings or any other civil structures,
- telecommunication towers, and
- pipelines laid outside the factory premises.



Following the retrospective amendment introduced by the Finance Act 2025, substituting the expression “plant or machinery” with “plant and machinery” in Section 17(5)(d) of the CGST Act, 2017, the core issue that now arises is whether, in light of the functionality test propounded in the *Safari Retreats* judgment, buildings can still be regarded as falling within the ambit of “plant.” To examine this proposition more closely, a few illustrative examples may be construed.

I. Data Warehouse as Cloud Service:

Since the building has been specifically planned and constructed for the purpose of storing client data, it can be classified as a “plant” by applying the principle laid down in the **Karnataka Power Corporation [(2002) 9 SCC 571] Judgment**, which held that a building which has been planned and constructed as to serve special technical requirements of the assessee may be treated as a plant.

II. Power Generating Station:

The Hon’ble Apex Court held in the case of **Karnataka Power Corporation** that the assessee’s power generating station building is an integral part of its generating system, and therefore, the same could be treated as a plant.

III. Installation of Sanitary Fitting and Pipelines in a Hotel:

The Apex Court held in the case of **Andhra Pradesh vs. Taj Mahal Hotel [(1971) 82 ITR 44]** that the installation of sanitary fitting and pipelines in a hotel constitute “plant”.

IV. Cold Storage Building:

Calcutta High Court in the case of **Commissioner of Income-Tax vs. Shree Gopikishan Industries Pvt. Ltd. on 11 June, 2003**, held that building of a cold storage is a plant.

Even after the amendment, it can still be contended that the aforementioned buildings or immovable properties,



being an essential tool of trade with which business is carried on, may qualify as “plant and machinery,” thereby reinforcing the relevance of the functionality test.

As evident from the above, applying the functionality test, as laid down by the Hon’ble Supreme Court in the *Safari Retreats* judgment, structures such as data warehouses, power generating stations, and installations like sanitary fittings may fall within the scope of “plant.” However, this interpretation appears to be at conflict with the explicit exclusion of “land, buildings, or any other civil structures” from the definition of “plant and machinery” under the Explanation to Section 17(5) of the CGST Act, 2017.

It is a well-settled principle of statutory interpretation that when two or more provisions of a statute appear to be in conflict, they must be read harmoniously. The aim is to interpret them in a way that gives effect to each provision, ensuring that none is rendered redundant or ineffective.

Applying this principle, the exclusion of “building” or “civil structure” should be interpreted to apply only to those structures that merely provide the backdrop or setting for business activities, and not to those that

function as essential means or tools for carrying on the business itself.

Post Bharti Airtel Judgement Era

■ In the case of **Sterling & Wilson Private Limited [Writ Petition No. 20096 of 2020]**, the primary issue was classification of the supply and installation of a solar power generating system. The tax authority held the transaction to be a “works contract” (immovable property) and levied a tax of 18%, whereas the petitioner objected to the same on the ground that the activities of the petitioner would have to be treated as composite supply. The Hon’ble High Court of Andhra Pradesh had observed that the solar power generating system, while attached to the ground, was not embedded for permanent beneficial enjoyment of the land but rather, the foundation served the system. Therefore, the supply is not a “works contract” but a “composite supply” as defined under GST law.

Relying on the similar ratio of Bharti Airtel Judgement, in the present case, it was held that the installation of a solar power generating system would qualify as movable property



and thus the said supply is not a works contract, but composite supply as a works contract requires the involvement of an immovable property.

Post Safari Retreats Judgement Era

■ In the case of **Shibaura Machine India Pvt. Ltd. [Advance Ruling No. 36/ARA/2025 dated 02-09-2025]**, the Advance Ruling Authority of Tamil Nadu has ruled that structural supports erected specifically for the overhead crane and HVAC machinery fall within the extended definition of “*plant and machinery*.” Accordingly, the proportionate Input Tax Credit (ITC) attributable exclusively to the secondary steel structural supports associated with the overhead crane’s movement and the HVAC system is not excluded under Section 17(5) of the CGST Act, 2017, and is therefore eligible for the applicant to claim.

Although the aforesaid ruling refrained from employing the functionality test when classifying the structural supports specifically erected for the overhead crane and HVAC equipment as “*plant and machinery*,” it nonetheless adopted a comprehensive and expansive construction of the term “*plant and machinery*.”

Conclusion

The interpretation and application of Section 17(5) of the CGST Act, 2017, particularly clause (d), continue to be complex and evolving. The *Safari Retreats* judgment brought to light a purposive interpretation of the phrase “*on his own account*” and reaffirmed the relevance of the functionality test in determining whether an immovable property can be treated as “plant.” Subsequent to the Supreme Court’s dismissal of the Review Petition filed by the Revenue [Review Petition (Civil) Diary No(s). 1188/2025 in C.A. No. 2948/2023], the issue has become final and conclusive.

However, the retrospective amendment introduced through the Finance Act, 2025, substituting “*plant or machinery*” with “*plant and machinery*” in clause (d), has introduced new interpretational challenges. While it brings clause (d) in line with clause (c), it also reinforces the statutory exclusion of “*land, buildings, or any other civil structures*” from the definition of plant and machinery.

Nonetheless, the consistent judicial emphasis on the functionality and purpose of the asset, as seen in the Safari Retreat Case, suggests that if an immovable structure functions as an integral tool of trade, beyond serving as a mere location, it may still be contended to fall within the scope of “*plant and machinery*”.

In this context, the principle of harmonious construction becomes essential. Rather than allowing the exclusion clause to override the entirety of the definition, the courts may adopt an interpretation that preserves the legislative intent while ensuring that structures genuinely functioning as tools of business are not unfairly denied Input Tax Credit.

As jurisprudence continues to develop and the retrospective amendment awaits notification, taxpayers, particularly those in infrastructure-heavy sectors like IT, telecom, and commercial real estate, must carefully evaluate the purpose, design, and use of constructed assets to determine ITC eligibility. Until further clarity emerges through judicial or legislative intervention, a case-specific, functionality-driven assessment remains the most prudent approach.

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Lack of Exchangeability – What is Changing?

Ind AS 21 (*The Effects of Changes in Foreign Exchange Rates*) – *inter alia* - sets out the exchange rate that an entity uses when it reports foreign currency transactions or balances in the functional currency, translates the results and financial position of a foreign operation in a different currency, or translates its own results and financial position into a presentation currency.

Until the recent amendment in May 2025, paragraph 26 of Ind AS 21 specified the exchange rate to be used when exchangeability between two currencies is temporarily

lacking; however, it didn't provide specific guidance for situations where lack of exchangeability was not temporary.

This article seeks to provide an insight on what has changed after the recent amendment to Ind AS 21 and how the revised Standard helps entities (a) assess whether a given currency is exchangeable into another currency, and (b) determine the spot exchange rate when exchangeability is lacking. The article also sheds light on the key disclosure requirements arising from the amendment.

Introduction and Background

At the outset, it may be recalled that IAS 21 *The Effects of Changes in Foreign Exchange Rates* and the corresponding converged Indian Accounting Standard (Ind AS 21) provide guidance on the exchange rate that an entity uses, when:

- (a) it reports foreign currency transactions or balances in the functional currency;
- (b) it translates the results and financial position of a foreign operation in a different currency; and
- (c) it translates its results and financial position into a presentation currency.

Before the recent amendment, these Standard provided guidance on the exchange rate to be used when exchangeability between two currencies was *temporarily lacking*. However, there was no explicit guidance on the determination of the exchange rate when the lack of

exchangeability was *not temporary*. Accordingly, this led to diversity in practice.

Genesis of the Issue

The genesis of the amendment lies in a submission received by the IFRS Interpretations Committee regarding how to determine the exchange rate when there is a long-term lack of exchangeability. The question before the IFRS IC arose from a specific situation faced by an entity in the context of its operations in Venezuela.

Fig. 1



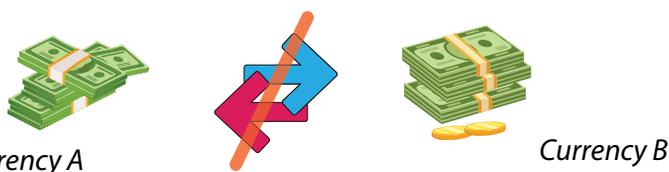
Source: *Self-compiled*

Accordingly, the IFRS IC recommended that the International Accounting Standards Board (IASB) develop a narrow-scope amendment to IAS 21 to address this issue.

Developments at the Standard-Setting Bodies

Following the above recommendation, the IASB issued amendments to IAS 21 in August 2023, specifically addressing the issue of lack of exchangeability. Subsequently, corresponding amendments to Ind AS 21 were considered and formally issued by the Ministry of Corporate Affairs (MCA)

Fig. 2



Source: *Self-compiled*

on 7th May 2025. These amendments reflect the standard-setters' response to extensive feedback from users of financial statements, who had raised concerns regarding the inconsistency in accounting practices in situations involving a lack of exchangeability between currencies, as illustrated in Fig. 2.

Moreover, the amendment requires an entity to provide more useful information in their financial statements when a currency cannot be exchanged into another currency.

Key Requirement under the Amendment

The amendments mainly require an entity to:

- assess (i) when a currency is exchangeable into another currency; and
- estimate the spot exchange rate when a currency is not exchangeable into another currency.

This is illustrated in Fig. 3.

The amendment also includes application guidance to (i) assist

“ When evaluating whether a currency is exchangeable into another currency, the entity must assess its ability to obtain the other currency, rather than its intention or decision to do so. ”

entities in assessing whether a currency is exchangeable into another currency, and (ii) support the estimation of the spot exchange rate when a currency is determined to be not exchangeable. In addition, the amendment requires entities to provide *specific disclosures* in cases where the spot exchange rate is estimated due to a lack of exchangeability between currencies.

How to Apply the Two-step Approach under the Amendment – a Deep Dive:

Step 1: Determining whether the currency is exchangeable into another currency

The amendment introduces a definition of the term 'exchangeable' in paragraph 8. According to the requirements of paragraph 8, a currency is considered exchangeable into another currency when the entity is:

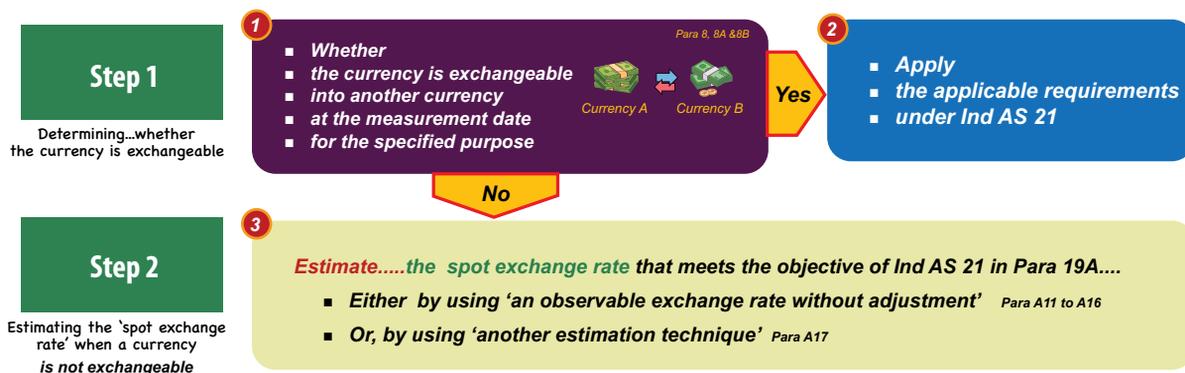
- able to obtain the other currency;
- within a timeframe that reflects a normal administrative delay;
- through a market or exchange mechanism; and
- where the exchange transaction results in enforceable rights and obligations.

Paragraph 8A further clarifies that the assessment of exchangeability must be performed (i) at the measurement date and (ii) for a specified purpose.

In addition, paragraph 8B states that a currency is *not considered* exchangeable into another currency if, at the measurement date and for the specified purpose, the entity can obtain *no more than an insignificant amount of the other currency*. For example, if an entity with the Venezuelan Bolivar as its functional currency has liabilities denominated in euros, it must assess whether the '*total amount of euros obtainable for the purpose of settling those liabilities*' is no more than an insignificant amount relative to the '*aggregate amount of its euro-denominated liabilities*'.

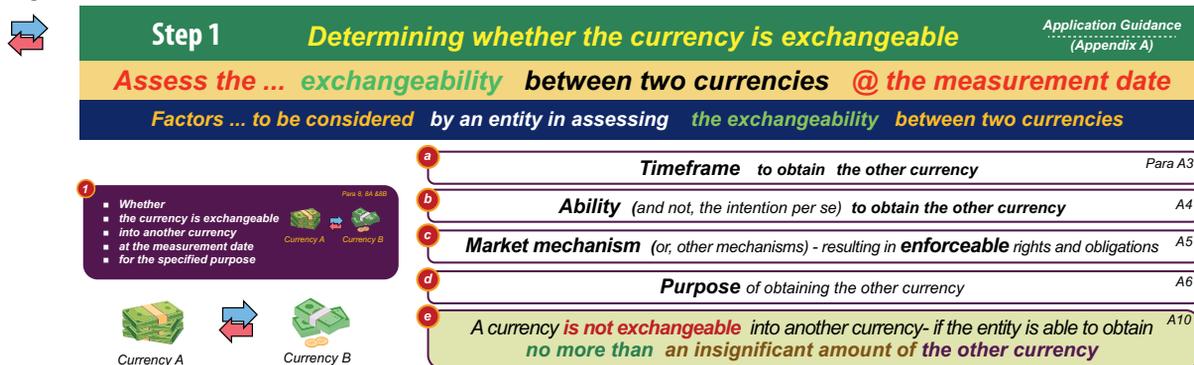
In this regard, it is relevant to note that paragraphs A3 to A10 of Appendix A provide application guidance to assist entities in evaluating whether a

Fig. 3



Source: *Self-compiled*

Fig. 4



Source: Self-compiled

currency is exchangeable into another currency.

Fig. 4 summarises the key requirements outlining how an entity can assess the exchangeability of a currency.

As can be appreciated from the above, an entity takes into account the following factors when assessing exchangeability of a currency:

Time Frame to Obtain the Other Currency

- Paragraph 8 defines a spot exchange rate as the exchange rate applicable to immediate delivery.
- The amendment clarifies that the existence of a normal administrative delay in obtaining the other currency does not, in itself, prevent a currency from being considered exchangeable into that other currency.
- Further, the determination of what constitutes a normal administrative delay is based on the specific facts and circumstances.

“When a currency is determined to be not exchangeable into another currency at the measurement date for a specified purpose, paragraph 19A of the amended standard mandates that the entity must estimate the spot exchange rate as at the measurement date.”

Ability to Obtain the Other Currency

- When evaluating whether a currency is exchangeable into another currency, the entity must assess its *ability to obtain the other currency, rather than its intention or decision* to do so.
- Additionally, the amendment clarifies that a currency is considered exchangeable into another currency if the entity is able to obtain the other currency, whether directly or indirectly.

currency, an entity must consider *only those markets or exchange mechanisms* in which a transaction to exchange the currency for the other currency would result in *enforceable rights and obligations*.

- Furthermore, as enforceability is a legal matter, the determination of whether an exchange transaction in a particular market or exchange mechanism gives rise to enforceable rights and obligations depends on the *specific facts and circumstances*.

Market (or Other Mechanisms) Resulting in Enforceable Rights and Obligations

- The amendment clarifies that, in assessing whether a currency is exchangeable into another

Purpose of Obtaining the Other Currency

- The amendment clarifies that multiple exchange rates may exist for different uses of a currency. As a result, a currency may be exchangeable into another currency

Table 1.

| Type of Transaction | Purpose in Obtaining the Other Currency |
|---|---|
| Reporting foreign currency transactions in the entity’s functional currency | To realise or settle individual foreign currency transactions, assets, or liabilities |
| Translation to a presentation currency other than the entity’s functional currency | To realise or settle individual foreign currency transactions, assets, or liabilities |
| Translation of the results and financial position of a foreign operation into the presentation currency | To realise or settle its net investment in the foreign operation |

Fig. 5

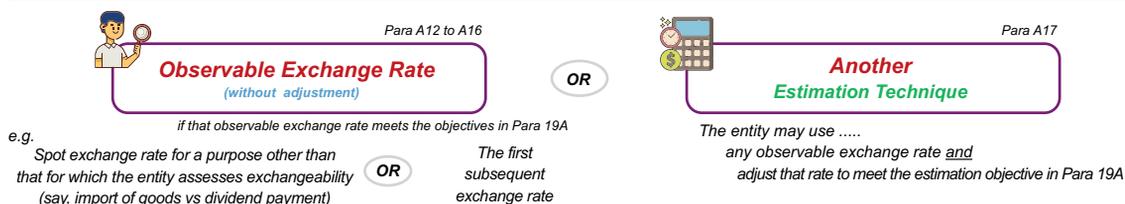


Step 2

Estimate ... the spot exchange rate

For estimating the spot exchange rate an entity may use

Para A11



Source: Self-compiled

for certain purposes, but not for others.

- Consequently, when assessing exchangeability, the entity is required to determine its purpose in obtaining the other currency, based on the nature of the underlying transaction, as illustrated in Table 1.
- Also, an entity is required to assess exchangeability of a currency into another currency separately for each purpose.

Ability to Obtain Only Limited Amounts of the Other Currency

- The amendment clarifies that a currency is not considered exchangeable into another currency if, for a specified purpose (e.g., paying dividends), the entity is able to obtain no more than an insignificant amount of the other currency.
- For this assessment, the significance of the amount obtained is evaluated by comparing that amount with the total amount of the other currency required for the specified purpose.

Step 2: Estimating the Spot Exchange Rate when a Currency is not Exchangeable into Another

When a currency is determined to be not exchangeable into another currency at the measurement date for a specified purpose, paragraph 19A of the amended standard mandates that the entity must estimate the spot

exchange rate as at the measurement date.

Further, the newly inserted paragraph 19A specifies the objective in estimating the spot exchange rate as follows (emphasis added):

'... An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions.'

However, the standard does not prescribe detailed requirements for how an entity should estimate the spot exchange rate to meet the objective outlined in paragraph 19A. Instead, it establishes a framework that enables the entity to determine the spot exchange rate as at the measurement date.

Accordingly, paragraph A11 of the application guidance in Appendix A specifies that an entity can use:

- an observable exchange rate without adjustment

e.g. (i) spot exchange rate for a purpose other than that for which an entity assesses exchangeability or (ii) the first exchange rate at which an entity is able to obtain the other currency for the specified purpose after exchangeability of the currency is restored;

or

- another estimation technique (say, any observable exchange rate adjusted as necessary to meet the objective of paragraph 19A).

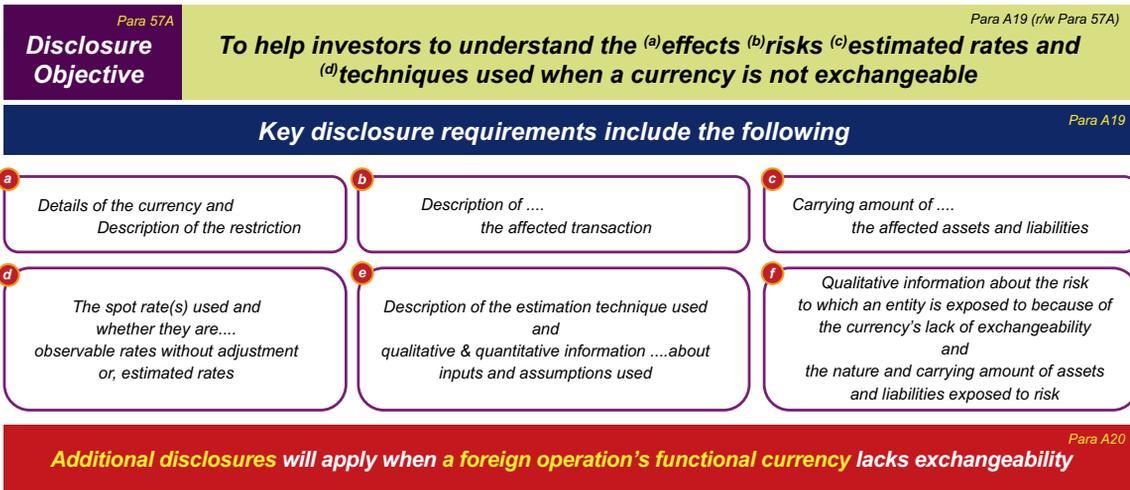
Fig. 5 summarises the key requirements on how an entity can go about estimating the spot exchange rate when a currency is not exchangeable into another.

In jurisdictions experiencing a prolonged lack of exchangeability, it is important to recognize that certain markets or exchange mechanisms such as unofficial or parallel markets may exist without creating enforceable rights and obligations. When assessing whether a currency is exchangeable under Step 1, entities must disregard the availability of the currency in such unofficial markets or mechanisms.

However, if an entity determines under Step 1 that the currency is not exchangeable at the measurement date for a specific purpose and therefore proceeds to Step 2 to estimate the spot exchange rate at that date and for that purpose, it may then refer to observable exchange rates from transactions in unofficial markets or mechanisms that do not establish enforceable rights and obligations. Such observable rates may be used, with appropriate adjustments.

Additionally, in formulating the amendments, the standard-setters have deliberately chosen not to prescribe a hierarchy of observable exchange rates for estimating the spot exchange rate. Although a hierarchy could enhance consistency, it was considered that doing so might introduce unnecessary costs without yielding more useful information.

Fig. 6



Source: Self-compiled

Consequently, while the amendments define a clear objective for estimating the exchange rate, they allow entities discretion in selecting an appropriate approach, based on their specific circumstances.

Key Disclosure Requirements

The amendment has introduced additional disclosure requirements when an entity estimates a spot exchange rate because a currency is not exchangeable into another currency. The overarching objective of the new disclosure requirements (as stipulated in paragraph 57A) is 'to enable users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows'.

Put differently, the new disclosure requirements under the amended standard seek to help investors in better understanding the effects, risks and estimated rates and techniques used when a currency is not exchangeable.

Fig 6. summarises the key disclosure requirements under the amended standard (as contemplated under paragraphs A19 and A20 of Appendix A (containing the application guidance).

Effective Date and Transition

From an IFRS perspective, an entity shall apply the amendments for annual reporting periods beginning on or after 1st January 2025 (with earlier application permitted). However, preparers of financial statements applying Ind AS 21 shall apply the amendments for annual reporting periods beginning on or after 1st April 2025 (no provision for earlier application). The date of initial application is the beginning of the annual reporting period in which an entity first applies those amendments and in applying the amendments, an entity is not permitted to restate comparative information.

Key Impact and Conclusion

The amendment provides helpful guidance on accounting for a lack of exchangeability and is expected to reduce existing diversity in practice, especially in countries facing currency controls or hyperinflation. While applying the requirements of the amended standard, entities will need to make significant judgement and have a good understanding of the facts and circumstances relating to currencies that suffer from a lack of exchangeability. This will also require entities to evaluate the changes required in

their systems and processes to comply with the requirements of the revised standard (including the disclosure requirements). Since entities are expected to exercise significant judgement, both in assessing exchangeability and in estimating exchange rates, a robust documentation of assumptions, data sources, and rationale will be critical for auditability and regulatory scrutiny. Entities will be required to use a consistent approach when assessing whether a currency can be exchanged into another currency. If this is not possible, entities will be under obligation to provide the required disclosures explaining how the alternative exchange rate was determined, within the framework provided under the amended standard. The amendment provides guidance that will increase the comparability between financial statements and provide more useful information to the user.

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Beyond Words: The Power of Documentation in Audit

Audit documentation is crucial in maintaining the integrity and transparency of audits. It serves as a comprehensive record supporting auditors' findings and conclusions, ensuring compliance with professional standards. This article covers certain aspects around the key areas, such as Risk assessment and planning discussion, Materiality, Use of specialists, Confirmation/call over procedures, Litigation, and management override of controls and explains how to perform procedures and maintain robust documentation. Further, this article explains that by meticulously documenting every step of the audit process, from planning to the conclusion, auditors uphold accuracy, facilitate better communication within the audit team and between the audit team and those charged with governance, and provide a robust defense against the regulatory challenges that may arise at a later date. This meticulous documentation not only enhances credibility but also fosters trust by demonstrating compliance with rigorous audit methodologies and ethical standards, ultimately safeguarding the integrity of financial reporting.

As per SA 230, Audit documentation is the record of audit procedures performed, relevant audit evidence obtained, and conclusions the auditor reached (terms such as 'working papers' or 'workpapers' are also sometimes used).

In the world of audit, where accuracy, transparency and trust prevail, documentation stands as the unsung hero. It serves as the backbone of audit procedures, providing a detailed record of every step taken, every observation made and every conclusion drawn. Far more than just a formal requisite, documentation is the pillar of Audit integrity, objectivity and confidentiality, ensuring that findings are supported by evidence and that conclusions are rooted.

Audit documentation is necessary in an audit because it provides powerful evidence of the work performed during the course of the audit.

- It helps the Auditor to support their findings and conclusions

and safeguards the auditor against review and verification by others.

- It also helps in ensuring consistency and quality in the audit process.
- The purpose of maintaining the audit file is not only for mere documentation, but it also helps to support the Auditors' opinion.

Therefore, it's very crucial to ensure accuracy and quality in order to showcase the power of documentation in audit.

Further, throughout the audit process, documentation is very crucial. We will delve into the importance of documentation, highlighting the role in ensuring thorough assessment and effective risk management within the audit process, especially in:

- Risk Analysis and Planning discussion/those charged with governance,
- Materiality,
- Use of specialists/experts,

- Confirmation/Call over procedure,
- Litigation and
- Journal entry

Risk Assessment and Planning Discussion (RAPD)/ Those Charged With Governance (TCWG)

The documentation related to Risk Assessment and Planning Discussion (RAPD) and "Those charged with governance" (TCWG) typically involves discussing the key points during the initial phase of the audit. At times, the discussion, including the crucial discussion between the engagement team and also between the management and the auditor, happened verbally/orally, which is not minitised adequately due to the fact that there is a lack of documentation in the audit file, which in turn results in "NO DOCUMENTATION". Therefore, failure to document such discussion/minutes can lead to a lack of transparency, accountability and responsibility.

In the absence of adequate documentation, it becomes difficult to identify risk, make informed decisions and ensure that necessary actions are taken to mitigate those risks. It can also become a challenge to demonstrate compliance with laws and regulations, which may have implications on the audit process. Keeping detailed documentation of these discussions/meetings is essential for ensuring that the audit is well-planned, risks are adequately addressed, and the audit process is conducted effectively.

Post such minitisation of discussions/meetings, here's what one can do:

Obtain confirmation: Share the minutes with the participants of those discussions/meetings and obtain confirmation from them. This will help in ensuring that everyone is aligned. These practices should be followed for the entire audit period.

Further, in case of interaction with TCWG, document the communication and interaction between the Auditors and TCWG, as they are responsible for overseeing the entity's operations. This documentation may include discussions on the entity's financial reporting processes, internal controls and any significant issues identified during the course of the audit. Like RAPD, keeping detailed records of these interactions is crucial for ensuring transparency, accountability and effective oversight of the audit process by those charged with governance.



Verbal/oral discussions can be valuable, but at the same time, having written records helps ensure transparency, accountability and responsibility. Remember, it's always a best practice to maintain proper documentation for the entire process of audit.

Materiality

Benchmark - justification for choosing the Benchmark

Audit documentation related to materiality involves recording the considerations made by Auditors regarding the significance of misstatements in the financial statements. Materiality is about determining whether a misstatement could influence the decisions of users relying on the financial statements. The documentation would include:

- how auditors calculated the materiality;
- the rationale behind the chosen materiality level; and
- how materiality has been applied during the course of the audit.

Hence, it's crucial to document the above to ensure that the audit is conducted with appropriate consideration of materiality.

Audit documentation for explaining the choice of a benchmark for materiality typically involves documenting the rationale behind selecting a specific benchmark to determine materiality for the audit. The documentation would include factors such as the entity's size, industry norms, regulatory requirements and the users' needs for the financial statements. By detailing the considerations that went into choosing the benchmark, Auditors ensure transparency and accountability in the materiality determination process. This documentation is crucial for providing a clear audit trail and demonstrating that materiality was appropriately assessed for the audit.

Common benchmarks used for materiality in audits can vary depending on various factors like the size and

nature of the entity, the elements of the financial statements, the entity's ownership structure and the way it is financed, the relative volatility of the benchmark, whether there are items on which the attention of the users of the particular entity's financial statements tends to be focused. Here are some examples of commonly used benchmarks:

| | |
|--------------------------------|--|
| Revenue | Materiality could be based on a percentage of total revenue. <i>For instance, materiality might be set between 0.5% - 2% of total revenue.</i> |
| Net Income | Materiality could be determined as a percentage of net income. <i>For example, materiality could be set between 0.5% - 2% of net income.</i> |
| Total Assets | Materiality could be calculated as a percentage of total assets. <i>For instance, materiality might be set between 0.5% - 2% of total assets.</i> |
| Profit Before Tax (PBT) | Materiality could be based on a percentage of Profit before tax. <i>For example, materiality could be set at 3% - 8% of PBT.</i> |

These benchmarks are commonly used in practice to establish materiality levels for audits. The choice of benchmark should be appropriate for the specific circumstances of the entity and the audit engagement.

Further, the documentation of reassessment of audit materiality encompasses a detailed account of the reassessment's objective, which typically involves reviewing the materiality thresholds set during the planning phase to ensure their continued appropriateness in light of any changes in circumstances

“ Audit documentation for explaining the choice of a benchmark for materiality typically involves documenting the rationale behind selecting a specific benchmark to determine materiality for the audit. The documentation would include factors such as the entity’s size, industry norms, regulatory requirements and the users’ needs for the financial statements. ”

or new information. It outlines the methodology employed, such as analyzing financial data and assessing risks, to determine if adjustments to materiality thresholds are warranted. Findings from this reassessment, including any adjustments made to materiality thresholds, are documented, along with an analysis of their impact on the audit process and financial statements. Through transparent communication and adherence to auditing standards, the documentation ensures accountability and accuracy in financial reporting.

Let’s say the initial materiality threshold for an audit was set at INR 500,000. However, during the course of the audit, the auditor discovers a significant error in the financial statements that would impact the overall financial position of the Company. After reassessing the materiality, the auditor determines that a lower threshold of INR 300,000 would be more appropriate to capture the significance of the error.

To adjust the materiality in the audit documentation, the auditor would update the relevant sections, such as

the materiality memorandum or the audit planning documentation. They would include the revised materiality threshold, the reasons for the adjustment and any implications for the audit procedures or findings.

By adjusting the materiality in the audit documentation, the auditor ensures that the work remains focused on areas that have a meaningful impact on the financial statements. It helps maintain the integrity and reliability of the audit process.

When reassessing materiality in audit documentation, there are a few key things that can be done. The auditor may update the documentation to reflect the revised materiality threshold and the rationale behind the reassessment. This could include documenting any new information or changes in circumstances that led to the reassessment. Additionally, the auditor may document any adjustments made to the audit plan or procedures based on the reassessed materiality. The goal is to have clear and transparent documentation that reflects the auditor’s professional judgment and the reasoning behind the reassessment.

Further, the same has to be discussed within the engagement team and communicated to the TCWG at the planning stage as well as at the time of reassessment.

Use of Specialists/Experts

The guidelines for use of experts have been provided under SA 620, titled “Using the Work of an Auditor’s Expert,” which contains instructions for Auditors on how to appropriately use the work of an expert in an audit engagement. The documentation of the work of an expert can be done in the following steps:

a. Basis for using the work of an expert:

The auditor should document the rationale for engaging the expert. This includes explaining why the auditor determined that the use of the work of an expert

was necessary or appropriate for obtaining sufficient appropriate audit evidence. Factors such as the complexity, specialized nature of the subject matter and the auditor’s own expertise in the area should be considered and documented. In this regard, the auditor should evaluate the expert’s competence, capabilities, and objectivity in accordance with the requirements of SA 620 to obtain reasonable assurance about the objectivity and integrity of the expert’s work.

b. Terms of engagement:

Documenting the terms of engagement with the expert is essential. This includes the nature, scope and objectives of the work to be performed by the expert. It should cover the specific tasks assigned to the expert, the expected deliverables and any limitations or restrictions on the scope of the expert’s work.

c. Expert’s findings and conclusions:

The auditor should document the findings, conclusions and results provided by the expert. This documentation should include a clear summary of the expert’s work, the methods and assumptions used by the expert and the significance of the findings to the audit conclusions.



“ Auditors should review the disclosures made by the management to ensure that the Company has appropriately disclosed the litigation in its financial statements in compliance with the accounting standards and the regulations. ”

d. Evaluation of the Expert's work:

Documenting the auditor's evaluation of the expert's work is crucial. Engage in discussions with the expert to clarify the underlying assumptions and rationale behind their judgments. Document the expert's methodology, including any relevant protocols or frameworks used. This should outline the steps taken and the rationale behind the chosen methods. Benchmark the expert's conclusions against industry norms and standards to ensure consistency.

e. Disagreements or unresolved issues:

If there are any disagreements between the auditor and the expert or unresolved issues related to the expert's work, these should be documented along with the rationale for any decisions made by the auditor regarding the expert's findings. This helps in demonstrating how the auditor has exercised professional judgment and oversight in considering the expert's work.

f. Overall conclusion and audit opinion:

The documentation should culminate in a clear link between the expert's findings and the auditor's overall conclusions regarding the financial statements. In this regard, it may be noted that the auditor has sole responsibility for the audit opinion expressed, and that responsibility is not reduced by



the auditor's use of the work of an auditor's expert.

Confirmation/Call Over Procedure

SA 505 – “External Confirmations” emphasizes the importance of evaluating the reliability of confirmation responses. Proper documentation is essential to support the auditor's conclusions and ensure the audit trail is clearly maintained.

Documentation is a critical aspect of audit procedures, including those related to external confirmations as outlined in SA 505. Here's a more detailed explanation of the documentation requirements:

a. Documentation of confirmation requests:

The auditor must document the specifics of each confirmation request sent to external parties, including the account balances, transactions, or other information being confirmed, the date on which the request was sent and the name and contact details of the recipient. Further, the auditor should maintain the mode of communication, such as a physical confirmation was sent, or confirmation was sent via electronic tools like email, etc.

b. Documentation of follow-up procedures:

Follow-up procedures are necessary due to non-responses or exceptions noted in the confirmation responses; the auditor should document the nature and extent of these follow-up actions. The auditor should be diligent in obtaining the necessary audit evidence for addressing any discrepancies or concerns. In the current scenarios, auditors should utilize secure electronic communication channels with third parties such as banks, customers and suppliers. This ensures efficiency and accuracy in verifying financial information, along with maintaining the integrity and reliability of audit evidence. Digital documentation allows for easier retrieval and storage of records, supporting thorough analysis and audit conclusions effectively.

c. Documentation of responses received:

The auditor should retain copies of the responses received from external parties to confirmation requests. This includes both positive confirmations and negative confirmations.

d. Evaluation of confirmation responses:

Documentation should reflect the auditor's evaluation of the reliability



“ Audit documentation stands as a powerful defense when faced with legal or regulatory challenges. Comprehensive documentation acts as a shield to protect the integrity and credibility of the audit process. ”

of confirmation responses. This evaluation includes considering factors in accordance with the requirements of SA 505.

e. Call-over procedures:

Call-over procedures involve the systematic verification of transactions or balances by cross-referencing records with supporting documentation. The auditor should document a detailed record of the items verified, including the date of the call-over, the individuals involved and the specific information reviewed. Each item should be clearly marked as verified or requiring further investigation, along with any discrepancies noted. Additionally, the auditor should include summaries of discussions and any follow-up actions required, ensuring a comprehensive trail of the verification process.

Litigation

SA 501, “Audit Evidence - Specific Considerations for Selected Items.”



This standard provides guidance to Auditors on how to obtain sufficient appropriate audit evidence when auditing specific items in financial statements, including litigation and claims.

Auditors should review the legal expenses (charged to the statement of profit and loss) to assess potential liabilities and contingent risks that could affect the Company’s financial stability and ability to continue as a going concern.

Key considerations under SA 501 include:

a. Audit procedures:

Auditors perform specific audit procedures to gather evidence regarding litigation and claims. This may include reviewing legal correspondence, assessing legal opinions and confirming the status and potential outcomes of significant legal matters.

b. Nature of the litigation:

Auditors examine the details of the legal proceedings, including the parties involved, the nature of the claims or disputes and any potential financial impact on the Company.

c. Legal expert:

Auditors should document the involvement of internal/external legal counsel for the litigation, including the name of the law firm or attorney representing the Company.

d. Assessment of potential outcomes:

Auditors assess the potential outcomes of the litigation, considering the likelihood of success or failure, the range of possible financial outcomes and any potential impact on the Company’s financial statements.

e. Management’s response and actions:

Auditors document management’s response to the litigation, including



any actions taken or planned to mitigate the potential impact on the Company’s financial position.

f. Evaluation of legal opinions:

Auditors should assess the adequacy and reasonableness of the legal opinion provided by the Company’s legal expert regarding the litigation. The auditor should also test the assumptions considered by the legal expert in the opinion provided to the management.

g. Disclosures:

Auditors should review the disclosures made by the management to ensure that the Company has appropriately disclosed the litigation in its financial statements in compliance with the accounting standards and the regulations.

The above procedures facilitate Auditors to ensure that financial statements provide adequate recording/disclosure of significant legal matters impacting the entity’s going concern assumption. Further, during the course of the audit, the Auditor should communicate the significant matters to TCWG.

Journal Entry – Management Override of Controls

Management override of controls happens when those who are in they bypass or ignore the safeguards for

their own benefit. It's like the boss having a master key to all the locks but using it to access restricted areas without permission. The authority or capability to perform management override includes top-level management who have overall responsibility for the organisation's operations and financial reporting. The auditor should conduct detailed reviews of financial transactions, including journal entries passed by this management. The auditor should examine unusual patterns, discrepancies, or unauthorized activities that might indicate manipulation or misuse of controls. The auditor should also check for any fictitious entries passed by the management. This also takes care of whether the entry is booked in the correct accounting period or not. If any of such entries are identified, the Auditor should inquire with the management and obtain evidence to support the findings.

When testing journal entries, Auditors typically document the following:

a. Source documents:

Auditors verify that the journal entries have appropriate supporting documentation, such as invoices, receipts, or other evidence of transactions.

b. Authorization:

Auditors review whether the journal entries are authorized by appropriate individuals within the



organization, such as management or supervisors.

c. Segregation of duties:

They assess whether there is an appropriate segregation of duties in the journal entry process to reduce the risk of errors or fraudulent activities.

d. Reversals and adjustments:

Auditors examine any reversals or adjustments made to previous journal entries to determine if they are properly supported and authorized.

The above procedures facilitate Auditors to ensure the adequacy of preparation of the financial statements. Further, during the course of the audit, the Auditor should communicate the findings to TCWG.

Conclusion

Hence, in today's complex business environment, one should not underestimate the importance of audit documentation. It serves as one of the tools for auditors to prove the execution of their work and provide evidence of compliance with professional standards. The aforementioned areas for which documentation has been explained represent only a subset. Numerous other areas exist where documentation can be undertaken. Without comprehensive documentation, an audit may be rendered inconclusive or even pointless, as it creates a

significant risk of losing credibility and failing to meet stakeholders' expectations.

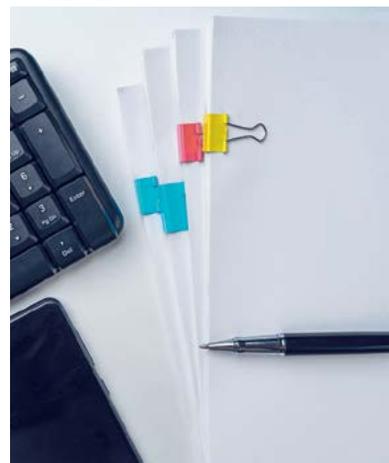
One of the primary reasons why audit documentation holds such paramount importance is its role in ensuring the quality and accuracy of the audit process. By documenting every step of the audit, including planning, execution, follow-ups and review, auditors can maintain a transparent audit trail of the work. This helps them in demonstrating their compliance with ethical and professional standards, commitment to due diligence and adherence to prescribed audit methodologies.

Documentation also plays a crucial role in facilitating effective communication within the audit team and between the audit team and management. As audits often involve a team of professionals working together, documentation provides a shared understanding of the audit's progress, objectives, and outcomes, ensuring that everyone is working for the common goal.

Furthermore, audit documentation stands as a powerful defense when faced with legal or regulatory challenges. Comprehensive documentation acts as a shield to protect the integrity and credibility of the audit process. It enables Auditors to provide substantiated evidence of their procedures, findings and conclusions. This not only protects the Auditors themselves but also safeguards the interests of the clients, who can rely on the audit documentation to demonstrate their commitment to robust internal controls and governance.

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Navigating Global Divergence and Convergence in Sustainable Finance Taxonomies: A Comparative Analysis Beyond the European Union

The Finance Minister, during the Union Budget 2024-25, made an important announcement related to India's climate taxonomy. Taxonomies aim to classify the economic activities in alignment with India's climate goals

and guide investments towards sustainable growth. Sustainable finance taxonomies emerge as critical frameworks for defining and implementing environmentally sustainable investments. This is crucial for directing capital towards projects with an objective that supports climate and environmental goals, and also aims to reduce greenwashing. The European Union taxonomy, which was launched in 2020, stands as a pioneering and highly influential framework. This has established a detailed precedent that has inspired various countries and regions to develop their own classification systems.

This article provides a comparative analysis of sustainable finance taxonomies in China, Canada, Malaysia, Singapore, South Africa, Colombia, and the Association of Southeast Asian Nations region, examining their scope, objectives, criteria, governance structures, intended uses, and implementation status in relation to the EU taxonomy. This article also helps to understand what could be expected from India's Taxonomy, which is still in the development stage.

Introduction

Sustainable finance taxonomies are classification systems designed to provide definitions for economic activities and investments that can be considered environmentally sustainable. These frameworks are vital for enhancing market transparency. They offer a standardised language for green investments. They also guide the allocation of capital towards environmentally beneficial projects and related activities. Further, it helps mitigate the risks of greenwashing, where companies might falsely claim environmental credentials.

The introduction of the European Union (EU) taxonomy in 2020 was

marked as a significant milestone. The EU Taxonomy is the first comprehensive and legally binding framework. It covers a broad spectrum of sectors along with the sustainability objectives. It is serving as an influential benchmark for various countries for the development of similar initiatives. The article "EU Taxonomy, Assurance Requirements, and its Implications on India and Indian Chartered Accountants" (Chethan Jayantha, September 2024) published in The Chartered Accountant Journal provides a comprehensive understanding of EU Taxonomy. This article aims to provide an in-depth analysis and comparison of various national

and regional sustainable finance taxonomies of China, Canada, Malaysia, Singapore, South Africa, Colombia, and the ASEAN region, providing a comparative overview of their alignment and divergence with the pioneering EU framework and the way ahead for India.

Country-Specific Analysis of Selected Taxonomies

i. China

China has enacted several legislative frameworks associated with sustainable finance. The "Guiding Catalogue for the Green Industry" (updated in 2019) and the "Green Bond Endorsed

Projects Catalogue” (first issued in 2015 and updated in 2021) are often referred to as China’s green taxonomy. For lending activities, the China Banking Regulatory Commission, which is currently part of the China Banking and Insurance Regulatory Commission (CBIRC), has issued green credit guidelines, performance indicators, and reporting forms.

China’s green taxonomy mostly focuses on climate change response, environmental improvement (i.e., pollution control and ecological conservation), and efficient utilization of resources through the circular economy, waste recycling, and pollution prevention.

The use of the Green Industry Guiding Catalogue is a mandatory requirement for sustainable financing activities in China. These criteria involve detailed lists of eligible economic activities spreading across six primary categories, namely energy conservation & environmental protection, clean energy, clean production, eco-environment, infrastructure green upgrade, and green services. The governance of these frameworks is done by the People’s Bank of China, the National Development and Reform Commission, and the China Securities Regulatory Commission.

The envisioned use of these taxonomies is predominantly for compulsory application in sustainable financing, especially green bonds, and to align industrial development and national environmental priorities.

China has emerged as a leading issuer of the Green Bond. Its green finance standards are ever more aligned with international best practices. Notably, during the 2020 version of the Green Bond Endorsed Project Catalogue, projects related to the clean use of coal were removed to align with international standards. Adding to this, during 2022, China began collaborating

with the EU Taxonomy to develop the Common Ground Taxonomy, intended for the International Platform on Sustainable Finance. This shows a clear transformation from country specific approach to a more global coordinated approach.

ii. Canada

In Canada, the Taxonomy Roadmap Report, published by the Sustainable Finance Action Council, serves as a key document acting as made-in-Canada sustainable investment guidelines.

The scope and objectives of Canada’s taxonomy focus on mobilizing capital towards Canada’s national goal of reaching net-zero emissions by 2050. Taxonomy intends to classify both “Green” activities, which are low or zero-emission, and “Transition” activities, which involve a significant reduction in emissions by the high-emitting sectors. The taxonomy is proposed to be voluntary for use by financial institutions, lenders, and companies. The planned criteria and thresholds involve developing metrics-based eligibility criteria that are aligned with limiting global warming to 1.5°C.

The primary focus sectors/industry include electricity, transportation, buildings, agriculture and forestry, manufacturing, and extractives, encompassing mineral extraction and processing and natural gas (excluding new natural gas production). Governance of the Canadian taxonomy would be delegated to a third-party organization that would be responsible for its development, implementation, and maintenance.

The intended use of the taxonomy is to provide clarity to financial market participants, guiding investment decisions that support the net-zero transition and facilitating the issuance of green and transition financial instruments.

Canada is currently in the development phase of the

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Taxonomy, and it is expected to release the same for two to three priority sectors within a year. Canada’s approach stands out for its inclusion of a “transition” category, recognizing the country’s significant reliance on resource-intensive industries to facilitate their decarbonization, a feature that is less pronounced in the EU taxonomy.

iii. Malaysia

Malaysia has established two interrelated taxonomies, namely “The Climate Change and Principle-based Taxonomy” (CCPT), which was published by Bank Negara Malaysia (BNM) in 2021, and a principles-based “Sustainable and Responsible Investment” (SRI) Taxonomy issued by the Securities Commission Malaysia (SC) in 2022.

The CCPT focuses on guiding the financial institutions in assessing and classifying economic activities based on their contribution towards climate change mitigation and adaptation through five Guiding Principles. SRI Taxonomy has a much broader scope, covering environmental, social, and sustainability objectives. Both these taxonomies adopt a principles-based approach, with CCPT defining five Guiding Principles and the SRI Taxonomy detailing environmental and social objectives along with associated criteria. The CCPT is governed by BNM, whereas the SRI Taxonomy is overseen by the SC.

The proposed use of CCPT is to facilitate standardized reporting of climate-related exposures, whereas the SRI Taxonomy aims to enhance the standardization

“Canada’s approach stands out for its inclusion of a “transition” category, recognizing the country’s significant reliance on resource-intensive industries to facilitate their decarbonization, a feature that is less pronounced in the EU taxonomy.”

and comparability of sustainable investment assets.

Malaysia has already published both taxonomies, which are aligned with the regional ASEAN Taxonomy for Sustainable Finance. Malaysia’s dual approach, with a climate-focused taxonomy by the central bank and a much broader SRI taxonomy by the securities commission, with both emphasising principles, offers flexibility but may present minor challenges in precise measurement as compared to more granular taxonomies like the EU’s.

iv. Singapore

Monetary Authority of Singapore (MAS) launched the Singapore-Asia Taxonomy for Sustainable Finance (SAT) in 2023 (Association, 2023) with consultations from the Green Finance Industry Taskforce (GFIT). The Taxonomy provides detailed criteria and thresholds for identification of “green” and “transition” activities which contribute to climate change mitigation through eight focus sectors, utilizing a “traffic light” system (i.e., Green, Amber, Red).

The Taxonomy currently focuses on climate change mitigation and is planned to expand to other environmental objectives. The technical screening criteria are sector-specific, including a “measures-based approach” for transition activities and specific guidance for

the early phase-out of coal-fired power plants. The development was led by GFIT (now SSEFA), convened by MAS, with ongoing efforts to ensure interoperability with global taxonomies.

The main objective of the taxonomy is to provide a unified language for sustainable finance in Singapore. Further, to guide capital flows towards green and transition activities, and prevent greenwashing.

The notable feature of Singapore’s taxonomy is its inclusion of a “transition” category and a “traffic light” system. This offers a more unique approach compared to the binary system followed by the EU Taxonomy.

MAS has also initiated mapping the SAT to the Common Ground Taxonomy of the International Platform for Sustainable Finance. This is done with the intention of enhancing international comparability.

v. South Africa

The National Treasury of South Africa launched its Green Finance Taxonomy in 2022. The Taxonomy identifies a minimum set of “green” assets, projects, and sectors that are aligned with international best practices and its national priorities. The taxonomy, similar to others, also focuses on climate change mitigation and its adaptation. This taxonomy emphasizes the technical screening criteria similar to the EU taxonomy for Minimum Social Safeguards and also the “Do No Significant Harm” principle.

The development of this taxonomy was supervised by a multiple-stakeholder working group that was chaired by the National Treasury. The intended use of the taxonomy is to provide clarity for green investments, to reduce greenwashing, and to support regulatory oversight. Post its launch, efforts have been undertaken to assess international interoperability

and usability, with emphasis on DNSH and MSS pillars.

This taxonomy shows a strong alignment of objectives and criteria with that of the EU taxonomy, with an objective of international comparability and attracting foreign green investment. However, it is facing challenges in improving its usability and also in the adoption by market participants.

vi. Colombia

Colombia launched its Green Taxonomy, named *Taxonomía Verde de Colombia*, in April 2022. This Taxonomy also aims to support the mobilization of capital for sustainability objectives. The Taxonomy has a distinctive emphasis on land-use sectors, namely forestry, agriculture, livestock along the climate change mitigation and adaptation.

This taxonomy is modelled on the EU taxonomy; however, it is tailored to the country’s requirements. It includes specific criteria for land-use activities and a rigorous threshold for lifecycle emissions in the energy sector. The Taxonomy was developed by the Financial Superintendency and the Ministry of Finance.

Similar to other taxonomies, the intended use of this taxonomy is to channel resources towards green investments and to develop green capital markets. It is the first of its kind in the Latin American region. Colombia’s taxonomy uniquely prioritizes land-use sectors, which reflects its specific environmental challenges. This taxonomy also demonstrates the localisation of the EU taxonomy framework.

vii. ASEAN Taxonomy

The ASEAN Taxonomy for Sustainable Finance was developed by the ASEAN Taxonomy Board. The ASEAN Taxonomy provides guidance and direction for sustainable finance among its member countries, namely Indonesia, Malaysia,

Cambodia, the Philippines, Brunei, Laos, Singapore, Thailand, Myanmar, and Vietnam.

It features a multi-tiered framework (Foundation Framework and Plus Standard) and a traffic light system. The criteria include both principles-based and technical screening criteria across four environmental objectives namely climate change mitigation and adaptation, biodiversity protection, resource resilience and circular economy. It also covers three essential criteria, namely DNSH, Remedial Measures to Transition, and Social Aspects. The ASEAN Taxonomy Board is responsible for the development and maintenance of the taxonomy. It is endorsed by Finance Ministers and Central Bank Governors of ASEAN member countries.

The taxonomy aims to promote sustainable activities and investments within the ASEAN region. It also facilitates a systematic and effective transition towards a sustainable region. Further, it also serves as a common ground for national taxonomies. With the release of Version 3, the taxonomy has expanded its sector coverage

(construction and transportation added to energy and CCUS) and aims for regional harmonization, where member countries are aligning their national taxonomies with it.

The ASEAN taxonomy's multi-tiered structure and traffic light system are specifically designed to accommodate the diverse economic development levels and transition pathways of its member states, promoting inclusivity while striving for regional harmonisation in sustainable finance.

Comparative Assessment with the EU Taxonomy

The landscape of sustainable finance taxonomies worldwide reveals an effort inspired by the EU taxonomy, however, tailored to diverse contexts. While a common thread of environmental objectives exists, the stringency and approach to criteria vary significantly across jurisdictions as depicted in Table 1.

Analysis of Alignment and Divergence

The comparative analysis of the different taxonomies uncovers the following key themes in the

development of sustainable finance taxonomies:

- **Dominance of Climate Change:** All the taxonomies prioritize climate change mitigation, which reflects the urgent global need to address the emission of greenhouse gases. Many taxonomies also include measures related to climate change adaptation.
- **Varying Scope of Environmental Objectives:** While the EU taxonomy, being the pioneer in the taxonomy, covers six environmental objectives, other taxonomies often have a more focused approach targeting climate change. The ASEAN taxonomy, on the other hand, has an extended coverage to include pollution and biodiversity.
- **Stringency and Granularity of Criteria:** The EU taxonomy is considered as a highly detailed taxonomy with strict technical screening. Whereas other taxonomies, like that of Malaysia, adopt a more principles-based approach, which provides greater flexibility. Whereas Singapore's SAT strikes a balance between the detailed thresholds for "green" activities and also a "measures-

Table 1.

| Feature | Scope & Objectives | Criteria | Governance | Intended Use | Implementation Status | Key Differences & Similarities with EU |
|------------------------|--|--|---|---|---|---|
| EU Taxonomy | Climate change mitigation and adaptation, four other environmental objectives (water, circular economy, pollution, biodiversity) | Detailed technical screening criteria, DNSH, minimum social safeguards | European Commission, Platform on Sustainable Finance | Benchmark for green financial products, mandatory for certain financial market participants | Fully implemented and in use | Pioneering framework; detailed and legally binding. Focus on six environmental objectives. |
| China's Green Taxonomy | Primarily climate change response and environmental improvement | Detailed lists of eligible activities across sectors | People's Bank of China (PBOC), National Development and Reform Commission (NDRC), China Securities Regulatory Commission (CSRC) | Compulsory for sustainable financing, especially green bonds, aligning industrial development | Implemented and in use, regularly updated | Strong government backing; focus on climate and pollution; aligning with international practices via CGT. |

SUSTAINABILITY ● THE CHARTERED ACCOUNTANT

| Feature | Scope & Objectives | Criteria | Governance | Intended Use | Implementation Status | Key Differences & Similarities with EU |
|-----------------------|---|--|--|---|---|---|
| Canada's Taxonomy | Primarily focuses on net-zero transition, including green and transition activities | Metrics-based, aligned with 1.5°C; explicit inclusion of transition activities | Third-party organization(s) | Voluntary guidance for financial institutions, lenders, and companies to support net-zero transition | Under development; initial taxonomy for 2-3 priority sectors expected within 12 months of third-party organization(s) commencing work | Explicitly includes "transition" category for high-emitting sectors, reflecting national context. |
| Malaysia's Taxonomies | CCPT: Climate change. SRI: Broader ESG | CCPT: Principles-based. SRI: Principles-based criteria | CCPT: Bank Negara Malaysia (BNM). SRI: Securities Commission Malaysia (SC) | CCPT: Standardized reporting of climate-related exposures. SRI: Standardized and comparable SRI assets | Both CCPT and SRI Taxonomy are issued and in use | Principles-based approach offers flexibility; dual taxonomies for climate and broader SRI. |
| Singapore's SAT | Initially climate change mitigation, with plans to expand | Detailed thresholds for green & amber (transition) activities, measures-based approach for transition | Monetary Authority of Singapore (MAS), Green Finance Industry Taskforce (GFIT)/SSFA | Common language for sustainable finance, guide capital flows, prevent greenwashing | Recently launched in Dec 2023; mapping to CGT underway | Nuanced "traffic light" system for green and transition, reflecting Asian transition pathways; interoperability with CGT a focus. |
| South Africa's GFT | Primarily climate change mitigation and adaptation | Performance-based, DNSH, minimum social safeguards | National Treasury, multi-stakeholder working group | Clarity for green investments, reduce greenwashing, support regulatory oversight | Launched in April 2022; efforts to improve usability and interoperability | Strong alignment with EU in objectives and criteria; emphasis on international comparability. |
| Colombia's TVC | Broad, with emphasis on land use sectors | Modeled on EU, with specific criteria for land-use and stringent lifecycle emissions for energy | Financial Superintendency (SFC), Ministry of Finance (MHCP) | Channel resources to green investments, develop green capital markets, increase transparency | Launched in April 2022; working on implementation guidelines | Unique focus on land-use sectors, reflecting national priorities; modeled on EU but tailored to local context. |
| ASEAN Taxonomy | Climate change, biodiversity, resource resilience, pollution | Principles-based & technical screening criteria, DNSH, remedial measures, social aspects; multi-tiered | ASEAN Taxonomy Board (ATB), endorsed by ASEAN Finance Ministers and Central Bank Governors | Promote sustainable activities/investments in ASEAN, facilitate transition, common ground for national taxonomies | Version 3 in effect Dec 2024; regional harmonization efforts ongoing | Multi-tiered framework accommodates diverse development levels; aims for regional harmonization; broad environmental objectives. |

based” learner approach for “transition” activities.

- **Treatment of Transition Activities:** There is a significant divergence between taxonomies with regard to the recognition and definition of “transition” activities. The EU taxonomy, on one hand, included certain gas and nuclear activities. Whereas Canada and Singapore have incorporated “transition” categories to facilitate the decarbonization of high-emitting sectors. This reflects a pragmatic approach in achieving net-zero goals and also acknowledges the need for interim solutions.
- **Governance Structures:** Governance structure varies from taxonomy to taxonomy. China, South Africa, and Colombia have government-led structures, whereas Malaysia’s CCPT and Singapore are driven by the central bank. There are also taxonomies like the EU and Canada, which have collaborative efforts involving financial regulators/ Central Banks, and industry stakeholders. We also have ASEAN taxonomy, which is unique in its regional, multi-country governance structure.
- **Intended Use and Binding Nature:** Most of the taxonomies are voluntary in nature and are intended to enhance transparency and guide financial investment. However, the EU taxonomy has mandatory applications for certain participants of the financial market. Similarly, China’s green taxonomy is also compulsory in nature for sustainable financing activities.
- **Regional Adaptation:** Taxonomies are being tailored to reflect the specific economic structures along with the environmental priorities of their respective regions. Colombia’s stress on land-use sectors and the ASEAN taxonomy’s multi-tiered approach to accommodate different member countries are prime examples of this adaptation.
- **International Harmonization Efforts:** There is a growing need for international harmonization

that would support and facilitate cross-border green investments. This would help to reduce the risks of greenwashing on a global scale. Initiatives like the EU-China Common Ground Taxonomy and the mapping of Singapore’s SAT to the Common Ground Taxonomy demonstrate attempts towards achieving greater interoperability.

Current State of Sustainable Finance in India

India’s climate finance taxonomy is currently in the development phase. In the Union Budget 2025, Finance Minister Nirmala Sitharaman has already announced the establishment of a climate finance taxonomy for India. It is expected that the draft, which covers six key sectors, would be ready before the end of 2025. The taxonomy, similar to other taxonomies, is expected to guide capital inflow towards sustainable growth, with improved transparency, and to mitigate greenwashing. (Hajra, 2025)

We can expect the taxonomy to be aligned with other international taxonomies, with an aim to enhance international comparability and also attract national and international green investment, which is extremely critical for Economic development in India. We can also expect that the taxonomy will be tailored to India’s specific socio-economic priorities.

Conclusion

There has been a considerable focus worldwide on the sustainable finance taxonomies. The EU taxonomy has laid a strong foundation for the Taxonomy, which has inspired many countries to have their own Taxonomy. Each country has developed frameworks that are unique to its economic, social, and environmental contexts. This has led to taxonomies with various degrees of Divergence as there is no one-size-fits-all solution. However, there has been an increasing trend towards global collaboration and harmonization lately. This would be a fundamental requirement for achieving

greater interoperability. It is also worth mentioning that all these taxonomies will continue to evolve and mature.

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The Climate Imperative: Financial Transparency for a Sustainable Future

The “Climate Imperative” emphasizes the need for transparent financial reporting to reflect climate-related risks and uncertainties. As climate change increasingly affects business operations, investors and regulators demand disclosures that reveal its impact on asset valuations, strategic decisions, and financial performance. While Indian Accounting Standards don’t explicitly require climate disclosures, material effects must be reported.

Enhanced connectivity between financial and sustainability reports ensures coherence and accountability. This shift supports informed decision-making and encourages companies to integrate climate considerations into their financial strategies, fostering resilience in a low-carbon future.

Introduction

The global community faces a daunting challenge: the climate imperative i.e., the urgent need to address the escalating threats posed by climate change, ranging from rising global temperatures to more frequent and intense extreme weather events. A cornerstone of this effort is the rapid transition to clean, renewable energy sources like solar and wind power, moving away from fossil fuels, which contribute over 75% of global greenhouse gas emissions. Renewable energy not only drastically reduces carbon emissions but also offers numerous benefits such as enhanced energy security, job creation, and improved public health.

This article explores the intricate connections between the climate imperative, the expanding use of renewable energy technologies, and the vital role of financial transparency in driving the transition towards a sustainable, low-carbon future. It examines the mechanisms through which transparency can attract investment, ensure accountability, and ultimately accelerate the

deployment of clean energy solutions to meet the pressing demands of the climate crisis.

Overview: India’s Renewables Growth Trajectory

India’s renewable power output jumped 24.4% year-on-year to 134.43 billion kWh in the first half of 2025, marking its fastest increase since 2022. In June 2025, renewables (excluding large hydro) accounted for over 17% of total electricity generation, while coal-fired output fell nearly 3% amid a milder summer from an early monsoon and weaker economic activity that drove domestic coal stockpiles to record highs and cut imports.

Government initiatives play a crucial role in driving India’s renewable energy growth. Schemes like PM Surya Ghar: Muft Bijli Yojana, PM-KUSUM, the Production Linked Incentive (PLI) scheme for solar PV modules, and the National Green Hydrogen Mission are accelerating the deployment of renewable energy. India’s commitment to climate change is further reinforced by enhanced Nationally Determined

Contributions (NDCs) under the Paris Agreement, which include targets to reduce emissions intensity by 45% by 2030 (compared to 2005 levels) and achieve 50% of electric power capacity from non-fossil fuel sources by 2030.

Financial Implications and ESG Disclosure

As companies forge climate focused transactions and arrangements in response to heightened ESG scrutiny, entities are increasingly encountering physical and transition risks that affect asset valuations, liabilities, estimates and judgments in their financial statements. Under Ind AS, which is largely converged with IFRS, all material climate-related effects must be reflected in measurement, presentation and disclosure to provide users with a true and fair view of the financial position and performance.

Key Transactions and Arrangements

To support this transformative journey, businesses are actively engaging in various climate-focused transactions and arrangements:

- Emission allowance compliance programs (cap-and-trade)
- Renewable energy certificates (RECs)
- Carbon offset units
- Power purchase agreements (PPAs) and Virtual PPAs
- Energy-as-a-Service (EaaS) agreements
- Government grants & investment tax credits
- ESG-linked financial instruments (e.g., green bonds, sustainability-linked loans)

1. Emission Allowance Compliance Programs (Cap-and-Trade)

Cap-and-trade programs are market-based environmental policies designed to reduce pollution, primarily greenhouse gas emissions, by creating financial incentives for companies to limit and reduce their emissions. These programs operate on a simple principle: set a cap (limit) on emissions and allow companies to trade (buy and sell) emission allowances.

How Emission Allowance Compliance Programs work

- **Setting the Cap:** A government or regulatory body establishes an overall cap on the total amount of specific pollutants (like carbon dioxide) allowed within a given industry or region. This cap is gradually tightened over time to achieve environmental goals.
- **Allowances:** The total emissions cap is divided into individual allowances or permits. Each allowance represents the right to emit one unit of the pollutant (e.g., one tonne of CO₂ equivalent).
- **Distribution of Allowances:** Governments distribute these allowances to companies through various methods, such as:

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- **Initial Allocation:** Providing a certain number of allowances for free, sometimes based on historical emissions.
- **Auctioning:** Selling allowances to the highest bidder, generating revenue that can be reinvested in environmental programs.

- **Trading:** Companies that reduce their emissions below their allocated allowances can sell their surplus allowances to other companies that exceed their limits or need to buy extra permits to cover their emissions. This creates a market where emissions have a price, incentivizing companies to find the most cost-effective ways to reduce their pollution.

- **Compliance & Penalties:** At the end of each compliance period, companies must surrender enough allowances to cover their total verified emissions. Failure to do so can result in hefty fines and penalties.

Accounting Consideration

Entities may treat allowances as intangible assets (Ind AS 38) or inventory (Ind AS 2). Such allowances are recognised at fair value, and entities may follow either of the following approaches:

- Defer amortization until surrender, then expense; or
- Amortize over the compliance period.

The allowances should be tested annually for impairment. If emissions exceed allowances held, a provision for additional purchase obligations or penalties should be recognized as soon as the shortfall arises, as per Ind AS 37 Provisions, Contingent liabilities and Contingent assets.

If emission allowances are received for free or at a price below the market value, intangible assets should be created at fair value as per Ind AS 38, with the corresponding government grant recognized as a deferral income and amortized systematically till compliance period.

2. Renewable Energy Certificates (RECs)

Renewable Energy Certificates (RECs), also known as Renewable Energy Credits or Green Certificates, are a market-based tool that represents the environmental, social, and other positive attributes of one megawatt-hour (MWh) of electricity generated from a renewable energy source and delivered to the electricity grid.

In simpler terms, when a renewable energy generator (like a wind farm or solar power plant) produces electricity and injects it into the grid, it simultaneously creates RECs. Each REC certifies the generation of 1 MWh of renewable electricity and includes details about the energy source, location, and date of production.

How RECs work

- **Generation:** A renewable energy facility produces

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electricity and injects it into the grid.

- **Certification:** For every MWh of electricity generated, a REC is issued. This certificate details the renewable energy source, location, and date of generation.
- **Separation and Trading:** RECs are separate from physical electricity and can be bought and sold independently in a market. This separation allows for flexibility in the renewable energy market.
- **Buyer's Role:** Businesses, individuals, or utilities can purchase RECs to claim that they are using renewable energy, even if they are sourcing electricity from the standard grid which may include electricity from non-renewable sources.
- **Retirement:** Once purchased, an REC is “retired,” meaning it cannot be sold again, ensuring that the environmental benefits are claimed only once.



In India, RECs are valid for 1,095 days (approximately three years) from the date of issuance. This validity period allows the REC holders sufficient time to trade or use the certificates to meet Renewable Purchase Obligations (RPOs) or other sustainability goals. After the expiry of this period, the RECs can no longer be used for compliance or trading purposes.

Accounting Consideration

- **Intangible Assets as per Ind AS 38**
 - RECs are non-physical assets recorded at their acquisition cost (fair value).
 - Since RECs have a finite life and would be subject to amortization.

3. Carbon Offset Units

Carbon offset units, also referred to as carbon credits or carbon offsets, are a fundamental tool in the effort to combat climate change. Each unit represents a reduction, avoidance, or removal of one metric tonne of carbon dioxide (or its equivalent in other greenhouse gases) from the atmosphere. The primary goal is to compensate for emissions that occur in one place by investing in projects that reduce or remove emissions elsewhere.

How Carbon Offsets work

- **Calculate Emissions:** Organizations or individuals calculate their carbon footprint, which is the total amount of GHG emissions they generate. This often involves assessing direct and indirect emissions across various activities

like energy consumption, transportation, and industrial processes.

- **Purchase Offsets:** Once emissions are quantified, the entity purchases carbon offsets from verified providers or through carbon markets. One carbon credit typically represents one tonne of CO₂e.
- **Project Funding:** The funds generated from the sale of carbon offsets are directed towards projects designed to reduce, avoid, or sequester greenhouse gas emissions.
- **Implementation and Monitoring:** The selected carbon offset projects are implemented, and their progress in reducing or removing emissions is rigorously monitored and verified by independent third parties. This is crucial to ensure the offsets are credible and deliver the promised environmental benefits.
- **Certification and Retirement:** Upon successful verification, the projects receive certification, validating the achieved emission reductions. Once verified and purchased, the carbon offset units are “retired” or permanently removed from the market to prevent double counting of the same environmental benefit.

Accounting Consideration

- **Intangible Assets**
 - Carbon credits are non-physical assets recorded at their acquisition cost (fair value).
 - Since they typically have an indefinite life, they are not amortized unless held unused for extended periods.
 - When a credit is utilized to offset emissions, it's

“decertified” and expensed, reflecting the consumption of its value.

- **Inventory**
 - i. Carbon offsets held for resale or consumption in operations can be treated as inventory.
 - ii. Like other inventory items, they are measured at the lower of cost or net realizable value at the end of each reporting period.
 - iii. Upon being decertified (used to offset emissions), the company reduces inventory and recognizes the expense.

Once a company chooses either the intangible asset or inventory method, it must consistently apply that method to all subsequent carbon offset transactions (purchase, sale, or retirement).

4. Power Purchase Agreements (PPAs) and Virtual PPAs

A Power Purchase Agreement (PPA) is a long-term contract between a renewable energy developer (the seller or generator) and an electricity buyer (the consumer).

The agreement outlines the sale and purchase of electricity, typically from a renewable energy project like a solar or wind farm. PPAs are crucial for financing renewable energy projects because they provide a stable and predictable revenue stream for the developer, making projects more attractive to investors and lenders.

Virtual PPAs (VPPAs) or Synthetic PPAs

A Virtual PPA (VPPA) is a financial contract between a renewable energy generator and a buyer that doesn’t involve the physical delivery of electricity. Instead, it’s structured as a financial hedge, typically a “contract for differences” (CFD), where the buyer and the seller agree

on a fixed price (strike price) for a notional amount of electricity from the renewable project.

The generator sells the physical electricity into the wholesale market at the prevailing market price, and the difference between the strike price and the market price is settled financially between the buyer and the seller. If the market price is higher than the strike price, the generator pays the buyer the difference; if it’s lower, the buyer pays the generator.

Why businesses use VPPAs

- **No Upfront Investment:** VPPAs eliminate the need for upfront capital investment in renewable energy infrastructure.
- **Access to Larger Projects:** VPPAs offer access to large-scale, off-site renewable projects that may not be feasible for on-site installations.
- **Supporting Renewable Growth:** VPPAs contribute to the expansion of renewable energy capacity by providing a mechanism to fund new projects.

Accounting Consideration

- Under Ind AS 115, identify distinct performance obligations (energy delivery vs. environmental attributes) and allocate contract price accordingly.
- Under Ind AS 116, determine whether the arrangement conveys a right-to-use an



identified asset and recognize a right-of-use (ROU) asset and lease liability.

- Identify embedded derivatives or forward-contract elements, and account under Ind AS 109 if their cash flows are not solely payments of principal and interest.

5. Energy-as-a-Service (EaaS) Agreements

Energy as a Service (EaaS) is a business model where customers, typically commercial or industrial entities, outsource their energy needs to a third-party provider instead of making upfront capital investments in energy infrastructure.

This model allows businesses to manage energy usage and costs without the burdens of ownership, operation, and maintenance of energy assets like solar panels, battery storage, or energy efficiency equipment. EaaS providers offer bundled services that can include energy supply (often from renewable sources), asset installation and maintenance, smart energy management software, and consulting.

How EaaS works

The EaaS process typically involves an energy audit to assess the client’s needs, followed by the design and implementation of a customized solution that may include energy-efficient equipment, on-site renewables, and energy storage. The provider then manages and monitors these systems, and the client pays a recurring fee for the services rendered.

Accounting Consideration

Classify as service contracts under Ind AS 115 and recognize revenue over time if performance obligations are continuous. Evaluate embedded leases under Ind AS 116 when the provider controls specific assets (e.g., solar panels) and capitalize

setup or commissioning costs as intangible assets or ROU assets based on contract terms.

6. Government Grants & Investment Tax Credits

Governments use various financial mechanisms to accelerate the transition to renewable energy, with grants and Investment Tax Credits (ITCs) being two prominent examples.

These incentives aim to reduce the upfront costs and financial risks associated with renewable energy projects, making them more attractive to investors and developers.

Examples of Investment Tax Credits/related benefits in India

Section 54EC Tax Benefit for IREDA Bonds: The Central Board of Direct Taxes (CBDT) has granted tax-saving status to bonds issued by the Indian Renewable Energy Development Agency Ltd. (IREDA) under section 54EC of the Income-tax Act, 1961. This allows eligible investors to save on Long Term Capital Gain (LTCG) tax by investing in these bonds, with the proceeds utilized exclusively for renewable energy projects. This move is expected to attract wider investor participation and strengthen India's renewable energy financing ecosystem.

Accelerated Depreciation: While not explicitly an ITC, some countries, including India, allow accelerated depreciation on solar assets, enabling businesses to recover their investment more quickly through tax deductions over a shorter period.

Accounting Consideration

- Recognize generation-based incentives or grants under Ind AS 20, either as deferred income or by reducing the carrying amount of related assets.
- Account for tax credits under Ind AS 12 by recognizing

deferred tax assets when their recoverability is probable against future taxable profits.

7. ESG-Linked Financial Instruments

India's sustainable finance sector is growing, with interest in ESG-linked instruments. SEBI has a framework for ESG Debt Securities, including Social Bonds, Sustainability Bonds, and Sustainability-Linked Bonds (SLBs), to enhance credibility and transparency.

The framework requires disclosures, third-party verification, and alignment with global standards. India has also issued Sovereign Green Bonds for environmental projects. ESG mutual funds are also becoming popular for investing in companies meeting ESG criteria.

Accounting Consideration

- Classify green bonds, sustainability-linked loans and ESG-triggered derivatives under Ind AS 109 based on their contractual cash flows.
- If terms vary with ESG performance metrics, treat the variable feature as an embedded derivative and measure at fair value, with subsequent changes in profit or loss. Incorporate climate-scenario assumptions into expected credit loss (ECL) models.

Disclosure Requirements

- **Ind AS 1:** Disclose significant judgments and major sources of estimation uncertainty, including those arising from climate-related assumptions (e.g., impairment triggers, decommissioning provisions).
- **Ind AS 16 & 36:** Revise useful lives, residual values or impairment indicators of PPE and intangible assets in light of physical or transition risks.
- **Ind AS 37:** Measure environmental decommissioning

and restoration liabilities at the best estimate of expenditure, discounting where material, and updating for regulatory changes.

Concluding Thoughts

The climate imperative, combined with the growing demand for credible ESG information, underscores the indispensable role of Chartered Accountants in shaping a sustainable future. Their expertise is essential not only for meeting evolving reporting obligations but also for helping businesses embed sustainability into their core operations and contributing to a greener, low-carbon global economy. The accountancy profession, therefore, stands at the forefront of this transformative journey, ensuring transparency, promoting accountability, and ultimately building a more resilient and sustainable financial ecosystem.

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The Silent Slices: A Tale of Salami Slicing Fraud

In the age of digital transactions and high-frequency trading, financial fraud has evolved into sophisticated schemes that exploit the minutiae of systems and processes. Among these, “salami slicing fraud” stands out for its deceptive simplicity and effectiveness. Salami slicing fraud, a method of embezzling tiny amounts of money over numerous transactions, has emerged as a significant yet often overlooked financial crime. This article explores the modus operandi of this fraud, its impact, and the critical roles of investors and Chartered Accountants in combating it. Using examples like bank

interest rounding and salary discrepancies, it demonstrates how minuscule fractions can accumulate into substantial losses. Vigilance through audits, data analytics, and robust internal controls can mitigate risks. With India’s growing fintech ecosystem, preventing such fraud is essential to safeguard businesses and investments. Proactive measures are key to nipping salami slicing fraud in the bud.

Raghav worked as a junior software developer at a fast-growing fintech startup in India. To his friends and family, he seemed like a regular employee—hardworking and dedicated. But Raghav had a secret. Every night, he ran a small piece of code before leaving the office. This seemingly innocuous script was designed to divert a tiny fraction i.e., just a few paise from each customer transaction, into a separate account he controlled. The amounts were so small that nobody noticed. What’s 10 paise here or there when millions of transactions occur daily? The method? An age-old financial trick known as Salami Slicing.

Months passed, and Raghav’s little trick had siphoned lakhs of rupees into his secret account. The best part, he thought, was that no one would ever find out. But he was wrong. The company’s internal audit team eventually spotted an unusual pattern in the transactions, and Raghav’s clever scheme began to unravel. He had been practicing a textbook case of “salami slicing” fraud.

Raghav’s story might sound like a clever plot from a heist movie, but it’s a real-world example of how salami slicing fraud can quietly devastate businesses and their stakeholders. This article unravels the workings of this fraud, its detection, and how stakeholders, particularly investors and Chartered Accountants, can play a crucial role in preventing it.

Historical Context and Evolution of Salami Slicing Fraud

The term “salami slicing” originated from the idea of slicing thin pieces from a large salami, representing small thefts that accumulate over time. While the concept predates digital systems, its potential has grown exponentially with the advent of computerized transactions. Early instances of salami slicing fraud included

manual adjustments to financial records, where accountants would round off fractions of a cent for personal gain.

In the 20th century, salami slicing gained notoriety with cases in banking and telecommunications. As systems became digitized, fraudsters leveraged their technical expertise to automate these schemes. For example, in the 1990s, employees at a major telecom company were caught siphoning off fractions of billing amounts, eventually stealing millions. Today, the practice has adapted to target high-volume



“Salami slicing fraud derives its name from the concept of slicing thin pieces off a large salami i.e., stealing minuscule amounts over time so that each theft is individually insignificant. However, these slices accumulate into substantial sums, often unnoticed.”

industries like fintech, e-commerce, and utilities.

Modus Operandi: Slicing Thin to Avoid Detection

Salami slicing fraud derives its name from the concept of slicing thin pieces off a large salami i.e., stealing minuscule amounts over time so that each theft is individually insignificant. However, these slices accumulate into substantial sums, often unnoticed.

In the Indian context, salami slicing fraud usually happens in sectors like banking, fintech, telecom, and insurance, where millions of micro-transactions are processed daily. The fraudster, often an insider, inserts a piece of code or manipulates an accounting mechanism to ensure that a minuscule amount is deducted or diverted from each transaction. These amounts are so small that they fly under the radar of both automated fraud detection systems and human oversight.

Here are some examples of salami slicing fraud:

1. **Bank Interest Rounding Fraud:** A bank calculates daily interest for its customers. The interest on many accounts results in fractional amounts, like ₹10.345. The system rounds off these amounts to ₹10.35 for the customer but deducts the extra ₹0.005 for the fraudster. Though ₹0.005 is very small, if done

across a million accounts every day, the fraudster could siphon off a significant amount over time.

2. **Salary Rounding:** An employer calculates salaries for thousands of employees. Each employee's salary has a fraction of a rupee that gets rounded off (e.g., ₹25,000.75 becomes ₹25,001). Instead of discarding the fraction, the system transfers the fractions of paise into an account controlled by the fraudster. Over time, the fractions add up to a significant amount.
3. **Transaction Fee Manipulation:** A payment processing company charges a small fee (₹2.50) for every transaction. The actual fee might be ₹2.501, which is rounded down to ₹2.50 for the customer. The fraudster designs the system to take the extra ₹0.001 for themselves on every transaction. If there are millions of transactions daily, the fraudster can accumulate a large sum from tiny fractions.
4. **Utility Bill Payments:** A utility company charges ₹100.50 for a service, but the system charges customers ₹101 for ease of payment. The extra ₹0.50, which should be refunded or credited, is instead diverted into a fraudster's account. When done with thousands of customers, the small overcharge becomes substantial.

These examples show how tiny, often unnoticed amounts can add up to large sums when taken from many sources.

The key to this type of fraud is its stealth. It capitalizes on the idea that individuals and institutions are unlikely to notice small discrepancies, such as a fraction of a rupee missing from a transaction. The fraud works because:

- **Tiny Fractions Add Up:** A few paise stolen from millions of transactions can lead to large sums being embezzled over time.
- **Minimal Detection Risk:** The amounts siphoned are intentionally kept below the threshold that would

trigger alarms or audits. A few cents disappearing from an individual's account might go unnoticed because it's not enough to cause suspicion. In Raghav's case, he took an amount too small for individual clients or even internal systems to detect without a closer look.

- **Automation and Access:** Fraudsters often use automated scripts, which makes the theft easier to execute without manual intervention. The fraudster exploits systems that handle a high volume of transactions. For example, banking systems, payroll processing, or even online payment platforms. With thousands or millions of transactions flowing through these systems, it's easy to hide minor discrepancies.

The Role of Investors in Curbing Salami Slicing Fraud

Investors, whether they are institutional or retail, have a vested interest in the financial health of the companies they invest in. When fraud like salami slicing occurs, it can severely undermine the value of their investments, not to mention the reputation of the business itself.

Here's how investors can play a role in preventing this type of fraud:

Due Diligence and Vigilance

Investors, particularly those involved in fintech, banking, or technology-driven companies, need to prioritize due diligence. When investing in companies that handle vast numbers of microtransactions, it's essential to assess the strength of internal controls, auditing mechanisms, and software security.

- **Demand Regular Audits:** Investors should insist on regular financial and operational audits to ensure that small discrepancies in transactions are caught early. This can also include software code audits, where third-party experts evaluate the integrity of transaction systems.

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- **Support Technology Investments:** To combat fraud, companies need to invest in advanced fraud detection technologies, such as machine learning algorithms that can analyze transaction patterns for unusual behavior. Investors should be willing to fund these investments.
- **Board-Level Awareness:** Investors, particularly those on company boards, must ensure that fraud detection and financial hygiene are prioritized in board discussions.
- **Demanding Transparency:** Investors have the power to

demand transparency from the companies they invest in. This includes detailed reporting on how transactions are handled, the frequency of audits, and the strength of their cybersecurity systems. Regular independent audits should be standard practice.

The Role of Chartered Accountants in Preventing Salami Slicing

Chartered Accountants serve as the first line of defense in detecting salami slicing fraud. As auditors and financial watchdogs, they have the tools to uncover even the smallest anomalies. Here's how they can step up:

Detailed Transactional Audits

CAs should regularly conduct detailed transactional audits, paying special attention to microtransactions. While traditional financial audits focus on big-ticket items, salami slicing is often hidden in the minutiae. Auditors need to look at transactional data in granular detail. One of the key responsibilities of Chartered Accountants is conducting audits. In the context of salami slicing, they must go beyond surface-level reviews. Instead of only focusing on major discrepancies, auditors should scrutinize micro-transactions and ensure that transaction systems are secure. Technology, such as forensic accounting tools, can be used to analyze massive volumes of data and detect abnormalities, no matter how small.

Leveraging Data Analytics

With advanced data analytics tools, Chartered Accountants can spot irregular transaction patterns. For instance, if small amounts consistently disappear from a company's bank accounts over time, that could indicate salami slicing, i.e. identifying irregular patterns in transaction data.

Strengthening Internal Controls

CAs can recommend enhancements in internal controls to prevent unauthorized access to transaction systems. These controls might include

better segregation of duties, stronger access protocols, and ensuring that critical systems are subject to dual control. Multi-Factor Authentication & Role-Based Access Control measures prevent unauthorized employees from making unapproved changes to financial systems. Role-based access ensures that only authorized personnel can alter transaction mechanisms, while multi-factor authentication (MFA) adds an extra layer of security.

Collaboration with IT Auditors

Salami slicing is often executed through complex code manipulation. CAs should work closely with IT auditors to ensure that transaction systems are not compromised by rogue employees and systems are free from malicious scripts. Regular audit of software should be undertaken in order to identify any vulnerabilities.

Continuous Education and Training

Fraudsters are becoming more sophisticated, so it's essential for accountants to stay up-to-date with the latest fraud schemes and detection technologies. Continuous professional development can ensure that CAs are equipped with the knowledge and tools to identify and prevent schemes like salami slicing before they grow into major financial threats.



“CAs can recommend enhancements in internal controls to prevent unauthorized access to transaction systems. These controls might include better segregation of duties, stronger access protocols, and ensuring that critical systems are subject to dual control.”

Technologies for Detecting Salami Slicing Fraud

1. Machine Learning & AI Algorithms

Artificial intelligence (AI) and machine learning (ML) analyze large sets of financial transactions to identify patterns of fraud. These systems learn from historical data and can detect anomalies that might be invisible to human auditors. For example, an AI-powered fraud detection system in a bank may notice a pattern where thousands of accounts are losing fractions of a rupee in a suspiciously consistent manner. The system can flag these anomalies and alert the compliance team for further investigation.

AI-powered compliance software can be programmed with predefined rules to monitor financial transactions for irregularities. These systems automatically trigger alerts when suspicious activities occur, such as repeated deductions that follow a specific pattern.

Example: Many fintech companies deploy AI-driven fraud detection systems that continuously analyze transaction logs and flag micro-deductions that deviate from normal rounding patterns. PayPal, for instance, uses AI to monitor transaction behaviors and prevent fraudulent activities, including minute, repeated deductions.

Another example can be that of a payment processing company setting an automated audit rule that checks whether the transaction rounding mechanism is working correctly. The system detects that instead of rounding transactions to the nearest paise, a fraction of a paise is being diverted into a separate account. The anomaly triggers an alert, prompting an internal audit.

2. Blockchain Technology

Blockchain ensures transparency and security by recording transactions in an immutable, decentralized ledger. This technology makes it nearly impossible for insiders to manipulate transactions without detection. Each entry in a blockchain is permanently recorded, preventing fraudulent alterations.

Example: A financial institution implementing blockchain for payroll processing can ensure that no unauthorized micro-deductions occur. If an employee tries to alter salary rounding rules to siphon fractions of a rupee into a personal account, the blockchain system would record and highlight the unauthorized change, making fraud detection easier.

3. Forensic Accounting Software

Forensic accounting tools like ACL Analytics and IDEA help auditors detect fraud by analyzing financial records for inconsistencies. These tools can process thousands of transactions at once and highlight unusual patterns, such as systematic rounding errors that benefit an individual account.

Example: A telecom company using forensic accounting software discovers that a small fraction of the billing amount (₹0.01 per customer) is being redirected into an unknown account. Over time, this minor discrepancy accumulates into a significant financial loss, but forensic analysis exposes the fraud before it escalates further.

These technologies, when combined, create a robust fraud detection framework that makes it difficult for salami slicing schemes to go undetected. Financial institutions, fintech companies, and auditors must leverage AI, big data, blockchain, forensic accounting, and security tools to safeguard transactions and maintain financial integrity.

Broader Implications: Beyond Financial Loss

1. Erosion of Trust

- **Internal Trust:** Within organizations, employees or stakeholders may lose trust in leadership or systems if a fraud becomes public.
- **External Trust:** Customers, clients, and investors may lose confidence in the company's ability to safeguard their assets or data.

2. Reputational Damage

Public exposure of salami slicing can severely damage a company or institution's reputation, leading to long-term harm that extends beyond financial metrics. This can



result in lost customers, reduced investor interest, and difficulty attracting talent.

3. Legal and Regulatory Consequences

Regulatory bodies may impose fines, sanctions, or penalties on organizations where such fraud is detected. There could also be lawsuits from affected parties.

4. Operational Disruption

Investigating and addressing fraud can cause significant disruption to normal business operations. This includes time spent on audits, internal investigations, and implementing corrective measures.

5. Compromised Security and System Integrity

Salami slicing often involves exploiting vulnerabilities in systems, which can reveal weaknesses in an organization's cybersecurity or operational processes. This increases the risk of further exploitation by other fraudsters or hackers.

6. Employee Morale Issues

Discovering fraud, especially if perpetrated by internal employees, can lower morale and create a

culture of suspicion among staff. Employees may feel less secure or valued.

7. Unintended Ripple Effects

Salami slicing often involves many small transactions, which can have a cascading effect, such as disrupting payment systems, creating accounting discrepancies, or triggering compliance red flags.

8. Loss of Competitive Advantage

Competitors may use news of the fraud to undermine confidence in the affected organization, capitalizing on the reputational hit to capture market share.

9. Customer Impact

If customers are directly affected (e.g., through higher fees, unnoticed deductions, or privacy breaches), their dissatisfaction can lead to churn, negative reviews, or public backlash.

The Growing Threat in India's Fintech Landscape

India's fintech sector processes billions of digital transactions daily, making it a prime target for salami slicing fraud. The sheer volume of microtransactions creates an environment where such fraud can thrive if left unchecked. As digital payments grow, so does the need for robust fraud prevention measures.

Technology as a Double-Edged Sword

While technology facilitates digital transactions, it also provides tools for fraudsters to exploit vulnerabilities. Companies must strike a balance by:

1. Investing in cybersecurity.
2. Conducting regular system audits.
3. Training employees to recognize and report suspicious activities.

Legal and Regulatory Measures

Indian regulators, such as the Reserve Bank of India (RBI), have introduced guidelines for fraud prevention in



financial institutions. Compliance with these regulations is non-negotiable for companies aiming to protect stakeholders and maintain trust.

Conclusion

Salami slicing fraud, though sophisticated and hard to detect, is not invincible. With vigilance, robust systems, and collaboration among stakeholders, it can be curbed effectively.

Investors and Chartered Accountants play pivotal roles in this battle. Investors must demand transparency, audits, and technological investments, while CAs need to enhance their auditing practices and collaborate with IT experts. As India's digital ecosystem expands, the potential for such fraud increases, but proactive measures can ensure businesses remain resilient.

Raghav's story serves as a cautionary tale. It underscores the importance of addressing even the smallest discrepancies, as these "slices" can snowball into significant damage. By prioritizing vigilance and collaboration, businesses can prevent salami slicing fraud and protect their stakeholders' interests.



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Decentralized Audit Protocols: Leveraging Blockchain to Enhance Compliance with Standards on Auditing (SAs)

The Standards on Auditing (SAs) issued by the Institute of Chartered Accountants of India (ICAI) provide a comprehensive framework for conducting high-quality audits. These standards are designed to ensure that audits are performed with integrity, objectivity, and professional

skepticism. However, traditional audit methods often struggle with inefficiencies, manual errors, and risks of data tampering. This article introduces Decentralized Audit Protocols (DAPs), a blockchain-based solution that addresses these challenges while enhancing compliance with Indian SAs. By leveraging blockchain technology, Chartered Accountants (CAs) can achieve real-time, tamper-proof audit trails, improve audit quality, and ensure adherence to regulatory requirements. This article explores the technical framework of DAPs, their alignment with SAs, and practical steps for implementation in India. The discussion is structured to provide a detailed understanding of how blockchain can revolutionize the auditing profession, ensuring greater transparency, efficiency, and compliance with Indian auditing standards.

Introduction

The Standards on Auditing (SAs) in India lay down comprehensive principles to ensure that auditors maintain ethical conduct, impartiality, and a questioning attitude during engagements. These standards provide a robust framework for auditors to follow, ensuring that financial statements are free from material misstatements, whether due to fraud or error. However, traditional audit processes often fall short in terms of efficiency, accuracy, and transparency. Manual processes are prone to errors, and the risk of data tampering or loss is a significant concern. Moreover, the increasing complexity of financial transactions and the growing volume of data have made it challenging for auditors to maintain the same level of scrutiny and accuracy.

In this context, Decentralized Audit Protocols (DAPs), powered by blockchain technology, offer a transformative solution that aligns with the principles and requirements of Indian SAs. Blockchain, a decentralized and distributed ledger technology, provides a secure and immutable record of transactions. By leveraging blockchain, auditors can create a real-time, tamper-proof audit trail, ensuring that all financial transactions are accurately recorded and easily verifiable. This article examines how DAPs can help CAs meet the objectives of SAs while addressing the limitations of traditional audit methods. It also explores the technical framework of DAPs, their alignment with specific SAs, and practical steps for implementation in the Indian context.

Alignment with Indian Standards on Auditing (SAs)

SA 230, Audit Documentation

SA 230 emphasizes the importance of preparing proper audit documentation that provides a sufficient and appropriate record of the basis for the auditor's report. Traditional audit documentation processes are often manual, time-consuming, and prone to errors. In contrast, blockchain technology creates an immutable, real-time ledger of all financial transactions, ensuring that audit documentation is accurate, complete, and tamper-proof. Every transaction recorded on the blockchain is time-stamped and linked to previous transactions, providing a clear audit trail that satisfies the documentation

requirements of SA 230. This not only enhances the reliability of audit documentation but also ensures that it is readily available for review and verification at any time. It ensures that documentation is always up-to-date and accessible, thereby reducing the risk of non-compliance with SA 230.

For example, in a traditional audit, auditors may need to manually compile and verify documents, which can be time-consuming and prone to errors. With blockchain, all transactions are automatically recorded in real time, and the ledger is updated instantly. This eliminates the need for manual data entry and reduces the risk of errors. Additionally, the immutability of blockchain ensures that once a transaction is recorded, it cannot be altered or deleted, providing a reliable and tamper-proof record of all financial activities. This level of accuracy and transparency is crucial for meeting the documentation requirements of SA 230.

SA 240, The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

SA 240 requires auditors to identify and assess the risks of material misstatement due to fraud and to obtain sufficient appropriate audit evidence about the assessed risks, through designing and implementing appropriate responses and to respond appropriately to identified or suspected fraud. Fraud detection is a critical aspect of auditing, and traditional methods often rely on manual checks and sampling, which may not be sufficient to detect sophisticated fraud schemes. Blockchain's immutability ensures that once a transaction is recorded, it cannot be altered or deleted, significantly reducing the risk of fraudulent activities. Additionally, smart contracts, i.e. self-executing contracts, with the terms of the agreement directly written into code, can be programmed to flag suspicious transactions in real time. This enables auditors to respond promptly to potential fraud, enhancing their ability to detect and investigate

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fraudulent activities. The transparency of blockchain also allows auditors to trace transactions back to their source, providing a clear and verifiable trail that can be used to identify and address fraud.

For instance, if a company attempts to manipulate its financial records by altering transaction details, blockchain's immutability ensures that the original transaction remains intact. Any attempt to alter the transaction would be immediately flagged, and auditors can investigate the discrepancy. Smart contracts can also be programmed to monitor transactions for unusual patterns, such as large transfers to offshore accounts or frequent changes in transaction details. These automated checks provide an additional layer of security, helping auditors identify and address fraud more effectively.

SA 315, Identifying and Assessing Risks of Material Misstatement Through Understanding the Entity and its Environment

SA 315 requires auditors to identify and assess risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels through understanding the entity and its environment, including the entity's internal control, thereby providing a basis for designing and implementing responses to the assessed risks of material misstatement. Traditional risk assessment processes often rely on historical data and manual analysis, which may not provide a real-time view of financial transactions. Blockchain, on the other hand, provides a real-time view of financial transactions, enabling auditors to identify risks as they arise. The decentralized nature of blockchain ensures that data is distributed across

multiple nodes, reducing the risk of data manipulation or loss. This decentralized approach enhances the reliability of the data, making it easier for auditors to assess risks accurately. Furthermore, auditors can use blockchain analytics to identify patterns and anomalies in financial transactions, helping them assess risks more effectively and make informed decisions.

For example, if a company shows a sudden increase in transactions with a particular vendor, blockchain analytics can help auditors identify this trend and assess whether it poses a risk of material misstatement. The real-time nature of blockchain ensures that auditors have access to the most up-to-date information, allowing them to respond to risks promptly. Additionally, the decentralized nature of blockchain ensures that the data is not stored in a single location, reducing the risk of data loss or manipulation. This enhances the reliability of the data and provides auditors with a more accurate basis for risk assessment.

SA 330, The Auditor's Responses to Assessed Risks

SA 330 requires auditors to design and implement overall responses to address the assessed risks of material misstatement at the financial statement level. Traditional audit processes often involve manual risk responses, which can be time-consuming and prone to errors. Blockchain technology enables real-time monitoring of financial transactions, allowing auditors to respond to risks promptly. Smart contracts can automate risk responses, such as triggering additional verification steps for high-risk transactions. For example, if a transaction exceeds a certain threshold, a smart contract

“The decentralized nature of blockchain ensures that data is distributed across multiple nodes, reducing the risk of data manipulation or loss. This decentralized approach enhances the reliability of the data, making it easier for auditors to assess risks accurately.”

can automatically flag it for further review, ensuring that auditors can respond to risks in a timely manner. The transparency of blockchain also ensures that all stakeholders are aware of the auditor's responses, enhancing trust and accountability. This transparency is particularly important in today's regulatory environment, where stakeholders demand greater visibility into the audit process.

For instance, if a company is engaged in high-risk transactions, such as international trade or complex financial instruments, blockchain can provide real-time monitoring of these transactions. Smart contracts can be programmed to flag transactions that exceed certain thresholds or involve high-risk counterparties. This allows auditors to respond to risks promptly, ensuring that potential issues are addressed before they escalate. The transparency of blockchain also ensures that all stakeholders, including regulators and clients, have access to the audit trail, enhancing trust and accountability.

SA 500, Audit Evidence

SA 500 requires auditors to design and perform audit procedures to obtain sufficient and appropriate audit evidence to be able to draw reasonable conclusions on which to base the auditor's opinion. Traditional methods of gathering audit evidence often involve manual processes, which can be time-consuming and prone to errors. Blockchain technology provides immutable, verifiable records of all

financial transactions, ensuring that audit evidence is reliable and sufficient. The real-time nature of blockchain ensures that audit evidence is always up-to-date and relevant, reducing the risk of relying on outdated or incomplete information. Auditors can also use blockchain analytics to extract and analyze audit evidence more efficiently, saving time and improving the overall quality of the audit. By leveraging blockchain, auditors can ensure that they have access to the most accurate and reliable audit evidence, thereby enhancing their ability to draw valid conclusions.

For example, in a traditional audit, auditors may need to manually verify invoices, receipts, and other financial documents. This process can be time-consuming and prone to errors. With blockchain, all transactions are automatically recorded in real time, and the ledger is updated instantly. This eliminates the need for manual data entry and reduces the risk of errors. Additionally, the immutability of blockchain ensures that once a transaction is recorded, it cannot be altered or deleted, providing a reliable and tamper-proof record of all financial activities. This level of accuracy and transparency is crucial for meeting the evidence requirements of SA 500.

SA 700(Revised), Forming an Opinion and Reporting on Financial Statements

SA 700 requires auditors to form an opinion on the financial statements based on an evaluation of conclusion drawn from the audit evidence obtained and to express clearly that opinion through a written report. Traditional audit reports are often based on manual processes, which can be prone to errors and inconsistencies. Blockchain technology ensures that the audit evidence is accurate, complete, and tamper-proof, providing a strong basis for the auditor's opinion. The transparency of blockchain allows auditors to provide stakeholders with access to the audit trail, enhancing the clarity and credibility of the audit report. Stakeholders can verify

the accuracy of the audit evidence themselves, increasing their confidence in the audit report. Additionally, auditors can use blockchain to demonstrate compliance with SA 700(Revised), ensuring that their reports meet the highest standards of quality and transparency.

For example, in a traditional audit, stakeholders may need to rely on the auditor's word that the financial statements are accurate. With blockchain, stakeholders can access the audit trail themselves, verifying the accuracy of the financial statements. This level of transparency enhances the credibility of the audit report and increases stakeholder confidence. Additionally, the immutability of blockchain ensures that the audit evidence is tamper-proof, providing a strong basis for the auditor's opinion.

Implementation Framework for CAs in India

The implementation of Decentralized Audit Protocols (DAPs) in India requires careful planning and execution. The first step is to assess readiness, as outlined in SA 300, Planning an Audit of Financial Statements. Firms must evaluate their technological infrastructure and readiness to adopt blockchain-based solutions, ensuring alignment with the SA 300 emphasis on proper planning. This involves identifying the necessary resources, including technology, expertise, and training, to support the implementation of DAPs.

The next step is to choose a blockchain platform, as per SA 315, Identifying and Assessing Risks of Material Misstatement Through Understanding the Entity and its Environment. Firms must select a blockchain platform that meets their specific needs, such as Ethereum, Hyperledger, or Corda. Each platform has its own strengths and weaknesses, and firms must carefully evaluate these to ensure that the chosen platform aligns with their audit processes and risk management strategies.

Once a platform has been selected, firms must develop smart contracts, as outlined in SA 530, Audit Sampling. Smart contracts are a key component of DAPs, as they automate transaction verification and compliance checks. Firms should work with blockchain developers to create smart contracts that align with their audit processes, ensuring efficient sampling and verification as per SA 530.

Training is another critical component of the implementation process, as outlined in SA 220 - Quality Control for an Audit of Financial Statements. Firms must provide training for their staff on blockchain technology and DAPs to ensure smooth implementation and quality control. This training should cover both the technical aspects of blockchain and the practical application of DAPs in the audit process.

Finally, firms should start with a pilot program, as per SA 330, The Auditor's Responses to Assessed Risks. A pilot program allows firms to test DAPs on a small scale before rolling them out across their entire practice. This approach ensures that any issues can be identified and addressed before full implementation, reducing the risk of disruptions to the audit process.

Case Study: DAPs in Action in India

To better understand the practical application of DAPs, consider the case of a mid-sized accounting firm in India, which implemented DAPs to streamline its audit processes and enhance compliance with Indian SAs. The firm recorded all client transactions on a private blockchain in real time, ensuring that the data was accurate, complete, and tamper-proof. It also used smart contracts to automate compliance checks and flag discrepancies, enabling auditors to respond to potential issues promptly.

As a result of implementing DAPs, the firm reduced audit completion times by 40%, eliminated errors, and enhanced client trust. Its clients and regulators were provided with secure access

to the blockchain ledger, increasing transparency and accountability. This case study demonstrates the potential of DAPs to revolutionize the auditing profession in India, offering significant benefits in terms of efficiency, accuracy, and compliance with Indian SAs.

Challenges and Considerations

While DAPs offer significant benefits, their implementation is not without challenges. One of the primary challenges is the technical complexity of blockchain technology, as outlined in SA 620, Using the Work of an Auditor's Expert. Implementing DAPs requires expertise in blockchain technology, which may necessitate collaboration with IT specialists. Firms must ensure that they have access to the necessary technical expertise to support the implementation and maintenance of DAPs.

Another challenge is regulatory compliance, as outlined in SA 250, Consideration of Laws and Regulations in an Audit of Financial Statements. Firms must ensure that their use of blockchain complies with relevant accounting and data privacy regulations in India. This may involve working closely with regulators to ensure that DAPs meet all legal and regulatory requirements.

The cost of implementation is another consideration, as outlined in SA 320, Materiality in Planning and Performing an Audit. While DAPs offer long-term cost savings, the initial investment in technology and training can be significant. Firms must carefully assess the costs and benefits of implementing DAPs, ensuring that the investment aligns with their overall audit strategy.

Finally, client adoption is a key consideration, as outlined in SA 210, Agreeing the Terms of Audit Engagements. Firms must educate their clients on the benefits of DAPs to encourage adoption and collaboration. This may involve providing training and support to clients, ensuring that they understand how DAPs can enhance the

“ Client adoption is a key consideration, as outlined in SA 210, Agreeing the Terms of Audit Engagements. Firms must educate their clients on the benefits of DAPs to encourage adoption and collaboration. ”

audit process and improve the accuracy and reliability of financial statements.

Conclusion

Decentralized Audit Protocols (DAPs) represent a transformative solution for the auditing profession in India, offering unparalleled efficiency, accuracy, and transparency while aligning with the Standards on Auditing (SAs). By leveraging blockchain technology, CAs can address the limitations of traditional audits, enhance compliance with SAs, and position themselves as leaders in the digital age. As the accounting profession continues to evolve, DAPs will play a critical role in shaping the future of auditing in India. Firms that embrace this technology will be well-positioned to meet the challenges of the modern audit environment, ensuring that they can provide high-quality, reliable audits that meet the needs of their clients and regulators.

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Introduction

Regardless of the fact that social media's development has been beneficial to society, it has also had a detrimental impact on our lives because of the enormous pain it has caused us. In contrast to traditional media (newspapers, television, and radio), social media has given rise to a new news trend called "fake news," in which false or harmful information spreads quickly. According to a survey, social media has surpassed traditional media sources as the most popular and convenient communication tool, reaching a wider audience while decreasing their readership and viewership (Al-Quran, 2022). Fake news refers to fabricated content

Mitigating Deepfake-Based Financial Fraud: AI as a Defense Mechanism

The rise of deepfakes i.e., hyper-realistic videos that use artificial intelligence (AI) to show someone saying and doing things that never happened, is one of the most recent trends adding to the issue of financial frauds. This paper examines some past deepfake-based financial fraud cases, evaluates the effectiveness of AI-driven detection algorithms, and proposes strategies for mitigating such risks. By analyzing real-world case studies and testing state-of-the-art deepfake detection models, this research provides insights into improving fraud prevention mechanisms in the financial sector. According to the findings, deepfakes pose a serious threat to our financial ecosystem, business, and society, but they can be mitigated through legislation, regulations, corporate policies, voluntary action, education, and training.

designed to mislead the public, often mimicking legitimate news sources (Farhoudinia et al., 2025). In recent years, fake news has emerged as a significant threat to public discourse, and society (Di Domenico et al., 2021). Social media platforms are an important component of many users' social lives (Beckerle et al., 2020), but it's getting harder to tell fake news from real news as the volume of fake news content on social media platforms keeps rising. The ease with which misinformation spreads across online platforms has made it difficult to determine what is trustworthy, leading to serious consequences for informed decision-making (Britt et al., 2019). This phenomenon has contributed to what some researcher's term the "post-truth" era, where digital disinformation and coordinated misinformation campaigns aim to manipulate public perception (De Zeeuw, 2024).

Problem Statement

Cybercriminals exploit deepfakes to impersonate executives, manipulate

stock markets, and deceive financial institutions. For instance, in 2019, a UK-based energy firm was defrauded when criminals used an AI-generated voice clone of the CEO to instruct a subordinate to wire €220,000 to a supplier account, which was later found to be fraudulent. The attackers mimicked the CEO's German accent and voice inflections, making the request sound authentic. In 2020, one such attack involved a deepfake voice used to impersonate a company CEO, tricking a manager into transferring \$35 million to a fraudulent account.

In financial markets, manipulated video content has been spreading through social media platforms presenting fake statements from managers or regulators. These are made to exploit real-time responses to visual content in order to influence stock prices, create panic, or influence investor choices. Current fraud detection systems struggle to identify AI-generated content, making it crucial to develop advanced counter measures.

“Deepfakes are synthetically produced false pictures, sounds, and videos that are so realistic that they may fool people and companies, resulting in significant losses on a personal, financial, and professional level.”

Literature Review

According to Sharma and Kaur (2022), there are two main categories of deepfakes that are pertinent to financial fraud: video-based deepfakes (synthetic visual impersonation) and audio-based deepfakes (voice cloning). Voice cloning, which is frequently used to impersonate executives, mimics a person's distinctive voice characteristics in order to deceive others. Contrarily, video deepfakes use body language and facial expression manipulation to create realistic-looking film of people saying or doing things they never did. Gupta (2024) examines the moral implications of deepfakes, including privacy violations, disinformation, manipulation, and the decline in confidence in digital material, in order to highlight the two-pronged character of generative AI. Pang and Pavlou (2022) observe the impact of adding a video to a false news post on the number of people who report it to the site. They find that adding a video considerably boosts the number of individuals who report false information to the social media site. Furthermore, the impact of adding a video is lessened by the sentiment intensity of the false news text material, particularly when the emotion is positive. Khan et. al. (2024) investigate notable cases of deepfake usage in the financial sector and examine the intricate dynamics surrounding detection efforts. Their findings suggest that deepfake technology has the potential to upend the financial industry, presenting unique risks and challenges for a sector that depends on authenticity and confidence. Artificial intelligence-based software makes it

possible to produce clones that behave, speak, and look exactly like their models. Deepfakes, in which a clone of a famous person is made and their statements are altered, have the potential to be utilized maliciously more often these days (Pantserov, 2020).

Case Studies of Deepfake Financial Scams

i. CEO Impersonation Fraud

A rare instance of CEO fraud reportedly duped a UK based energy firm out of US\$243,000 using deepfake audio, which is an artificial intelligence (AI) generated audio. According to a report in The Wall Street Journal, the scammers imitated the voice of the CEO of the firm's parent company, situated in Germany, using speech-generating AI software in order to carry out an illicit money transfer. Posing as the CEO of the parent firm, the hackers called the CEO of the UK company. The CEO of the UK firm was promised payment, and the attackers asked that an immediate wire transfer be made to a supplier located in Hungary. Following the transfer, the funds were routed to an account in Mexico and subsequently other places, which made it more challenging to identify the scammers. The scammers later called the company again, claiming the initial payment had already been made, and requested another transfer. The CEO of the UK firm declined when he noticed the payment had not gone through. The scammers again tried to demand a follow-up payment on the third call. This incident highlights how, using a recent malware called “deepfake audio fraud,” hackers can misuse AI to create schemes that are more difficult to identify.

ii. Stock Market Manipulation

Deepfakes are synthetically produced pictures, audios, and videos that are so realistic that they may fool people and companies, resulting in significant losses on a personal, financial, and professional level. This is also true in the stock market, where a large number of gullible people who are not aware of deepfake technology are becoming

victims of these frauds. For example, a popular stock market website recorded an event on November 22, 2023, in which a customer narrowly escaped a fraud that could have costed them Rs 1.80 lakh. The company's CEO cautioned that the proliferation of AI-powered applications that can produce deepfakes is causing an increase in these fraudulent activities.

Regretfully, not everyone has been able to stay away from these frauds. A Hong Kong-based bank manager lost \$35 million (Rs 288.7 crore) in a similar event in 2020 as a result of a very convincing deepfake call. Using deepfake audio technology, the attackers pretended to be the director of a company that the manager knew and called, asking for a sizable transfer of money for a business purchase. The manager followed orders and transferred more than \$35 million (about ₹288.7 crore) to fictitious accounts because the voice sounded almost identical to that of the real CEO.

iii. Synthetic Identity Fraud

When real information is combined with false information to create a new synthetic identity, this is known as synthetic identity fraud. Due to its plausible appearance, this fake identity may be used to create accounts, make phone transactions, and more. One of the types of identity theft that is expanding the quickest is synthetic identity fraud. According to the Security Magazine, synthetic identity fraud affected 46% of organizations, in 2022.

- With over 50% reporting an increase in business fraud and over ⅓ reporting an increase in consumer fraud, fraud is on the rise for banks, fintechs, and credit unions.
- More fraud attacks and losses are being caused by increasingly complex fraud efforts. Banks are expected to lose \$40 billion by 2027 because of advancements in Gen AI.

The McKinsey Institute reports

| | Nature of Fraud | Modus Operandi | Technology used | Detection Gap | Impact |
|----------------------------------|---|---|---------------------------------------|-------------------------------------|---|
| CEO Impersonation Fraud | Social engineering fraud | Employee receiving call mimicking the voice of CEO for funds transfer | Deepfake voice cloning | Lack of multi-factor authentication | Loss of USD 35 million |
| Stock Market Manipulation | Dissemination of false corporate news | Employee video deepfake making strong declarations | Deepfake videos | No real-time monitoring | Temporary manipulation of stock prices |
| Synthetic Identity Fraud | Creation of fictitious digital identities to access loans | Use of AI-generated personal data | AI-generated face and voice synthesis | Insufficient biometric verification | Financial losses due to unsecured loans |

that synthetic identity fraud is a financial crime with the greatest rate of growth in the US and is also becoming more prevalent globally. In fact, at the moment, 85% of all frauds are synthetic identity frauds. By assembling pieces of a victim's personal information and fusing them with fictitious identifiers, scammers fabricate new identities in this kind of fraud. In essence, they construct a new identity by adding false information to fragments of authentic data. Since the goal of synthetic identity fraud is to fabricate a victim who does not exist in reality, organizations are finding it difficult to stop it.

The car loan sector is the most frequently targeted by synthetic identity fraudsters, which resulted in a 98% rise in efforts and an astounding \$7.9 billion in losses for the sector in 2023. According to Point Predictive's analysis of 180 million loan applications, approximately 75% of the dangers that car lenders face are related to credit cleaning, synthetic identities, and income and employment fraud.

Methodology: Testing the Deepfake Detection Algorithm

The usefulness of AI-based deepfake detection systems in financial services environments is the primary emphasis of this study, given the financial sector's susceptibility to deepfake-

enabled fraud. By using carefully selected datasets and testing models that identify deepfakes in audio and video communications commonly utilized in financial transactions, the methodology seeks to replicate popular financial fraud use-cases, such as executive impersonation and market manipulation.

i. FaceForensics++ (Video Deepfakes)

FaceForensics++ is a widely used benchmark dataset designed for evaluating and improving deepfake detection algorithms. It contains high-quality manipulated videos generated using multiple face manipulation techniques, including DeepFakes, Face2Face, FaceSwap, and Neural Textures. Researchers use this dataset to train and test AI-based detection models, making it a crucial resource for video forensics and cyber security.

- Multiple Manipulation Techniques: Includes deepfake methods such as:
 - DeepFakes – AI-generated face replacements.
 - Face2Face – Real-time facial reenactment.
 - FaceSwap – Swapping one face with another in a video.
 - Neural Textures – AI-driven texture-based manipulations.

- Different Compression Levels: The dataset includes videos in raw (high quality), lightly compressed, and heavily compressed formats, and allow models to generalize better across different video qualities.
- Benchmark for AI Detection Models: Used to test CNN-based deepfake detectors like XceptionNet, EfficientNet, and ResNet, as well as forensic models that analyze visual inconsistencies.

ii. Deepfake Detection Models

- XceptionNet (CNN-based)
- DeepSpeech + WaveNet
- Forensic Transfer Learning

XceptionNet (Extreme Inception) is a deep learning model based on depth wise separable convolutions, originally designed for image classification but highly effective in detecting deepfake videos. It uses Convolution Neural Networks (CNNs) to extract spatial features from video frames. It employs depth wise separable convolutions, reducing computational complexity while maintaining accuracy. The model is pre-trained on large datasets like FaceForensics++ and fine-tuned for detecting manipulated facial artifacts in deepfake videos. DeepSpeech + WaveNet are used for voice deepfake detection. DeepSpeech (by Mozilla) is a speech recognition model, while WaveNet (by DeepMind) is a text-to-speech (TTS) model. Together, they

can be used for detecting AI-generated voice deepfakes. DeepSpeech converts audio into text and analyzes inconsistencies in phonetic patterns and speech structure. WaveNet is a generative model for voice synthesis, and it can help detect AI-generated voices by comparing synthetic and real speech waveforms. Forensic Transfer Learning (FTL) is used for rapid fraud assessments in fintech to detect low-resource deepfakes with little historical data.

| Detection Model | Media Type | Accuracy | Detection Speed | Financial Relevance |
|----------------------------|---------------|----------|-----------------|---|
| XceptionNet | Video | 93.2% | Medium | Suitable for investor video call verification |
| DeepSpeech + WaveNet | Audio | 91.5% | High | Ideal for executive voice authentication |
| Forensic Transfer Learning | Audio + Video | 87.8% | Medium | Useful in low-data fintech environments |

Distinguishing Deepfakes from Synthetic Identity Fraud

While both uses artificial intelligence (AI) to deceive, synthetic identity fraud creates false digital identities by combining data, whereas deepfakes alter media material (such as audio and video impersonation). Comprehending this differentiation is essential for creating customized detection systems.

Findings

The study reveals that deepfake technology poses a significant and growing threat to the financial sector, with fraudsters exploiting AI-generated media to manipulate identities, forge communications, and deceive individuals and institutions.

- **Escalating Financial Risks** – Deepfake-based fraud is increasingly used for identity theft, impersonation scams, and financial manipulations, leading to substantial monetary losses for individuals and corporations.
- **Challenges in Detection** – While AI-driven deepfake detection models have improved, they struggle against rapidly evolving deepfake generation techniques, making real-time identification a persistent challenge.
- **Case Study Insights** – Analyzing real-world financial fraud cases involving deepfakes highlights gaps in current security protocols, emphasizing the need for advanced verification mechanisms.
- **Effectiveness of AI-Based Defense Mechanisms** – AI-

powered detection tools, such as deep learning algorithms trained on synthetic media datasets, have demonstrated moderate success in flagging manipulated content but require continuous updates to keep pace with emerging threats.

- **Regulatory and Corporate Gaps** – The absence of standardized global regulations and corporate policies addressing deepfake-related fraud contributes to inadequate legal deterrents and enforcement measures.
- **Mitigation Strategies** – A multi-layered approach, including regulatory interventions, corporate training programs, public awareness campaigns, and AI-driven fraud detection, is essential for reducing the impact of deepfake-based financial crimes.

Recommendations & Future Directions

- **Enhancing AI-driven fraud detection:** To combat deepfake-related fraud, improving the accuracy and efficiency of AI-based detection systems is critical. Current models such as XceptionNet (CNN-based), DeepSpeech+, WaveNet, and Forensic Transfer Learning have demonstrated significant potential in identifying manipulated media. However, these models must be continuously refined to reduce false positives, improve real-time detection capabilities, and withstand adversarial attacks. Advanced machine learning

“ While both uses artificial intelligence (AI) to deceive, synthetic identity fraud creates false digital identities by combining data, whereas deepfakes alter media material (such as audio and video impersonation). ”

techniques, such as self-supervised learning and adversarial training, can help enhance detection robustness and adaptability.

- **Regulatory frameworks:** Regulatory bodies must establish deepfake detection standards to help financial institutions implement secure and transparent fraud prevention measures. Government agencies and financial regulators should enforce compliance guidelines that mandate AI-based fraud detection systems, ethical AI usage, and cross-border cooperation in identifying and mitigating deepfake-related crimes.
- **User education and awareness:** A well-informed user base is the first line of defense against deepfake scams. Financial institutions must conduct regular training sessions for employees and customers on recognizing deepfake threats, verifying sources, and reporting suspicious activity. Strengthening

“AI-powered detection tools, such as deep learning algorithms trained on synthetic media datasets, have demonstrated moderate success in flagging manipulated content but require continuous updates to keep pace with emerging threats.”

cyber hygiene practices can significantly reduce the success rate of deepfake-driven fraud.

- **Blockchain for identity verification:** Decentralized authentication solutions, such as blockchain-based identity verification, offer an additional layer of security. By leveraging cryptographic security and immutable ledgers, blockchain can help prevent identity fraud, account takeovers, and unauthorized transactions caused by deepfake attacks. Financial institutions can integrate blockchain with biometric authentication to ensure secure and tamper-proof identity verification. Therefore, its role in combating deepfake media is more aligned with preventing synthetic identity fraud than detecting audiovisual forgeries.

Conclusion

Deepfake technology, powered by advanced artificial intelligence (AI) and deep learning, has emerged as a significant threat to financial security. By leveraging generative adversarial networks (GANs) and sophisticated voice synthesis models, deepfake attacks can manipulate videos, audio, and images to create realistic yet fraudulent content (Ke et al., 2025). This poses serious risks in financial transactions, identity verification, social engineering scams, and misinformation campaigns

targeting financial institutions and individuals. As deepfake technology continues to evolve, AI-based detection systems have become essential tools in mitigating these risks. Despite these advancements, deepfake detection systems face several limitations, including susceptibility to adversarial attacks, dataset biases, and the continuous improvement of deepfake generation techniques. As fraudsters refine their methods, detection models must constantly evolve to stay ahead. To strengthen financial fraud prevention, a multi-layered security approach integrating AI-based detection, blockchain for secure transactions, biometric authentication, and regulatory frameworks is necessary. This study explores the effectiveness of existing deepfake detection methods, evaluates their limitations, and proposes a strategic roadmap for enhancing financial security. By combining AI-driven detection techniques with proactive fraud prevention strategies, financial institutions and policymakers can better protect against the growing risks posed by deepfake technology.

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A Primer on Robo-advisory Platforms

Robo-advisory platforms have emerged as valuable tools in India's investment landscape, significantly enhancing accessibility to financial planning for a broader audience. While they present exciting opportunities, it is important to address the regulatory and operational challenges that accompany their growth. By navigating these challenges thoughtfully, we can foster a more robust and inclusive financial ecosystem. The SEBI (Investment Advisers) Amendment of December 2024 represents a significant advancement by clarifying that advisers are accountable for algorithm-driven recommendations, stringent disclosure standards, and registration

Robo-Advisory: Audit Framework, Tax Implications & Practice Opportunities for Indian CAs

Robo-advisors, or automated online investment advisors, are rapidly gaining popularity. This article provides Chartered Accountants (CAs) working with robo-advisory platforms in India with a practical and up-to-date framework. This article lays out a complete audit, tax, and advisory framework for CAs, taking into account recent changes to the law, such as the SEBI (Investment Advisers) Amendments 2024, the updated RBI KYC Master Directions 2023, and the most recent CBDT/GST notifications. The "Robo-Advisory Assurance Model" (RAAM) is a new, risk-based framework that focuses on algorithm validation, cybersecurity, data privacy, revenue/tax compliance, and investor protection. It also looks at the new legal requirements for audits (SOC-1/SOC-2), the effects of GST and TDS on advisory fees, and useful templates to help CAs evaluate digital controls, model risks, NAV-feed reliability, and hybrid advisory models. This makes it clear that Indian CAs can go beyond basic compliance to provide value-added assurance and advisory services in the fast-changing robo-advisory field.

and qualification criteria (SEBI, 2024; ELP Law, 2024; Fox Mandal, 2025). The RBI KYC Master Directions (Reserve Bank of India, 2023) and the CBDT's 2025 guidelines on technical waivers for TDS defaults (CBDT, 2025) contribute to this regulatory momentum. The IFSCA's 2025 TechFin regulations for GIFT City entities establish a cohesive perpetual licensing framework (IFSCA, 2025).

Previous studies on robo-advisory services have frequently examined global or outdated regulatory frameworks. Currently, it is essential to be familiar with the latest compliance mandates and the application of new audit frameworks, such as SOC 1 and SOC 2 (Yubi, 2023; Liventus,

2024). As hybrid human-robot models proliferate and novel investor protection mechanisms arise (Rao & Lakshmi, 2024; Saraswat & Dhall, 2024), Chartered Accountants must meticulously audit algorithmic governance to ensure that models are validated, assessed for precision, and that NAV-feed/data integrity is unimpeachable. Moreover, advisory fees incur an 18% GST, necessitating that CAs verify the accuracy of invoices, confirm the correctness of input credits, and ensure regular revenue recognition (Bajaj Finserv, 2024). Beginning in 2025, the TDS system will apply to platform-based digital receipts under Sections 194-O and 194R. Practical provisions will be made for technical defaults, necessitating that Chartered

Accountants excel in both audit and compliance rectifications (CBDT, 2025). For platforms operating through IFSCA Gift City, documentation for tax holidays and SEZ/DTA delineation has become a significant component of GST and direct tax practices (IFSCA, 2025). The objective of this article is to address significant deficiencies in knowledge and practice by:

- The Robo-Advisory Assurance Model (RAAM) is a practical framework that integrates the latest regulations about operations, information security, and compliance.
- Offering controls, checklists, and templates by Indian legislation and international best practices (SEBI, 2024; RBI, 2023; CBDT, 2025; IFSCA, 2025; Stradegi, 2018).
- Chartered Accountants can provide significant value beyond mere compliance by engaging in areas such as algorithm auditing, cyber-assurance, GST/TDS optimization, and developing hybrid advisory models (Mittal et al., 2025; Yubi, 2023; Liventus, 2024). A brief detail of Robo-advisors' operation is depicted in figure 1.

A New Era of “Robo-Advisors”: Primary Case Studies

Recent case studies in India demonstrate how people are utilizing robo-advisors and the issues that arise with these digital platforms. A study that focused on primary research and drew on information from senior professionals in banking, fintech, and information technology found that

most robo-advisor users in India are younger investors, particularly those between the ages of 20 and 40. For this group, ease of use and perceived benefit are more important than trust when making a decision. Trust is still important, but it comes in second place. Older investors, on the other hand, are more cautious because they are concerned about privacy and the fact that fully automated advice does not involve human interaction (Rao & Lakshmi, 2024; Mittal et al., 2025).

The market penetration data from these studies indicate that robo-advisory platforms are proliferating; however, Indian companies still have fewer assets under management and less user trust than their counterparts in other countries. Only about 29% of Indian investor assets are managed by domestic robo-advisors. This is mainly because people remain uncertain about the transparency and security of the data (Mittal et al., 2025; Saraswat & Dhall, 2024).

Another issue that has arisen frequently is the demand for hybrid advisory services, which combine algorithm-driven analysis with the option to consult a human advisor. Users, especially those with complex or large portfolios, prefer platforms that enable them to automate tasks and also connect with experts when making significant financial decisions or when the market is volatile (Mittal et al., 2025).

Lastly, the case studies demonstrate that the current rules, which are primarily based on SEBI's investment advisor standards, are

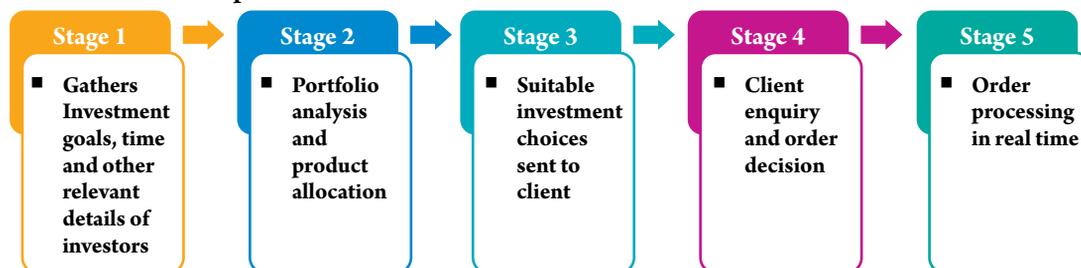
insufficient in addressing the specific risks associated with fully digital robo-advisory services. Algorithmic decision-making, data privacy, and the lack of precise investor recourse mechanisms remain issues that require targeted policy changes. Still, these platforms are helping people learn more about money by combining educational content with real-time information. However, outreach to less-educated and non-urban groups needs to be improved (Saraswat & Dhall, 2024; Rao & Lakshmi, 2024; Mittal et al., 2025).

How Chartered Accountants (CAs) Can Audit and Advise on Robo-Advisors?

The rise of robo-advisors has significantly altered the way investment management and financial advice are conducted, creating new challenges for audits and regulations. The fact that they make decisions based on algorithms instead of people and that the market quickly adopts them means that Chartered Accountants (CAs) need to carefully look at how the platform works, how it follows the rules, and how it makes sure that everyone is following the rules (Mittal et al., 2025; Saraswat & Dhall, 2024).

- **Regulatory and SEBI Compliance:** CAs play a crucial role in ensuring that robo-advisory platforms adhere to the SEBI (Investment Advisors) Regulations, 2013, as well as new rules regarding algorithmic transparency, suitability testing, client disclosures, and data retention. This oversight is crucial

Figure 1: Robo-advisors' operation



Source: Inc42 Plus web

because digital platforms must maintain detailed records of client risk profiles, recommendation logic, and transactions to comply with the legal requirements that are verified during compliance checks (Mittal et al., 2025; Rao & Lakshmi, 2024).

- **GST and Accounting Considerations:** Since robo-advisory services are often delivered digitally and on a subscription basis, CAs need to help platforms determine their GST obligations for advisory and management fees, as well as verify that clients' claims for input credits are accurate. They also ensure that all digital transactions are accurately recorded in financial statements and assist with the smooth reconciliation of indirect tax reporting (Rao & Lakshmi, 2024).

- **Checking Algorithmic Decision-Making:** CAs should check the following because robo-advisors use their algorithms to build portfolios and automatically rebalance them:

- i. The creation, testing, and regular review of algorithms to make sure they are fair and compliant.
- ii. Digital audit trails are the primary source of evidence for statutory and regulatory audit procedures (Mittal et al., 2025).

- **Pain Points for Clients and CAs:** CAs often struggle to explain how algorithms work, and they may be hesitant to be transparent about why they charge specific fees, how they communicate with investors, and how they make decisions. It is also important to review the KYC and AML systems built into these

platforms. This is because digital onboarding and automation can make it easier for people to break the rules if they are not designed well (Saraswat & Dhall, 2024).

- **Increasing the Value of Advisory Services for Investors:** CAs help clients both individuals and institutions to understand how robo-advisors' services fit with policy requirements and risk profiles. They also examine how these services impact audit trails, tax disclosures, and performance evaluations. They also provide guidance on how to balance the returns and risks of robo-advisory strategies, particularly when preparing financial statements or during regulatory audits (Mittal et al., 2025).
- **Importance of Statutory Audit:** During statutory audits, CAs

Table 1: Chartered Accountants Auditing and Advising Robo-advisor Platforms Templates

| Audit Area | Key Compliance/Accounting Checks | Required Evidence | Typical Accounting Entries/Implications | Audit Procedures | Pass/Fail |
|---|---|--|--|---|-----------|
| Regulatory (SEBI) Compliance | Valid SEBI registration; documented client onboarding, risk profiling, suitability; client disclosures on fees, risk, conflicts | SEBI registration certificate; client profiles & KYC; risk assessment reports; disclosure statements | None directly; non-compliance impacts financial statement disclosures and regulatory fines risk | Verify SEBI certificate; sample client files; review disclosures; validate algorithm audit reports | Pass/Fail |
| Advisory Fee Revenue Recognition | Accurate revenue recognition on an accrual basis; correct fee classification; proper GST accounting and reporting | Invoices; contracts with fee structure; GST returns; bank receipts | Example journal entry on billing: Dr A/R, Cr Advisory Income, Cr GST, etc., Deferred income for periodical recognition if applicable | Trace invoices to ledger and bank; verify GST returns against tax paid; assess revenue deferral rationale | |
| GST & Tax Compliance | Correct classification of advisory services; input tax credit validation; reconciled GST returns with accounting records | GST returns, invoices; and input credit documentation | Proper segregation of taxable advisory service revenue and correct GST filing | Match GST returns with ledger & invoices; review input tax credit claims | |
| Algorithmic Controls & Audit Trail | Algorithm validation/documentation; immutability and completeness of audit trails | Algorithm design & validation reports; system logs; data retention policies | No direct accounting entries; critical for supporting the reliability of advisory fees and disclosures | Review algorithm audit reports; validate integrity and availability of digital logs | |
| KYC/AML & Digital Record Keeping | Robust KYC/AML checks compliant with SEBI/RBI; comprehensive digital record retention | KYC/AML reports; client digital files; system retention and retrieval logs | Impact on client acceptance risk and regulatory compliance disclosures | Inspect samples of KYC/AML files; verify retention and accessibility of client data | |

verify the robustness of robo-advisors' digital records, ensure that compliance systems are up to standard, and confirm that the algorithmic models used for investment decisions align with client mandates and current laws. There is a strong focus on ensuring that records are kept accurately, that audits can be conducted, and that algorithmic biases or mis-selling risks are minimized (Rao & Lakshmi, 2024; Saraswat & Dhall, 2024).

The comprehensive, integrated Table 1 provides CAs with the tools they need to conduct thorough, cross-functional audits and advisory assessments with confidence, ensuring that robo-advisory operations are accurate, compliant, and transparent. It is also essential to include the most recent regulatory updates that will take effect starting in June 2025.

- In December 2024, the Securities and Exchange Board of India (SEBI) released the Second Amendment to the Investment Advisers Regulations, introducing numerous changes. These changes include a more precise definition of "investment advice" that excludes insurance or non-security products, mandatory minimum qualifications for principal officers, and a deposit requirement instead of net worth requirements. The change makes it clear that investment advisers are responsible for ensuring that advice provided by AI or algorithmic systems is accurate, safe, and complete. It also lets companies collect advance fees for up to a year, as long as they follow specific rules. This means they need to be clear about how they do this and follow the proper accounting rules. CAs must verify that these rules are being followed by reviewing regulatory filings, disclosures, the educational backgrounds of key staff, and the policies for collecting fees (SEBI, 2024).
- In March 2025, the Central Board of Direct Taxes (CBDT) issued Circular 05/2025, which discussed waiving interest and

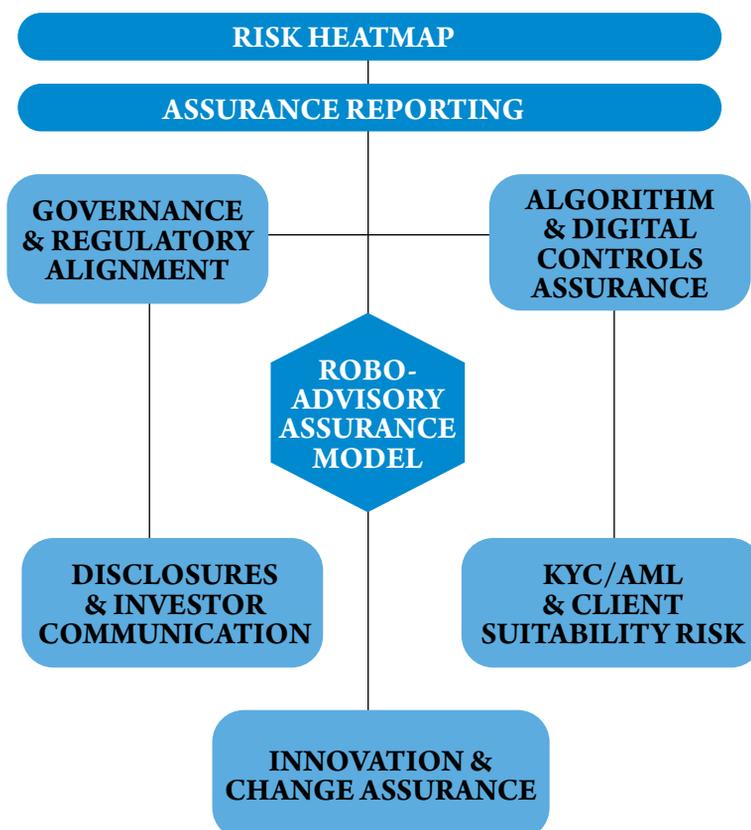
penalties for Tax Deducted at Source (TDS) payments that were late due to technical issues. This circular enables businesses, including robo-advisors, to request retroactive waivers of TDS interest and penalties, provided they comply with the rules and meet specific deadlines. From an accounting perspective, this may involve adjusting interest expenses or provisions that have already been recognized. To ensure that any waivers are accurately reflected in the financial records, CAs should verify TDS ledgers, letters, and application documents (CBDT, 2025).

- The International Financial Services Centres Authority (IFSCA) has also been introducing additional rules for businesses operating in GIFT City. By the middle of 2025, streamlined licensing processes and compliance portals (like SWIT) will be in place.

These will provide fintech and robo-advisory companies with tax breaks, including a 10-year income tax holiday, GST exemptions, and lower capital gains taxes. To retain these benefits, however, you must adhere to IFSCA rules regarding cybersecurity, KYC/AML, reporting standards, and conduct business activities that are permitted within the International Financial Services Centre. Because of this, CAs must verify the licensing status, compliance filings, tax benefit claims, and operational structures that distinguish between SEZ or DTA functions (IFSCA, 2025).

Figure 2 illustrates the conceptual model (RAAM) that can guide CAs to systematically assess, monitor, and report on all novel risks and assurance dimensions inherent to digital investment advisory platforms in India's dynamic regulatory environment.

Figure 2: Robo-Advisory Assurance Model (RAAM)



Ensuring Technical Soundness in Robo-Advisory Platforms

■ **Algorithmic Assurance:** Robo-advisors use complex algorithms to make investment decisions and manage portfolios automatically. To be technically sound, these algorithms must be carefully designed, regularly tested for accuracy and fairness, and validated by a third party. There needs to be controls in place to identify and correct model drift, biases, or anomalous outputs. It is essential to manage “model risk” because an algorithm that is not monitored could provide incorrect advice,

sell the wrong products, or erode clients’ trust. SEBI’s most recent changes also hold financial advisors responsible for any advice they provide, even if it is based on an algorithm. This highlights the importance of human oversight, documentation, and clear audit trails for all algorithm changes (Mittal et al., 2025; Saraswat & Dhall, 2024).

■ **Cybersecurity and Data Privacy:** A technically sound platform adheres to strict cybersecurity protocols to prevent breaches, data theft, and service interruptions. This includes measures such as firewalls, end-to-end encryption, network intrusion detection, secure

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coding practices, remote access controls, and regular penetration testing. Robo-advisors handle sensitive personal and financial information, so it is crucial to implement data privacy controls such as encryption, role-based access, retention, and minimization to prevent unauthorized access, comply with data protection laws, and adhere to regulations (SOC 2 framework).

Table 2: SOC 1/ SOC 2 Matrix

| Control Objective | Key Control Activities | Risks Mitigated | SOC Framework |
|---|---|--|---------------|
| Algorithm Integrity & Model Risk | Periodic independent validation; model change controls; anomaly monitoring | Model drift, mis-selling, reputational risk | SOC 1 / SOC 2 |
| Cybersecurity | Network monitoring; penetration testing; firewalls; endpoint security | System/data compromise, malware, service disruption | SOC 2 |
| Data Privacy & Confidentiality | Encryption, strict access controls, periodic audits | Data leaks, compliance violations | SOC 2 |
| Access Controls | Multi-factor authentication; least-privilege; timely deprovisioning | Insider/ unauthorized access | SOC 1 / SOC 2 |
| Incident Management | Documented response plan; continuous alerting; remediation reviews | Delayed/ ineffective response, escalation | SOC 2 |
| Change Management | Change approvals; segregation of development/ production; monitoring and rollback | Errors, unauthorized changes, and reduced platform reliability | SOC 1 / SOC 2 |
| System Availability & Business Continuity | Backups, DR sites; uptime monitoring, regular testing | Downtime, data loss, service interruptions | SOC 2 |



- **SOC 1 and SOC 2 Controls Matrix:** Table 2 shows control objectives, control activities, risks that have been reduced, and SOC frameworks that can be used for audit and assurance in a systematic way.

Helpful Notes for CAs:

- Digital audit trails and algorithm validation are significant because they protect against technology risks that are not present in traditional advisories.
- When recording advisory fee income, it is important to do so on an accrual basis and with the proper GST treatment. This is because prepaid fees often require the recording of deferred income.
- To avoid legal or financial penalties, it is essential to ensure that the advisory platform complies strictly with SEBI rules regarding disclosures and client profiling.
- KYC/AML compliance audits are the first line of defense against fraud and money laundering on digital platforms.

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Behavioral Finance Demystified: Essential Insights for Everyone

For a long time, the field of Finance has explored the idea of an "efficient market," with many researchers challenging traditional financial theories. Over time, the focus has shifted from the hypothetical concept of a "rational man" to the reality of normal, sometimes irrational, human behaviour. People have increasingly acknowledged the significant influence of psychology on investment decisions. Consequently, with the development of prospect theory and the work of influential figures like Thaler, Shefrin, and Michael Pompian, the field of Behavioral Finance gradually took shape. Investor choices in the stock market significantly shape market trends, which in turn impact the economy. Besides factors like company news and major economic events (budgets, government decisions, policies, interest rates), stock prices fluctuate rapidly. Therefore, behavioural factors are crucial in influencing how investors make decisions. As this field of Behavioral Finance grows, it's essential for all investors to understand its fundamentals to potentially increase their profits and growth.

Introduction

The human mind is complex and people are multi-faceted in all aspects, from eating to going to their work. Money and investing are part of the intricate web of the human mind (Pompian, 2012). Moreover, their attitude and habits influence the pattern and nature of investing they do. Behavioral finance draws insights related to the complex human mind from psychology to the field of finance. By recognizing that the biases of market participants have foreseeable impacts on prices, behavioral finance adds a human perspective to the study of financial markets. It introduces a powerful supplementary tool for understanding these markets, rather than replacing the standard rational view.

The field of behavioral finance, which applies psychological insights to financial matters, has gained significant attention, particularly after the tech bubble burst in 2000 and the 2008 global crisis. It examines how psychological factors shape investment decisions and how these decisions ultimately affect stock prices and general market movements. As an alternative to standard models, prospect theory provides a better account of observed behaviour and has discovered that human judgement may take heuristic shortcuts that systematically diverge from basic principles of probability.

Behavioral Finance is primarily divided into two categories, such as Behavioral

Finance Micro and Behavioral Finance Macro.

- 1. Behavioral Finance Micro (BFMI)** focuses on the irrational behaviours and cognitive biases of individual investors. It compares these real-world behaviours to the perfectly rational "economic man" (Homo economicus) envisioned in classical economic theory.
- 2. Behavioral Finance Macro (BFMA)** detects and describes anomalies and irregularities in the efficient market hypothesis that behavioral models may explain. It looks at the collective behavior of groups of investors.

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Behavioral finance holds significant importance by offering a more realistic and nuanced understanding of financial markets and individual decision-making. Unlike traditional finance, which often assumes perfect rationality, behavioral finance acknowledges that psychological biases, emotions, and cognitive shortcuts profoundly influence investors.

Emergence and Foundation

The Capital Asset Pricing Model, the Efficient Market Hypothesis, and other rational financial theories initially appeared to effectively predict and explain certain market events, supported by both theory and evidence. However, over time, researchers in finance and economics uncovered anomalies and behaviours that existing theories struggled to explain. While the theories of standard finance offered explanations for idealized scenarios, the real marketplace was more chaotic, with participants often demonstrating unpredictable behavior. Thus, the wide cracks that had opened between the theory and the evidence of standard finance paved the way for behavioural finance. In contrast to standard finance, which assumes people as rational, behavioral finance assumes people to be normal (Statman, 2014). The major foundation of behavioural finance is this normality of human beings. It also believes that markets are not efficient, though they are hard to beat. Behavioral thinkers such as Prof. Richard Thaler, Prof. Hersh Shefrin, Prof. Daniel Kahneman, Vernon Smith, Amos Tversky and other prominent

personalities in this field began to think from the perspective of common irrational traders. Prof. Kahneman together with Amos Tversky (1979) formulated prospect theory, which laid the foundation of behavioral finance. In this theory, they explain that when faced with uncertainty, people consistently make decisions that deviate from what standard theory would predict. Prospect theory proposes that people evaluate outcomes relative to a reference point. It states that individuals tend to feel the pain of a loss more strongly than the pleasure of an equal gain. Thus, they tend to overweight small probabilities (attractiveness toward lottery tickets and insurance) and underweight moderate and high probabilities (leading to risk aversion in gains and risk-seeking in losses).

Normal Investors

Investors were considered rational from the perspective of standard finance. The notion of rational investors posits that they are free from cognitive and emotional errors and consistently prefer more wealth to less. Contrary to the notion of perfectly rational individuals, normal investors have a range of utilitarian, expressive, and emotional needs. They also possess varying degrees of understanding, falling somewhere on a spectrum from less knowledgeable to more knowledgeable. Normal investors, unlike rational ones, are not immune to cognitive errors and misleading emotions (Statman, 2014). Statman (1999, 2011) outlines three types of benefits that normal investors seek: utilitarian, expressive, and emotional. Utilitarian benefits relate directly to the question of what a product or service does for our personal well-being and our financial situation. Expressive benefits relate to how our choices reflect our values, tastes, and status, both in our own eyes and in the eyes of others. They address the question: *What message does this send about who I am?* Emotional benefits, as the name suggests, relate to how something makes us feel. They address the core question of its emotional impact on us.

Market Anomalies

Eugene Fama, one of the proponents of the efficient market theory, convincingly argued that in a securities market where many investors are well-informed, investments will be priced accurately, reflecting all the information that is available. Thus, in an efficient market, all investors will be rational and the market price will truly reflect the intrinsic value of the securities. Anomalies are empirical findings that challenge the concept of market efficiency. Fundamental Anomalies, Technical Anomalies, and Calendar Anomalies are among the most important. Fundamental anomalies are the inconsistencies that arise when a stock's performance is examined relative to a fundamental analysis of its intrinsic value. The consistent tendency among investors to overestimate growth companies and underestimate undervalued ones is an example of this type of anomaly. Technical analysis includes a range of techniques that aim to forecast the future prices of securities by analyzing past price movements. Sometimes, this analysis uncovers patterns that seem to contradict the efficient market hypothesis, and these are referred to as technical anomalies. One calendar-related irregularity is known as the





“January Effect.” Historically, both the overall stock market and, especially, smaller company stocks have shown unusually high returns during the month of January. Research has also identified a “Turn-of-the-Month Effect,” where stocks tend to generate higher returns during the final day of each month and the first four days of the following month, compared to the rest of the trading days.

Behavioural Biases

“If you don’t know who you are, the stock market is an expensive place to find out.”
—Adam Smith, *The Money Game*.

Behavioral biases are simply errors in judgment that people commit due to their mental processes that are not entirely rational. Humans are prone to these biases because the mental shortcuts or heuristics we use are often imperfect. These can ultimately lead to illogical decisions. Behavioral biases can be categorized as cognitive or emotional, and both can lead to irrational judgments. Cognitive biases arise from flawed reasoning, so improved information and advice can frequently help individuals correct them. Examples of cognitive biases include heuristics like overconfidence bias, anchoring bias, availability bias,

representativeness bias and so on. Emotional biases arise from impulse and intuition, making them difficult to rectify, and they include biases such as loss aversion, regret aversion, etc.

Cognitive Errors and Investors

Cognitive factors are related to how people organize knowledge, whereas emotional factors are linked to how people feel about their knowledge. Cognitive biases stem from the way people think. (Shefrin, *Beyond Greed and Fear*, 2002). Thus, these are memory errors common to all human beings. Cognitive biases are of several types. Framing bias leads investors to mistakenly view trading like practicing tennis against a wall, rather than competing against potentially more skilled traders, such as insiders. Even when investors realize they’re up against skilled opponents, overconfidence bias can lead them to overestimate their own abilities. Hindsight bias tricks them into believing they could have predicted past market events, leading to unwarranted confidence in future predictions. Furthermore, confirmation bias fools some into believing that outperforming the market is easy due to the prevalence of success stories they hear, while overlooking the greater likelihood of hearing about wins rather than losses.

Emotional Biases

We frequently hear that we should exclude emotions from our investment choices. However, this is both unrealistic and unwise. As human beings are inherently emotional, the decisions they take cannot be separated from their emotions. Inner emotions, intuitions, impulses, and feelings give rise to emotional biases. Essentially, they relate to how we feel. Consequently, emotions can cause investors to make suboptimal investment choices. The tendency of investors to hold loss-making stocks and sell profit-making stocks (loss of aversion bias) occurs as a result of this dilemma. Feelings like fear and sadness exemplify these biases, which

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are difficult to correct due to their irrational and spontaneous nature.

Overcoming Biases

All people are susceptible to behavioral biases, which are essentially blind spots that affect our decisions. Some individuals overestimate their capabilities; some give too much priority to insignificant matters, and others attribute excessive value to what they own. Adequate awareness regarding biases is very vital for making proper decision. It is better to make investment decisions when one is not under the sway of strong feelings, as emotions can negatively affect them. Reviewing past errors and making proper empirical analysis can also help reduce these biases. Excessive trading and underestimating downside risks can also adversely affect the investors. Proper diversification of the portfolio primarily helps overcome the severity of biases. A forward-thinking approach and the development of an independent investment strategy can empower investors to make informed decisions and thus enhance their financial outcomes.

Behavioral Portfolio

Behavioral portfolio theory is a framework that explains both how portfolios are built and the goals behind them. Its central idea is that investors’ goals dictate the way their portfolios are structured. Mean-variance portfolio theory is the cornerstone of standard or traditional finance, attributed to Markowitz (1952a, 1959), whereas behavioral portfolio theory, described

“ Behavioral finance has enhanced our understanding of how individuals assess the value of assets across various markets. Behavioral investing is the practice of using insights from behavioral finance to achieve better portfolio returns. ”

by Shefrin and Statman (1987, 2000), is the theoretical basis of behavioral finance. A behavioural portfolio is one that is created by a normal investor by incorporating individual goals, emotional factors, and psychological biases. Investors construct their portfolios in mental accounts (in different layers), each containing different goals. These goals can vary significantly between individuals and might include retirement income, payment on a house, education expenses, and so on. A certain percentage of return is targeted rather than focusing solely on maximum returns. Thus, it incorporates the impact of cognitive and emotional biases on portfolio construction. For example, loss aversion might lead investors to hold on to underperforming assets in one layer to avoid losses, while overconfidence might lead to excessive risk-taking in another layer.

Behavioural Investing

Behavioral finance has enhanced our understanding of how individuals assess the value of assets across various markets. Behavioral investing is the practice of using insights from behavioral finance to achieve better portfolio returns. It acknowledges and incorporates the impact of psychological biases and emotional influences on investors' decision-making. Investors using a behavioral approach start building their portfolios by mentally dividing them into separate accounts, visualized as layers in a portfolio pyramid, often called

mental accounting 'buckets'. These accounts serve specific purposes, such as a 'downside-protection' account to guard against financial hardship, and an 'upside-potential' account to pursue wealth. Thus, behavioral investing, which is based on behavioral pricing models considers utilitarian, expressive and emotional benefits.

Conclusion

Normal humans are imperfect. Psychological and emotional factors such as happiness, fear, regret etc. are a constant part of human nature. Misleading emotions, such as fear, can compel investors to sell when the market hits its lowest point by increasing perceived risk and decreasing expected returns. Similarly, exuberance can cause investors to buy at market tops by diminishing the perceived risk and increasing the anticipated future returns. Understanding the interplay between our brains and emotions is key to managing our emotional responses. While greater awareness of these psychological effects won't eliminate them, it will make you more conscious of their presence in investment scenarios. Fundamentally, behavioral finance explores how individuals make financial decisions. This has implications not only for financial markets but also for corporate strategy, investor actions, and personal financial planning. Understanding these human psychological factors and biases allows us to make smarter and more informed investment choices and better comprehend the behavior of others and the markets themselves.

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Q Whether a member in practice can be a Director Simplificator of a company?

Yes, a member in practice is permitted generally to be a Director Simplificator in a company provided he is not a Managing Director or Whole-time Director and is required only in the Board Meetings of the company and not paid any remuneration except for attending such meetings. Specific permission of the Council is not required in this regard.

Q Whether a Firm of Chartered Accountants can undertake the assignment of Management Consultancy Services of a company where a partner of the Firm is a Director Simplificator?

Yes, it is permissible for a Firm of Chartered Accountants to undertake the assignment of Management Consultancy Services of a company where a partner of the firm is a Director Simplificator.

Q Whether a member can accept audit of a company where the relative of the member is a director in the company?

No, since a member is not eligible for appointment as an auditor of a company as per Section 141 (3) (f) of Companies Act, 2013, if his relative is a director, or is in the employment of the Company as a director, or key managerial person.

Q Whether a person who is a director or officer of an entity shall be qualified for appointment as auditor of that entity?

As per paragraph R523.3 of Volume-I of Code of Ethics, a partner or employee of the firm or a network firm shall not serve as a director or officer of an audit client of the firm.

Further, as per Section 141(3)(b) of the Companies Act, 2013, an officer or employee of the company or a person who is a partner, or who is in the employment, of an officer or employee of the company, shall not be eligible for appointment as an auditor of a company.

Q Whether a member in practice can become a whole-time director of a Company?

No, members in practice are not allowed to become whole-time Director of a company generally. However, a member in practice may become a Managing Director or a whole-time Director of a body corporate subject to the Council Guidelines of Corporate Form of practice.

Q Whether Companies in which Chartered Accountants have been appointed as directors on their Board can publish descriptions about the Chartered Accountant's expertise, specialization and knowledge in any particular field or add appellations or adjectives to their names in the prospectus or public announcements issued by these companies?

The Council's attention has been drawn to the fact that more and more companies are appointing Chartered Accountants as directors on their Boards. The prospectus or public announcements issued by these companies often publish descriptions about the Chartered Accountants' expertise, specialization and knowledge in any particular field or add appellations or adjectives to their names. Attention of the members in this context is invited to the provisions of Clause (6) and (7) of Part I of the First Schedule to the Chartered Accountants Act, 1949.

In order that the inclusion of the name of a member of the Institute in the prospectus or public announcements or other public communications issued by the companies in which the member is a director does not contravene the above noted provisions, it is necessary that the members should take necessary steps to ensure that such prospectus or public announcements or public communications do not advertise his professional attainments and also that such prospectus or public announcements or public communications do not directly or indirectly amount to solicitation of clients for professional work by the member. While it may be difficult to lay down a rigid rule in this respect, the members must use their good judgement, depending upon the facts and circumstances of each case to ensure that the above noted provisions are complied with both in letter and spirit.

It is advisable for a member that as soon as he is appointed as a director on the Board of a company, he should specifically invite the attention of the management of the company to the aforesaid provisions and should request that before any such prospectus or public announcements or public communication mentioning the name of the member concerned, is

issued, the material pertaining to the member concerned should, as far as practicable be got approved by him.

Q Whether a member may put CA Logo on his website on the same background colour as that of the website?

As per Logo Guidelines issued by ICAI, in the CA logo, the background colour of Logo has to be white. It is to be complied with accordingly, irrespective of the background colour of website.

Q Whether a member in practice can use the designation of director of a company?

No, as per commentary under section 7 of the Chartered Accountants Act, 1949 appearing in Volume II of Code of Ethics, 2020, the members of the Institute who are also Directors in Companies, are not permitted to mention these positions as these would be violative of the provisions of Section 7 of the Chartered Accountants Act, 1949.

Q Whether a Chartered Accountant in practice may become member of "Board of Management" in Primary (Urban) Cooperative Banks (UCBs)?

Yes, it is permissible for a Chartered Accountant holding Certificate of Practice to become a member of the 'Board of Management' in Primary (Urban) Co-operative Banks.

The position of a member of 'Board of Management' in Primary (Urban) Co-operative banks (UCBs) and the role attached to that position is similar to that of a Director-Simplicitor; where there is no involvement of a member in the day-to-day functioning/operations and not signatory etc. and only sitting fees for the services rendered are provided.

Q Can a member in practice accept the appointment as Special Invitee of a University offered to him on Honorary basis?

Yes, it is permissible for a member in practice to accept the position of special invitee in Board of studies of a University.

If the appointment is made by Central or State Government in any of their Committees such as Finance Committee or Board of Studies or any other committees in Government/Universities as its members and for which sitting fees or remuneration be paid to the member, then such appointment would fall under the permission

granted to members in practice under Regulation 191 of CA Regulations.

Q Can a Firm of Chartered Accountants undertake the assignment of Mystery Audits?

Yes, it is permissible for a member in practice to accept the assignment of Mystery Audit.

Q Whether Concurrent Auditor of a Bank can undertake the assignments of miscellaneous certifications?

The concurrent auditor/Internal Auditor may undertake the assignment of certification for a Bank branch only if the certificates are addressed to the Bank's management i.e not addressed to the statutory auditor/a regulator/ without being addressed to anyone in particular.

Please refer to the Announcement in this regard at <https://www.icaai.org/post/acceptance-of-certain-assignments-by-theconcurrent-auditor-of-bank-branches>.

Q Whether a member in practice being a Concurrent Auditor of a Bank can undertake the assignment of Quarterly Review of the same Bank?

Concurrent Audit and the assignment of Quarterly Review of the same Bank cannot be undertaken simultaneously as the concurrent audit being a kind of internal audit and the Quarterly Review being a kind of Statutory Audit undertaken simultaneously are prohibited under the provision of Code of Ethics.

It may however be noted that the Concurrent Auditor of a Branch of a Bank may be required to submit a specific Review Report to the Management on quarterly basis, such assignment of specific review may be undertaken by the Concurrent Auditor of the Bank.

Please refer to the clarification in this regard at: <https://resource.cdn.icaai.org/63252esbcca-new.pdf>.

Q Whether a member can accept appointment as Statutory Auditor of certain branch(es) of a Bank, while he is the Revenue Auditor of different branch(es) of the same Bank?

No, a member is not permitted to accept the appointment as Statutory Auditor of certain branch(es) of a Bank while he is the Revenue Auditor of different branch(es) of the same Bank.

Upskill Yourself with ICAI

Post Qualification Courses

Diploma in Insurance and Risk Management (DIRM)

Diploma in Management and Business Finance (DMBF)

Diploma in Information Systems Audit (DISA)

Diploma in International Taxation

Certificate Courses

ADR (Arbitration, Mediation & Conciliation)

Anti-Money Laundering Laws (Anti-Money Laundering Specialist)

Business Responsibility and Sustainability Reporting (BRSR)

Compliance of Capital Market Intermediaries

Concurrent Audit of Banks

Cooperatives / NPO

Corporate Social Responsibility Reporting and Impact Assessment

Derivatives

Enterprise Risk Management

Executive Master Program-New Age Auditors

FEMA

Financial Markets and Securities Laws

Forensic Accounting and Fraud Detection

Forex and Treasury Management

Fund Management at IFSC

Fundamental & Technical Analysis of Stocks Including Equity Research

GST

Indian Accounting Standards (Ind AS)

Insolvency and Bankruptcy Code, 2016

Intellectual Property Rights Laws

Internal Audit

MSME

Overseas Outsourcing Services (US Market)

Project Financing

Public Finance & Government Accounting

Real Estate -Laws and Regulations

Startup

UAE Corporate Tax

Wealth Management and Financial Planning

Skills Enrichment

- (i) Accounting treatment of interest cost arising on fair valuation of interest free subordinate debt provided by the Government of India (GoI), Government of National Capital Territory of Delhi (GNCTD) and other government agencies for construction of metro projects, and**
- (ii) Accounting treatment of interest income earned on temporary investment of aforementioned interest free subordinate debt funds in flexi deposits till their utilisation in the project.**

A. Facts of the Case

1. A company (hereinafter referred to as 'the Company') is a joint venture company with equal equity participation from the Government of India (GoI) and Government of National Capital Territory of Delhi (GNCTD) and has been entrusted with the responsibility of construction and operation of the rail-based Mass Rapid Transit System (MRTS) for Delhi/NCR areas (hereinafter referred to as 'the Project').

2. The project financing is done in the form of equity, grants, loan from Japan International Cooperation Agency (JICA) through GoI, interest free subordinate debts from GoI, GNCTD and other government agencies, as part of funding pattern for execution of metro projects.

3. The interest free subordinate debts are provided for the specific purpose of financing of land, rehabilitation & resettlement, central taxes and state taxes, which are repayable in 5 equal instalments after completion of the repayment period of JICA loan of relevant phases i.e. after 30 years. The Company has completed Phase-I, II, III; and Phase-IV work is going on.

4. The querist has stated that earlier, the Expert Advisory Committee, on a reference made by the Company, had opined that the Company should measure the fair value of the interest free subordinate debts using valuation technique in line with the provisions of Indian Accounting Standard (Ind AS) 113, 'Fair Value Measurement'.

Accounting treatment being followed by the Company

5. During finalisation of annual accounts for the financial year (F.Y.) 2023-24, the Company has measured the subordinate debts at fair value by adopting G-sec rate as applicable for the remaining tenure of such debts prevailing on the date of its sanction or date of transition to Ind AS, whichever is later. The difference between the carrying value and the fair value is recognised as government grant and the same is to be amortised over the remaining useful life of projects for which such debts are obtained.

6. The querist has further stated that the interest expense on subordinate debts calculated using effective interest method as described in Ind AS 109, 'Financial Instruments' has been accounted for as under:

- In respect of subordinate debts received for execution of Phases I, II & III of MRTS project, which are completed and fully operational, the interest cost resulting from fair valuation has been charged to the statement of profit and loss.
- In respect of subordinate debts received for execution of Phase-IV of MRTS project, which is under construction, the interest cost resulting from fair valuation has been booked under the head 'Capital Work-in progress' (CWIP) and will be capitalised as part of the cost of asset as per accounting policy of the Company, as it is directly attributable to Phase-IV project.
- Interest income earned on temporary deployment of subordinate debt funds has been accounted for in the statement of profit and loss in accordance with the earlier EAC opinion published as Query No. 44 of Volume XXXIV of the Compendium of Opinions. Relevant extracts are reproduced below:

"... Interest income from investment of surplus equity funds and interest free subordinate debt should be recognised in the statement of profit and loss..."

Provisional Comment issued by the Comptroller and Auditor General of India (C&AG) during Supplementary Audit

7. During supplementary audit of financial statements of the Company for the financial year (F.Y.) 2023-24, the office of Comptroller and Auditor General of India (C&AG) issued a provisional comment, which along with the management reply thereon, is reproduced below:

| C&AG provisional comment | Management reply |
|--|---|
| <p><i>“Assets - Non-Current Assets – Capital Work in Progress - ₹8,10,400.99 lakh (Note No. 1.3)</i></p> <p>The above includes finance cost of ₹1,621.49 lakh which is notional in nature as the same has been calculated due to fair valuation of subordinate debt. The subordinate debts are extended interest free by the Government of India, Government of NCT of Delhi and other Governments, however interest was provided in order to arrive at the fair value in accordance with the EAC opinion of the ICAI.</p> <p>As per paragraph 12 of Ind AS 23, to the extent that an entity borrows funds specifically for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. <i>As interest on subordinate debts (which are interest free) is not actually incurred, the capitalisation of the interest was in contravention of Ind AS 23.</i></p> | <p>The core principle for accounting treatment of borrowing costs is prescribed in paragraph 1 of Ind AS 23, ‘Borrowing Costs’, which is reproduced below:</p> <p>Core principle</p> <p>Paragraph 1: Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognised as an expense.</p> <p>Borrowing costs eligible for capitalisation are elaborated in paragraphs 8-15 of Ind AS 23 in terms of which borrowing costs directly attributable to construction of a qualifying asset shall be capitalised.</p> <p>Specific guidance for interest expense calculated on fair valuation of subordinate debts has been given in paragraph 6(a) of Ind AS 23, which is reproduced below: -</p> <p>Paragraph 6: “Borrowing costs may include:</p> <p>(a) interest expense calculated using the effective interest method as described in Ind AS 109, <i>Financial Instruments</i>;</p> <p>...”</p> <p>Effective interest method as described in Ind AS 109, ‘Financial Instruments’ is reproduced below:</p> <p>“The method that is used in the calculation of the amortised cost of a financial asset or a financial liability and in the allocation and recognition of the interest revenue or interest expense in profit or loss over the relevant period.”</p> <p>It is clear from above that the interest expense calculated by the Company on account of fair valuation of subordinate debts, using effective interest method as per Ind AS 109 is part of the borrowing costs in terms of paragraph 6(a) and same is eligible for capitalisation for cost booked during construction period of project, as it is directly attributable to construction of a qualifying asset as per provisions of Ind AS 23.</p> <p>This accounting treatment is also in line with the Educational Material on Ind AS 23, ‘Borrowing Costs’, issued by the ICAI, wherein similar issue has been addressed in question No. 17, which is reproduced below:</p> <p>“Question 17</p> <p>S Ltd. (subsidiary co.) obtained an interest-free loan from P Ltd. (parent co.) and used it for the construction of a qualifying asset. P Ltd. arranged for the said money by obtaining loan from a bank. S Ltd. is required to repay back the loan to P Ltd. after 3 years. S Ltd. initially recognised this loan as a financial liability at fair value in accordance with Ind AS 109, <i>Financial Instruments</i>. S Ltd. has recognised the difference between the fair value of the loan (as per Ind AS 109) and the funds received from P Ltd. as ‘equity’ contribution from P Ltd. in its separate financial statements. Whether S Ltd. can capitalise the interest accrued determined using the effective interest rate method as borrowing costs as per Ind AS 23?</p> <p>Response</p> <p>Paragraph 6 of Ind AS 23 provides that:</p> |

| C&AG provisional comment | Management reply |
|--|---|
| <p>In addition, the Company has earned interest on subordinate debt by investing the fund on temporary basis as flexi deposit which is accounted as other income. Thus, the income earned by investing the subordinate debt should have been adjusted with borrowing cost while charging to CWIP as per paragraph 12 of Ind AS 23. However, audit was unable to ascertain the exact amount of the income earned by investing the subordinate debt as the subordinate debt and equity is maintained in the same bank account.</p> <p>Thus, inclusion of financial cost of ₹1621.49 lakh has resulted in overstatement of capital work in progress, other equity by ₹1621.49 lakh & understatement of finance cost (expenses) by the same amount”.</p> | <p>“6 Borrowing costs may include:</p> <p>(a) interest expense calculated using the effective interest method as described in Ind AS 109, <i>Financial Instruments</i>;</p> <p>(b) ...</p> <p>In the given case, the loan liability will be subsequently measured at amortised cost, with interest accrued using the effective interest rate method as per Ind AS 109. In accordance with paragraph 6(a) of Ind AS 23, the interest determined using the effective interest method is an element of the borrowing costs and should be considered for determining the costs eligible for capitalisation in separate financial statements of S Ltd.”</p> <p>Hence, in view of specific provision in respect of accounting treatment of interest cost on fair valuation of subordinate debts as given in paragraph 6(a) and principles laid down in paragraphs 8 to 15 of Ind AS 23 relating to borrowing costs eligible for capitalisation, the interest cost calculated on account of fair valuation of subordinate debts during the construction period, which is directly attributable to Phase-IV project, is eligible for capitalisation in accordance with provisions of Ind AS 23.</p> <p>The accounting treatment of interest income on subordinate debt is in line with the opinion of Expert Advisory Committee (EAC) of the Institute of Chartered Accountants of India (ICAI), in Query No. 44 of volume XXXIV of Compendium of Opinions, which is reproduced below:</p> <p>“Opinion</p> <p>...Interest income from investment of surplus equity funds and interest free subordinate debt should be recognised in the statement of profit and loss and interest earned from investment of loan from JICA during construction period should be adjusted against the borrowing cost to be capitalised in the cost of asset/project concerned...”</p> <p>Further, Ministry of Housing & Urban Affairs (MoHUA), erstwhile Ministry of Urban Development, vide letter dated 8th August, 2016, has also instructed that the interest earned on short term investment of funds received by metro rail companies towards equity and interest free subordinate debt shall be recognised in the statement of profit and loss.</p> <p>Hence, in compliance of the opinion of the EAC of ICAI, and the instructions of MoHUA, interest income on temporary deployment of subordinate debt funds has been correctly accounted for in the statement of profit and loss.</p> <p>As regards calculation of interest earned on subordinate debt funds during F.Y. 2023-24, the same is worked out at ₹106.90 lakhs on pro-rata basis, which is not material.</p> <p>Hence, as explained in above paragraphs, the booking of interest cost of ₹1,621.49 lakhs, calculated using effective interest method as per Ind AS 109 on subordinate debts received for Phase-IV project under construction, under the head ‘Capital Work in Progress’ in accordance with paragraph 6(a) of Ind AS 23 and educational material on Ind AS 23, is in order and there is no overstatement of CWIP and other equity and no understatement of finance costs (expenses).</p> <p>However, it is assured that the complete issue will be referred to the Expert Advisory Committee (EAC) of the Institute of Chartered Accountants of India (ICAI) for its opinion during current F.Y. 2024-25.</p> <p>In view of above, Audit is requested to drop the provisional comment.</p> |

Points for consideration of the Committee

8. In terms of the core principle given in paragraph 1 of Ind AS 23, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognised as an expense.

As per paragraph 6(a) of Ind AS 23, the borrowing costs may include interest expense calculated using the effective interest method as described in Ind AS 109, 'Financial Instruments'.

As per paragraph 12 of Ind AS 23, to the extent that an entity borrows funds specifically for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

The earlier opinion of EAC, published as Query No. 44 of Volume XXXIV of Compendium of Opinions, regarding accounting treatment of interest income from temporary investment of subordinate debt funds, is based on the following consideration made by the Committee:

"12. Accordingly, in respect of a loan where *no such borrowing costs* as per AS 16 would arise, as *in the case of interest free subordinate loan* in the extant case, the *interest income* out of investment of such borrowed funds *cannot be adjusted against the borrowing costs* to be capitalised in the cost of the asset and the same shall have to be recognized in the statement of profit and loss."

(Emphasis supplied by the querist.)

Later on, the EAC, in its recent opinion (dated 24.04.2024) to the Company has opined that interest free subordinate debts should be measured at fair value using valuation technique as per the requirements of Ind AS 113, as a consequence of which, notional interest cost on subordinate debts has arisen.

The C&AG office issued provisional comment on the Company's accounts for F.Y. 2023-24 that the finance cost of Rs. 1,621.49 lakhs is notional in nature as the same has been calculated due to fair valuation of subordinate debts and provided in order to arrive at the fair value in accordance with the recent EAC opinion to the Company.

B. Query

9. In view of above, the querist has sought the opinion of the Expert Advisory Committee (EAC) of the Institute of Chartered Accountants of India (ICAI) on the following issues:

- (i) Whether accounting treatment followed by the Company in respect of notional interest cost

arising due to fair valuation of subordinate debts, as explained in paragraph 7 above, is correct.

- (ii) Whether accounting treatment followed by the Company in respect of actual interest income earned on temporary investment of subordinate debt funds, as explained in paragraph 7 above, is correct.

C. Points considered by the Committee

10. The Committee notes that the basic issues raised in the query relate to the accounting for interest arising on fair valuation of interest free subordinate debt provided by the Government of India (GoI), Government of National Capital Territory of Delhi (GNCTD) and other government agencies for construction of Phase IV of metro project; and accounting for interest income earned on temporary investment of interest free subordinate debt funds in flexi deposits till their utilisation in the project. Therefore, the Committee has examined these issues only and has not examined any other issue that may arise from the Facts of the Case, such as, accounting for funds received in the form of equity, grants, loan from JICA through GoI, accounting for the expenditure for which funds have been utilised viz. financing of land, rehabilitation & resettlement expense, central taxes and state taxes etc., accounting for repayment of JICA loan of relevant phases, determination/ measurement of fair value of interest free subordinate debt, accounting for the portion of interest free subordinate debt which has been recognised as government grant including amortisation of government grant, accounting for interest cost incurred during Phase I, II and III and accounting for interest cost on borrowings taken for projects, construction of which have been completed, whether interest earned on subordinate debt funds during F.Y. 2023-24 on pro-rata basis is 'material' or not as per Ind ASs, etc. For the opinion expressed hereinafter, it is presumed that interest earned from investment of surplus subordinate debt is 'material' as per Ind AS and the interest free subordinate debts are specific borrowed funds as per the requirements of Ind AS 23. Further, the Committee has examined the query only from accounting perspective and not from any other perspective, such as, legal interpretation of various legal enactments, for example, Ministry of Housing & Urban Affairs (MoHUA) letter dated 8th August, 2016, Income-tax Act, etc. The Committee wishes to point out that the opinion expressed hereinafter is in the context of Indian Accounting Standards, notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended or revised from time to time.

At the outset, the Committee wishes to point out that an earlier EAC opinion (Query No. 44 of Volume 34 of Compendium of Opinions) has been referred to by the querist in the Facts of the Case. In this regard, it may be mentioned that the Committee's opinions are based on the specific facts provided to it and considering the

then applicable requirements of Standards. Therefore, these may not necessarily apply in scenarios/situations with different facts and under different applicable accounting framework. The referred earlier opinion was from Accounting Standards (AS) perspective and the extant query raised is from Indian Accounting Standards (Ind AS) perspective. Accordingly, the Committee has independently examined the issues referred by the querist in the facts and circumstances of the extant case and the extent to which the earlier opinion is applicable or relevant has not been examined by the Committee.

11. The Committee notes that the querist had earlier referred another query to EAC, containing, inter alia, an issue with regard to accounting for interest-free subordinate debts. In that case, the Committee had opined that the subordinate loan bearing nil interest rate at its initial recognition should be measured at its fair value, minus directly attributable transaction costs (if any) and fair value of the liability (subordinate debts) should be measured as per the requirements of Ind AS 113, 'Fair Value Measurement'. In the extant case, the Committee has proceeded on the premise that the Company has applied this opinion appropriately.

12. The Committee further notes the following requirements of Ind AS 109:

“4.2.1 An entity shall classify all financial liabilities as subsequently measured at amortised cost, except for:

- (a) **financial liabilities at fair value through profit or loss.** Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.
- (b) **financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.** Paragraphs 3.2.15 and 3.2.17 apply to the measurement of such financial liabilities.
- (c) **financial guarantee contracts.** After initial recognition, an issuer of such a contract shall (unless paragraph 4.2.1(a) or (b) applies) subsequently measure it at the higher of:
 - (i) **the amount of the loss allowance determined in accordance with Section 5.5 and**
 - (ii) **the amount initially recognised (see paragraph 5.1.1) less, when appropriate, the cumulative amount of income recognised in accordance with the principles of Ind AS 115.**

- (d) **commitments to provide a loan at a below-market interest rate. An issuer of such a commitment shall (unless paragraph 4.2.1(a) applies) subsequently measure it at the higher of:**
 - (i) **the amount of the loss allowance determined in accordance with Section 5.5 and**
 - (ii) **the amount initially recognised (see paragraph 5.1.1) less, when appropriate, the cumulative amount of income recognised in accordance with the principles of Ind AS 115.**
- (e) **contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 applies. Such contingent consideration shall subsequently be measured at fair value with changes recognised in profit or loss.**

Option to designate a financial liability at fair value through profit or loss

4.2.2 An entity may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when permitted by paragraph 4.3.5, or when doing so results in more relevant information, because either:

- (a) **it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases (see paragraphs B4.1.29–B4.1.32); or**
- (b) **a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel (as defined in Ind AS 24 *Related Party Disclosures*), for example, the entity's board of directors and chief executive officer (see paragraphs B4.1.33–B4.1.36)."**

“amortised cost of a financial asset or financial liability The amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the **effective interest method** of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any **loss allowance.**”

“effective interest method The method that is used in the calculation of the **amortised cost of a financial asset or a financial liability** and in the allocation and recognition of the interest revenue or interest expense in profit or loss over the relevant period.

effective interest rate The rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the **gross carrying amount of a financial asset** or to the **amortised cost of a financial liability**. When calculating the effective interest rate, an entity shall estimate the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but shall not consider the **expected credit losses**. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see paragraphs B5.4.1–B5.4.3), **transaction costs**, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).”

From the above, the Committee notes that paragraph 4.2.1 of Ind AS 109, inter alia, requires an entity to classify all financial liabilities as subsequently measured at amortised cost except for when paragraphs 4.2.1 and 4.2.2 require otherwise. Since the requirements of paragraphs 4.2.1 and 4.2.2 to measure the financial liability at other than

amortised cost are not apparently applicable in the extant case, the Company should subsequently measure financial liability for funds received (interest free subordinate loan) at amortised cost, which requires the use of effective interest method and to calculate interest on such financial liability using effective interest method as per the above-reproduced requirements of Ind AS 109.

The Committee also wishes to clarify that interest *accrued* in the financial statements as per effective interest rate, is due to accounting as per applicable Ind AS and should not be considered as notional interest.

13. In this context, the Committee further notes the requirements of Ind AS 23, ‘Borrowing Costs’ as follows:

“Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds.”

“6 Borrowing costs may include:

- (a) interest expense calculated using the effective interest method as described in Ind AS 109, *Financial Instruments*;

...”

“A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.”

“Recognition

8 An entity shall capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. An entity shall recognise other borrowing costs as an expense in the period in which it incurs them.”

“12 To the extent that an entity borrows funds specifically for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

13 The financing arrangements for a qualifying asset may result in an entity obtaining borrowed funds and incurring associated borrowing costs before some or all of the funds are used for expenditures on the qualifying asset. In such circumstances, the funds are often temporarily invested pending their expenditure on the qualifying asset. In determining the amount of borrowing costs eligible for capitalisation during a period, any investment income earned on such funds is deducted from the borrowing costs incurred.”

From the above, the Committee notes that Ind AS 23 specifies that borrowing costs include interest expense calculated using the effective interest method as described in Ind AS 109, 'Financial Instruments'. Further, as per the requirements of Ind AS 23, the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are to be capitalised and other borrowing costs are recognised as an expense. In the extant case, the Committee notes that funds are borrowed and used for the metro project, which usually takes a substantial period of time to get ready for its intended use and thus, it can be said that the project is a qualifying asset as per the requirements of Ind AS 23. Therefore, the borrowing cost/interest expense calculated using the effective interest method on interest free subordinate loan in the extant case should be capitalised as per the above-mentioned requirements of Ind AS 23.

14. With regard to accounting for interest income earned on temporary investment of subordinate debt funds, the Committee notes that Ind AS 23 requires that the borrowing cost (on specific borrowed funds) to be capitalised is to be adjusted with the income earned from temporary investment of such borrowed funds while the project is in the stage of construction. Accordingly, in the extant case, the interest earned on temporary investment of the

interest free subordinate debt funds in flexi deposits till their utilisation in the project during the construction period should be adjusted against the borrowing costs calculated using the effective interest method as discussed above and which is to be capitalised in the cost of the project as per the requirements of Ind AS 23.

D. Opinion

15. On the basis of the above and subject to statements and presumptions in paragraphs 10 and 11 above, the Committee is of the following opinion on the issues raised in paragraph 9 above:

- (i) Accounting treatment followed by the Company in respect of interest cost viz. capitalising the same as capital work-in progress is appropriate, as discussed in paragraphs 12 and 13 above.
- (ii) Accounting treatment followed by the Company in respect of interest income earned on temporary investment of subordinate debt funds in the statement of profit and loss is not appropriate; the same is to be set-off against the borrowing costs to be capitalised as per the principles of Ind AS 23, as discussed in paragraph 14 above.

| | |
|----|---|
| 1. | The Opinion is only that of the Expert Advisory Committee and does not necessarily represent the Opinion of the Council of the Institute. |
| 2. | The Opinion is based on the facts supplied and in the specific circumstances of the querist. The Committee finalised the Opinion on 16 th April, 2025. The Opinion must, therefore, be read in the light of any amendments and/or other developments subsequent to the issuance of Opinion by the Committee. |
| 3. | The Compendium of Opinions containing the Opinions of Expert Advisory Committee has been published in forty-three volumes. These volumes are available for sale and can be procured online through CDS Portal at https://icai-cds.org/ . |
| 4. | Opinions of the Committee may be accessed at the following link: https://eacopinion.icai.org/ |
| 5. | Opinions can be obtained from EAC as per its Advisory Service Rules which are available on the website of the ICAI, under the head 'Resources'. For further information, write to eac@icai.in . |

Accountant's Browser



PROFESSIONAL NEWS & VIEWS PUBLISHED ELSEWHERE

Index of some useful articles taken from Periodicals received during November – December 2025 for the reference of Faculty/Students & Members of the Institute.

1. Accountancy

Accounting Dilemma of Extended Producer Responsibility: Indian Battery Waste Regulations by Dolphy D'Souza and Geetanshu Bansal. *BCAJ*, November 2025, PP 68-71

2. Economics

Economic Inequality in India Over the Last Three Decades: A Tale of Two Data Sources by Deepankar Basu. *Economic & Political Weekly*, November 15, 2025, PP 47-54

Viksit Bharat @2047: Bottlenecks with Economic and Commercial Laws by Ashok Kumar Mishra. *Chartered Secretary*, November 2025, PP 97-99

Sustainable Finance in India: The Role of ESG in Banking and Investments by Anupama Kar. *Banking Finance*, November 2025, PP 26-32

3. Education

Indian Knowledge Systems: Enduring Legacy by Nalin K Shastree. *University News*, December 08-14, 2025, PP 14-19

4. Information Technology

Artificial Intelligence: Inclusivity, Cohesiveness, Transformation by Aruna Nandigama. *Chartered Secretary*, November 2025, PP 111-116

5. Investment

Architecture of Bonds: A Deep Dive into Fixed Income Securities by Nilotpal Banerjee. *Banking Finance*, November 2025, PP 42-45

Fast-Track Mergers in India: Recent Amendments by Gopika Shah. *BCAJ*, November 2025, PP 17-25

6. Law

Trade Marks: Law, Compliance and Governance by Sheetal Patodiya. *Chartered Secretary*, November 2025, PP 83-87

7. Management

Importance of a Risk Assessment Framework in Corporate Social Responsibility by Rajeev Anant Joshi. *BCAJ*, November 2025, PP 11-14

8. Taxation and Finance

Eligibility of LLCs to Claim Benefit Under a Tax Treaty by Mayur B. Nayak, Tarunkumar G. Singhal, Anil D. Doshi and Mahesh G. Nayak. *BCAJ*, November 2025, PP 52-56

Evaluating the Impact of the New Tax Regime on Motor Accident Compensation Awards by Hafiz Gouran and Noureen Khan. *Insurance Times*, November 2025, PP 34-35

Full Texts of the above articles are available with the Central Council library, ICAI, which can be referred on all working days. For further inquiries please contact on 011-30110419 and 011-30110420 or by e-mail at library@icai.in.

CLASSIFIEDS

- 6138 We are a CA firm, just opened our new branch in Mumbai. We are looking for young, practising CAs (Max 40yrs with practising experience) as partners on full-time basis, purely on revenue-sharing model, for Mumbai and its suburbs. Contact: vinayak030167@gmail.com
- 6139 We are an Ahmedabad-based Firm with 10 partners, inviting proposals for merger from sole-proprietorship or partnership firms across India – preferred locations: Hyderabad, Bangalore, and Delhi. (No fixed remuneration) Email: firms@shahteelani.com
- 6140 A CA firm requires CAs only as full-time Partners (purely on a revenue-sharing basis and with no fixed remuneration) for Kolkata, Mumbai, New Delhi, Navi Mumbai, Pune, Bhopal, Indore, Ahmedabad, Chennai, Hyderabad, Bengaluru, Chandigarh, Jaipur, Guwahati, Agartala, Bhubaneswar, and Port Blair. hoaps1980@gmail.com
- 6141 Mumbai-based FCA CoP Aged 72, 49 years' experience in Industry & Practice Seeks professional work on Partnership basis in CA Firm at Mumbai 9820422001, harshadshah1953@yahoo.com
- 6142 A Chartered Accountant with 34 years of focused experience in Tax Representation and Litigation—Direct and Indirect Taxes, including GST, Service Tax, Customs, Central Excise, and Income Tax, including representation before CESTAT, ITAT, and under PMLA. Seeking partnership or networking with CA firms and CAs in practice in Bangalore in tax litigation practice. Proposals invited purely on a revenue-sharing basis. Email: taxalliances.ca@gmail.com
- 6143 A 32-year-old CA firm with offices across South India requires a Director / Practice Lead for its Chennai office. Candidates should be qualified CAs with exposure in corporate statutory audits, internal audits and corporate taxation, not over 35 years of age, and conversant with new-age technology. Young CAs with up to 5 years of professional practice may also apply. Partnership prospects are for suitable candidates. Email brief profile to rv@rva.in
- 6144 A Hyderabad-based CA firm is expanding and opening new branches in Vijayawada, Visakhapatnam, Bangalore, and Delhi. Committed CA members are invited to associate with us and join this growth opportunity. For details or to express interest: Mobile: 8008357999; Email: vishnudevanna@gmail.com
- 6145 We are a 57+ years old Chartered Accountancy firm having Head Office in Delhi, invite merger proposals from female proprietorship or partnership firms (2 partners only) that are 5 years or older, located in Bengaluru, Bhubaneswar, Chennai, Hyderabad, Jaipur, Kanpur, Lucknow, Ranchi, Kolkata, or Guwahati. Interested firms may send their proposal along with their profile to: jk.sarawgi@jksco.in



ICAI
Digital Learning Hub

ICAI DIGITAL LEARNING HUB

Your New Knowledge Sharing Hub!!!

Connect, Collaborate and Enrich your
knowledge & Professional Excellence
<https://learning.icai.org/>

ICAI Digital Learning Hub is an integrated Learning Management System (LMS) which brings a new knowledge ecosystem in a collaborative pedagogical model and with participatory learning to improve learner outcomes.

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Members

What can Members do on the Digital Learning Hub?

- 01 Subscribe to Certificate and Post- Qualification Courses
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- 03 Access Quick E-Referencers
- 04 Subscribe to Web Lectures
- 05 Register for Residential Programs
- 06 Register for CPE Events
- 07 Subscribe to E- Journals
- 08 Undertake Assessments to assess one's subject knowledge
- 09 Earn Structured & Unstructured CPE Credits
- 10 Join Communities and interact with peers
- 11 Take up Surveys, Quizzes, Polls
- 12 Earn Badges

Benefits to the Stakeholders



CONTACT.



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For Queries, mail to
elearning@icai.in



LEGAL Decisions



INCOME TAX

LD/74/63 ITAT Delhi: ITA Nos.3906 & 3907/Del/2023 The Dy. Commissioner of Income Tax Vs. Indian Hydro Electric Power Pvt. Ltd. 07th November 2025

ITAT upheld CIT(A) order deleting addition made u/s 68 as unsubstantiated cash credit by holding that loan transactions undertaken by the Assessee were genuine; Onus discharged by establishing the identity, creditworthiness of the lenders; Addition was made based on statement of an employee and one person referred as mediator and entry provider, holding the said transactions as accommodation entries; As per ITAT statements of third parties recorded during the course of search which were later retracted, cannot be made the sole basis for making the additions in assessee's hands.

LD/74/64 ITAT Delhi: ITA No.980/DEL/2025 CPPGROUP Services Limited Vs. The Asst. Commissioner of Income Tax 04th November 2025

ITAT held that payment received by UK based entity from its Indian associate for IT development and non-IT support services were not taxable as 'Fees for technical services' (FTS) sans satisfaction of 'make available' clause; Revenue failed to provide any evidence showing that Indian entity had become independently capable of providing IT support services; W.r.t. non-IT

support services, assessee provided routine managerial and standardization only; Perusal of agreement showed that no transfer of enduring knowledge or skill was made by the Assessee.

LD/74/65 ITAT Delhi: ITA No.539DEL/2024 Asha Burman Vs. The Asst. Commissioner of Income Tax 04th November 2025

ITAT allowed assessee's appeal holding that entire Annual Letting Value (ALV) cannot be assessed as income of the Assessee given the property is partly let out and partly self-occupied; ITAT noted that rates adopted by the AO appeared to be as per data available in the website magic bricks.com; ITAT restored the matter to the AO for making fresh assessment and assessing only the ALV of property which was let out; As per ITAT in the case of building which is subjected to levy of house tax by the local authorities, standard rent determined by the local authority to levy house tax would be the standard rent and would be considered as ALV.

LD/74/66 ITAT Mumbai: ITA No.5403/Mum/2025 The Asst. Commissioner of Income Tax Vs. Aishwarya Rai Bachchan 31st October 2025

ITAT ruled in favour of Aishwarya Rai Bachchan, noting that the disallowance made by the AO u/s 14A over and above the *suo-moto* disallowance was without any basis; the AO was required to record his satisfaction as to why the *suo-moto* disallowance made by the Assessee was unacceptable; Assessee had submitted the working as per Section 14A r.w. Rule 8D after considering only those investments from which exempt income was earned in view of the coordinate bench decision in Vireet Investments.

LD/74/67 ITAT Kolkata: ITA No. 1690/KOL/2024 Bimla Devi Agrawal Vs. The Assessing Officer 31st October 2025

ITAT upheld CIT(A) order confirming addition made on account of long-term capital gains

by adopting the FMV as determined by DVO; CIT(A) had observed that Stamp Duty Valuation was Rs. 2.40 Crores and on referring matter to DVO on the request of the appellant, he had got substantial relief; On non-consideration of Section 155(15) by CIT(A), ITAT observed that assessee is misconstruing the reference to the DVO as reference made to in Sec 155(15) which is modification of value in the course of any appeal proceeding; Sec 155(15) held not to be applicable by ITAT.

LD/74/68 ITAT Delhi: ITA No.4038/Del/2025 Ritu Jain Vs. The Jt. Commissioner of Income Tax 29th October 2025

Addition made u/s 153A without incriminating material seized from the Assessee's possession and solely based on third party statement recorded u/s 132(4) held to be void ab initio; Jurisdiction u/s 153A for unabated year arises only upon delivery of incriminating material directly connected to the Assessee; Though certain loose papers and digital data were seized during the search at premises of third party, however, no document was found during the search at Assessee's premises.

LD/74/69 ITAT Rajkot: ITA No. 929/RJT/2024 Nihal Projects Vs. The Income Tax Officer 27th October 2025

ITAT quashed assessment proceedings since notice u/s 143(2) was in contravention to the CBDT Circular No. F. No. 225/157/2017/ITA-II dated June 23, 2017; Impugned notice failed to specify whether it was a case of limited scrutiny, complete scrutiny or a compulsory manual scrutiny; CBDT circulars are binding on the Revenue; As per ITAT, burden was on the Revenue to show that for assuming jurisdiction, it had duly complied and satisfied in letter with the CBDT instruction issued.

LD/74/70 ITAT Mumbai: ITA No. 4294/MUM/2025 The Dy. Commissioner of Income Tax Vs. Niru Dhiren Shah 27th October 2025

ITAT upheld CIT(A) order deleting additions made by AO of Rs. 3.16 Cr u/s 69; As per ITAT, addition made by the AO was based more

on conjectures and surmises rather than on concrete evidence; Based on screenshot of a chat between Assessee's son and the accountant, AO alleged that market value of a shop sold by Assessee was much higher than the registered value; As per ITAT, there was no authenticity of the impugned screenshot; No investigation was made with the Registration office/Stamp Duty authorities; Unless the Source device or Certificate u/s 65B (Evidence Act) is produced, such chats cannot be relied upon.

LD/74/71 Madras High Court: WP No. 39793 of 2025 Gowthaman S Vs. The Income Tax Officer 27th October 2025

High Court held that it was not open to legal heir to contend that the assessment proceedings were initiated after Assessee's demise on 04/01/2024, without any notice being issued to any of the legal heir, given that there were no records indicating that after Assessee's demise the legal heirs took steps to apprise the Revenue about such occurrence; Assessee's challenge to the jurisdiction of the Revenue authorities for issuance of notice u/s 148A rejected by HC; At best the legal heir can contend that they have not inherited any estate and so are not liable to such tax; HC quashed impugned orders with directions to pass a fresh order

LD/74/72 ITAT Bangalore: ITA No.1006/Bang/2025 The Income Tax Officer Vs. Maralbid Padmavathi 07th October 2025

ITAT quashed reassessment based on investigation wing report alleging non-disclosure of capital gain without independent inquiry and ignoring tangible material evidencing disclosure of capital gain by the Assessee; Capital asset received by the legal heirs after demise of original owner had not been converted into the stock by legal heirs and the assessee has shown capital gain on this income; Addition of Rs. 3.36 Cr as unexplained income u/s 69A deleted; Independent verification qua veracity of the report not done by AO.

DISCIPLINARY CASE

Statutory auditor failing to report material discrepancies in sales, purchases, and statutory compliances - Blind reliance on management records - Non-verification of sales/purchase figures with statutory returns despite large variances - Failure to report under CARO on verification of fixed assets and inventory - Plea of seized working papers not acceptable -Held, Respondent guilty of Professional Misconduct under Clause (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

Held:

The Respondent was the statutory auditor of the Company for FYs 2011-12 to 2013-14. The Company had availed working capital and term loans from a consortium of banks led by the Complainant Bank and subsequently defaulted, resulting in the account becoming NPA. A forensic audit initiated by the consortium revealed substantial discrepancies between sales and purchases recorded in the books and those reported in excise and sales tax returns. The Company maintained multiple databases, inflated purchases and sales through related parties, and recorded fictitious sales to government agencies. The Complainant alleged that the Respondent failed to detect or report these irregularities. On merits, the Respondent contended that a statutory audit cannot be equated with a forensic audit, that the forensic findings were post-facto and that the Respondent's working papers were seized by the CBI. The Respondent also stated that multiple databases were not provided, only selective verification of purchases and sales was conducted and that a later limited review report had been qualified. The Committee observed that the material differences between book figures and statutory returns were significant and should have been detected if due diligence had been exercised. The Respondent relied solely on management-provided records without reconciling them with statutory filings. The plea regarding seized working papers was rejected as no effort was made to obtain copies. Further, the Respondent failed to report under CARO on verification of fixed assets and inventory and provided no evidence of evaluating whether management conducted proper physical verification in accordance with SA-501. In view of substantial discrepancies, lack of professional skepticism, and inadequate audit procedures, the Committee concluded that the Respondent did not exercise due diligence in auditing the Company's financial statements. Accordingly, the Respondent was held GUILTY of Professional Misconduct under Clause (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

[PR/245/15/DD/244/2015/DC/1067/2019]

Non-compliance with Accounting Standards and statutory requirements by auditor of Section 25 Company - Incorrect assumption that Accounting Standards did not apply to a not-for-profit entity - Standards would apply even if a very small proportion of activities is considered to be commercial, industrial or business in nature -- Non-compliance with Schedule VI disclosures regarding expenses and auditor remuneration - Held, Respondent guilty of Professional Misconduct under Clauses (5), (7), (8) and (9) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

Held:

The Respondent was the statutory auditor of a company registered under Section 25 of the Companies Act, 1956 and Section 12A of the Income Tax Act, 1961. Charges levelled against the Respondent include non-compliance of Accounting Standards, non-compliance with Schedule VI read with Section 211 and violation of the MOA and Section 25 regarding payment of remuneration to members and Directors. The Respondent contended that Accounting Standards were not applicable as the company was a charitable institution. The Committee observed that Accounting Standards formulated by the ICAI do not apply to a Non-for-Profit Organisation (NPO) if no part of the activity of such entity is commercial, industrial or business in nature. The Standards would apply even if a very small proportion of activities is considered to be commercial, industrial or business in nature. Consequently, Accounting Standards were applicable, and Section 211(3A) of the Companies Act, 1956 required compliance even for Section 25 companies. Regarding the MOA and Section 25, the Committee observed that the conditions of license prohibited payment of income or property to members without prior approval of the Central Government. Notes to accounts reflected payments to members "for services rendered" and stated that approval was being obtained. In one year, the Respondent omitted the words "of the Central Government," showing inadequate understanding of the license conditions. Prior approval was therefore mandatory. Concerning Schedule VI disclosures, certain expenses exceeding 1% and payments to auditors were not disclosed separately. The Respondent failed to report these statutory deviations. Accordingly, the Respondent was held GUILTY of Professional Misconduct under Clauses (5), (7), (8), and (9) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

[PR-218/14-DD/231/14/DC/432/2015]

BENEVOLENCE

Voluntary Contribution to the Chartered Accountants' Benevolent Fund (CABF)

CA. Dhaval Kothari

Membership No.: 404729

Amount: ₹1,11,000

Place: Jodhpur

CA. Senthil Kumar K C

Membership No.: 215585

Amount: ₹1,00,000

Place: Tirupur

CA. Navratan Mandhana

Membership No.: 070021

Amount: ₹1,00,000

Place: Jodhpur

CA. Kishor Madhavdas Gujar

Membership No.: 045526

Amount: ₹1,00,000

Place: Pune

CA. Saravanan S

Membership No.: 505777

Amount: ₹1,00,000

Place: Tirupur

CA. Alluraiah Solleti

Membership No.: 210644

Amount: ₹1,00,000

Place: Hyderabad

CA. Pagariya Ashok Kumar Nensukh

Membership No.: 034311

Amount: ₹1,00,000

Place: Pune

CA. Muthukrishnan G

Membership No.: 018257

Amount: ₹1,00,000

Place: Tiruchirapalli

CA. Mehta Seema

Membership No.: 074230

Amount: ₹1,00,000

Place: Jodhpur

CA. Swetang Pandya

Membership No.: 108418

Amount: ₹1,00,000

Place: Gandhinagar

RACK the Brain

1. What is the mandatory registration portal for MSMEs to avail government benefits and schemes in India?
2. What term refers to startups achieving a valuation of USD 1 billion or more?
3. What term describes government spending aimed at creating long-term productive assets rather than immediate consumption?
4. What term describes the structured support ecosystem offering funding, mentoring, and regulatory facilitation to early-stage startups?
5. Which macroeconomic indicator measures the value added by each sector and is increasingly used alongside GDP to assess real economic performance?

Answer
December 2025

1. OECD Pillar 2
2. FEMA Regulations
3. Social Audit Standards
4. UDIN (Unique Document Identification Number)
5. Peer Review Mechanism

ANNOUNCEMENT

Invitation for empanelment as Examiners for Chartered Accountants Examinations

Applications are invited from eligible members of the Institute and other professionals including academicians of reputed educational institutions, tax and legal practitioners etc., having a flair for academic activities including evaluation of answer books and willing to undertake confidential assignments as a dedicated examiner, for empanelment as examiner in respect of the following papers of the Chartered Accountants Examinations.

Foundation Examination

| | |
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| Paper - 1 | Accounting |
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| Paper - 2 | Business Laws |
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Intermediate Examination

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| Paper - 2 | Corporate and Other Laws |
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| Paper - 3 | 3A: Income Tax Law |
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| 3B: Goods and Services Tax (GST) |
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| Paper - 5 | Auditing and Ethics |
|-----------|---------------------|

Final Examination

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| Paper - 2 | Advanced Financial Management |
|-----------|-------------------------------|

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| Paper - 3 | Advanced Auditing, Assurance and Professional Ethics |
|-----------|--|

The eligibility criteria for empanelment as examiner are as follows:

- Chartered Accountants with a minimum of five years standing in practice or in service are eligible.
- University Lecturers/Professors with a minimum of five years teaching experience are eligible.
- ICWA, ACS, M.Com, Post Graduates in Economics or Law, MBA (Finance) and other professionals with at least five years experience, either in academic position or in practice or in employment are eligible to apply. Those with work experience having direct relevance to the aforesaid subjects(s) of examination(s) will be preferred.
- Persons above 65 years of age are not eligible.
- Persons who are visually impaired or suffer from such other physical disability that might necessitate taking the assistance of any other person for evaluation of answer books are not eligible.
- Persons who are undergoing CA Course of the Institute are not eligible.

- Persons whose applications were rejected earlier from the Panel are eligible to apply again after a gap of 1 year from the date of rejection.
- Those who are already empanelled with ICAI as examiners need not apply. Their candidature will be considered in the normal course, at the appropriate time.
- Persons associated with the coaching activities are not eligible. Those who have ceased to be associated with the coaching activity are permitted to apply after a gap of 5 years.

Scales of honorarium for evaluation of answer books

| Examination | Paper | Rate (for Digital Evaluation) |
|--------------------|--|-------------------------------|
| Foundation | 1 & 2 | Rs. 160/- per answer book |
| Intermediate (IPC) | 1, 2, 4 & 5 | Rs. 200/- per answer book |
| Intermediate (IPC) | Sectional papers (Paper 3A, 3B, 6A & 6B) | Rs. 130/- per answer book |
| Final examination | 1, 2, 3, 4, 5 & 6 | Rs. 250/- per answer book |

Application for empanelment as examiner can be made online at <http://examinerspanel.icaiaexam.icaai.org>.

ICAI has implemented the Digital evaluation (Online Evaluation) of answer books in all the papers of Foundation, Intermediate and Final examinations. Hence, applicants are expected to be comfortable working on computers and also evaluating answer books online. However, requisite training will be provided, before online evaluation assignments are undertaken. Please fill the application online, take a print out, affix your photograph, sign it and send with all the requisite enclosures to the following address:

CA. Anand Kumar Chaturvedi
 Joint Secretary (Exams)
 The Institute of Chartered Accountants of India
 ICAI Bhawan
 Indraprastha Marg
 New Delhi – 110002

Search Engine Tool for FRRB's Publications

[Study on Compliance of Financial Reporting Requirements (Ind AS Framework)]

The Financial Reporting Review Board has developed a **Search Engine Tool for its Publications 'Study on Compliance of Financial Reporting Requirements (Ind AS Framework)'** with the objective of enhancing user experience and improving accessibility to the non-compliances identified by the Board during its review of financial statements.

Link to Access: <https://frrbinsights.icai.org>

This digital platform provides structured access to **438 observations** of the Board, published across FRRB's Publications - **Study on Compliance of Financial Reporting Requirements (Ind AS Framework) – Volume I, II and III**. The tool is designed to assist members and stakeholders in efficiently navigating key financial reporting issues.

Significant features of the Search Engine Tool:

- **Volume-wise Search** - Allows users to filter and browse observations based on specific volumes of Ind AS publications of FRRB.
- **Chapter-wise Search** - Users can also search within individual chapters, allowing for more granular exploration of content. This feature is particularly useful for those seeking detailed insights on specific topics within chapters viz observations related to Assets, Liabilities, Equity, Statement of Profit and Loss, Cash Flow Statements, Other disclosures, Auditor's Report.
- **Keyword Search** – The Keyword Search feature enables users to perform a search across the entire database of FRRB's Ind AS publications based on specific keywords. This functionality is designed for maximum flexibility, allowing users to retrieve observations using a specific term, phrase, accounting concept, or regulatory reference.
- **Search Aligned with Technical Requirements** - The search engine supports a comprehensive search option that provides results based on the technical requirements across the entire database of FRRB's Ind AS publications viz Ind AS wise, Schedule III, Sections of Companies Act, SAs, CARO etc.
- **Interactive Pie Chart Visualization** - A dynamic pie chart displays the total number of observations related to each element of the financial statement. Users can click on any element within the chart to be redirected to a detailed list of observations pertaining specifically to that element, facilitating quick access to targeted information.
- **Interactive Bar Graph by Ind AS** - An interactive bar graph showcases the total number of observations categorized by each Ind AS. Clicking on a specific Ind AS within the graph redirects users to a detailed list of observations associated with that particular standard, enhancing navigability and user engagement.

Explore the tool and make use of the insights it offers.



The Institute of Chartered Accountants of India
(Set up by An Act of Parliament)



1st Residential Batch of Certificate Course on Non-Banking Financial Companies (NBFCs)

Organised by:
Committee on Financial Markets and Investors' Protection, ICAI

from **07th FEB 2026** to **10th FEB 2026**
10:00 AM to 06:00 PM
Centre of Excellence
Hyderabad, Telengana

About the Course

The Certificate Course on Non-Banking Financial Companies plays a crucial role in India's economic development – extending financial services where banks often cannot reach. From MSMEs and startups to rural financing and consumer credit, NBFCs power innovation, accessibility, and inclusive growth.

The Certificate Course on Non-Banking Financial Companies (NBFCs) offers an in-depth learning experience on the functioning, regulation, and management of NBFCs. Covering 11 comprehensive modules, the course helps participants gain practical insights into formation, compliance, reporting, governance, and emerging developments in the NBFC space.

Course Contents and session details:

| Day | Date | Chapter No. | Chapter Name |
|-----|------------|-------------|--|
| 1 | 07-02-2026 | 1 | Introduction |
| 2 | 08-02-2026 | 2 | Formation of NBFCs |
| 2 | 08-02-2026 | 3 | Financial Reporting Framework of NBFCs |
| 2 | 08-02-2026 | 4 | RBI Compliances for NBFCs |
| 3 | 09-02-2026 | 5 | Change of Management of NBFCs Procedure and Compliances |
| 3 | 09-02-2026 | 6 | Winding up of NBFC |
| 3 | 09-02-2026 | 7 | NBFC Certificate Cancellation, Penalties and Appeals |
| 4 | 10-02-2026 | 8 | Emerging Trends and Innovations |
| 4 | 10-02-2026 | 9 | Operational Practices and Customer-Centric Services in NBFCs |
| 4 | 10-02-2026 | 10 | Practical Applications and Case Studies |
| 4 | 10-02-2026 | 11 | Compliance Checklist |

20 HOURS
3.5 DAYS (Physical Classes)

The participants to this course will be given 20 CPE Hrs wherein credit of 15 CPE hours will be given after completion of entire classes and remaining 5 hours will be given after Successfully clearing the exam (Assessment Test) as per CPE guidelines.

Key Highlights

- Equip members with an in-depth understanding of the regulatory framework, operational aspects, and risk management practices in the NBFC sector.
- Cover key topics such as RBI regulations, types of NBFCs, financial reporting requirements, compliance, and emerging trends including fintech.
- Enable members to effectively serve clients in the NBFC space or contribute within the industry

Assessment Test & Evaluation Pattern

There will be assessment Test of 100 marks for two hours at the end of the course through online mode via DLH Portal. A paper will consist of 100 % multiple objective type questions. A passing grade is awarded if the candidate obtains 50% marks in paper.



- Note:**
- Assessment test fee: Rs.1000/- + GST fee is applicable only if the participant is unable to clear/take the Assessment test in their first eligible attempt.
 - A participant will be allowed a maximum of 4 attempts to pass the assessment. If a candidate is unable to qualify/take the assessment after 4 attempts within two years, a fresh registration is required to complete the course

Eligibility

Only the Members of ICAI are eligible to pursue this course.

Course Duration

02 hours for 1st day (after 2:00 pm) and **06 hours** of structured learning per day for **3 days**

Attendance

A candidate will have to attend 75% of classes, failing which, s/he will not be entitled to appear in the exams

Note: If a member fails to attend 75% of the classes due to unavoidable reasons, they must complete the remaining course hours in the next two consecutive batches, failing which a fresh registration will be required to complete the course.

Course Fees

For Single Accommodation:
Rs.15,500/- + GST <https://learning.icai.org/committee/cfmip/nbfc-residential/coe-hyd/>

For Twin Sharing Accommodation:
Rs.10,500/- + GST <https://learning.icai.org/committee/cfmip/nbfc-1st-res/coe-hyd/>

For session without accommodation:
Rs.6,500/- + GST <https://learning.icai.org/committee/cfmip/nbfc/batch1-coe-hyd/>

Course Fees (Cost includes 1-day prior arrival and stay of 4th day of the course. In total participants can stay in COE for 5 days)

Refund policy

- Requests for refund or admission cancellation must be received at least one week before the Certificate Course starts.
- A deduction of 10% of the gross fee paid (including GST) will be applied, in accordance with ICAI norms.
- No refund requests will be accepted once the course has commenced.



Secretariat,
Committee on Financial Markets and Investors' Protection
The Institute of Chartered Accountants of India,
Second Floor, Hostel Block, ICAI Bhawan,
A-29-Sector 62, Noida - 201309

Ph: 0120- 3045905
Email: nbfc@icai.in

Note: ICAI reserves the right to change the venue, time, date, pattern and course curriculum.



Profession in Headlines...

FINANCIAL EXPRESS

Read to Lead

REVISED CODE OF ETHICS TO COME INTO FORCE FROM APRIL 1

ICAI gives nod to easier advertising rules for CAs

MANU KAUSHIK
New Delhi, December 11

THE INSTITUTE OF Chartered Accountants of India (ICAI) on Thursday approved the revised Code of Ethics (CoE) for chartered accountants (CAs) that will give them more flexibility to advertise, among other things.

The revised CoE, which will come into force from April 1 next year, will also enable CAs to render additional services such as forensic accounting, research analysis, social impact assessment and evaluation, artificial intelligence, etc.

As per ICAI, the changes in the advertisement guidelines are aimed at enhancing accessibility and professional visibility in line with contemporary practices.

"The changes include more flexibility of contents, advertisement through contemporary form in write-up, enabling website for network firms and changes intended to enhance the visibility of firms and facilitate the dissemination of infor-

EASE OF BIZ

■ The new code will enable CAs to render additional services like research analysis

■ Changes in ad guidelines aimed at enhancing accessibility professional visibility

■ Revised CoE includes new provisions like non-acceptance of audit work of a public interest entity



■ The revamped rules recommends CAs/firms to accept audit fees only through digital modes

mation through digital platforms," the body said in a note.

The existing advertisement guidelines of ICAI permits CAs or firms to provide only those particulars of their firms in the form of a write-up that must strictly adhere to the prescribed font requirements, including a maximum font size of 14 points. "Under the revised guidelines, there are still some riders. Broadly, we don't want any kind of ani-

mosity between two professionals," said Charanjot Singh Nanda, president of ICAI.

The revised CoE also includes new independence provisions like non-acceptance of audit work of a public interest entity (PIE) where non-audit services have been provided to the same entity.

In addition, the revamped CoE recommends CAs and firms to accept audit fees only through digital modes or bank-

ing channels.

Further, the CA body said that it has approved global networking guidelines and the revised SA 600 standards. ICAI has said that the revised standard lays down a clear framework for reliance on the work of the other auditor and establishes accountability parameters for both the principal auditor and the other auditor. "The standard enables the principal auditor to review component records, visit the component, perform direct audit procedures, and issue a modified opinion if required," ICAI note said.

Last year, National Financial Reporting Authority (NFRA) and ICAI were at loggerheads on this particular standard where the regulatory body recommended revised SA 600 to be aligned with the international standard ISA 600, with minor contextual changes specific to India.

ICAI, on the other hand, said that the alignment with ISA 600 would push most of India's audit firms out of business.

अमर उजाला

आईसीएआई-कैट
का राष्ट्रीय

अभियान होगा शुरू

नई दिल्ली। इंस्टिट्यूट ऑफ चार्टर्ड अकाउंटेंट्स ऑफ इंडिया (आईसीएआई) और कंफेडरेशन ऑफ ऑल इंडिया ट्रेडर्स (कैट) एमएसएमई और व्यापारिक तंत्र को मजबूत करने के लिए राष्ट्रीय अभियान शुरू करेंगे। दोनों संस्थाएं जल्द ही एमओयू पर हस्ताक्षर कर देशभर के व्यापारियों व छोटे व्यवसायों में अनुपालन, वित्तीय अनुयायन और कौशल विकास पर केंद्रित जागरूकता कार्यक्रम चलाएंगी।

कैट की नेशनल ट्रेड लीडर्स कॉन्फ्रेंस में आईसीएआई के राष्ट्रीय अध्यक्ष चरनजोत सिंह नंदा ने कहा कि यह साझेदारी एमएसएमई की वित्तीय व परिचालन क्षमता को नई दिशा देगी।

चांदनी चौक के सांसद व कैट के राष्ट्रीय महामंत्री प्रवीण खंडेलवाल ने कहा कि मौजूदा आर्थिक परिस्थितियों में अनुपालन व्यापार की विश्वसनीयता और स्थिरता का आधार है। ब्यूरो

Deccan Vision

English Daily

ICAI Lays Foundation for New Six-Storey Hyderabad Branch

DECCAN NEWS SERVICE
■ HYDERABAD

The Institute of Chartered Accountants of India (ICAI) commenced construction of its new six-storey Hyderabad Branch on Saturday, reaffirming its commitment to supporting India's economic growth. The Bhoomi Pooja for the project was performed by ICAI President Charan Jyot Singh Nanda and Vice President Prasanna Kumar on a one-acre site in Kukatpally, Hyderabad. Speaking at a subsequent meeting in Jubilee Hills, President Nanda highlighted the vital role of Chartered Accountants in providing financial services across both public and private sectors. Vice President Prasanna Kumar shared that Hyderabad is home to approximately

15,000 ICAI members and 32,000 students, necessitating a dedicated facility to meet future professional and educational needs. The new building will be the first ICAI branch in India to have its own dedicated structure, while ICAI currently operates five regional councils and 186 branches nationwide. The leadership emphasized that the development aligns with ICAI's broader vision of strengthening India's economic framework as the country progresses toward its 2047 development goals.

The foundation-laying ceremony was also attended by Central Council members and the Hyderabad Branch Managing Committee, marking a significant milestone in ICAI's expansion and its commitment to advancing the accounting profession in the region.



the pioneer

ICAI launches 'Project Vanijya'

PIONEER NEWS SERVICE
■ New Delhi

The Institute of Chartered Accountants of India (ICAI), through its Committee on Career Counselling (CCC), launched "Project Vanijya Shaping the Future of Students for Bharat as a Developed Country", a visionary national initiative aimed at strengthening commerce education from the early stages of schooling, in alignment with the Prime Minister's vision of Viksit Bharat @2047. The project was launched on 19 December 2025 in New Delhi during a national-level deliberation, with active participation from

senior leaders and representatives of education boards from 17 States across India. The event was graced by the presence of C.A. Charanjot Singh Nanda, President, ICAI, C.A. Prasanna Kumar D, Vice-President, ICAI, C.A. Durgesh Kumar Kabra, Chairman, Committee on Career Counselling, ICAI, C.A. Pankaj Shah, Vice-Chairman, Committee on Career Counselling, ICAI, along with Central Council Members and CA (Dr) Jai Kumar Batra, Secretary, ICAI.



CORPORATE SPONSORS

WOFA 2.0 - Sponsorship Deliverables

| Particulars | Lead Sponsor (Only one across all categories) | Titanium Sponsor | Platinum Sponsor | Diamond Sponsor | Gold Sponsor | Silver Sponsor | Bronze Sponsor |
|--|--|--|--|--|--|---|---|
| Price | 5 Crores | 1.5 Crores | 75 Lacs | 60 Lacs | 40 Lacs | 20 Lacs | 10 Lacs |
| Speaking opportunities | Opportunity to host one high-level Roundtable with global leaders | Y | - | - | - | - | - |
| | Speaking Opportunity at WOFA 2.0 | Keynote Address + Two Slots in Panel Session | Keynote Address | Y | Y | - | - |
| Networking & Hospitality | One high-profile Cultural Night (powered by [Company]). | Y | - | - | - | - | - |
| | One Award Night (powered by [Company]). | Y | - | - | - | - | - |
| | Exclusive Networking Lounge (powered by [Company]). | Y | - | - | - | - | - |
| | Exclusive Networking Dinner (powered by [Company]) (150 pax) | Y | - | - | - | - | - |
| Exhibition & Engagement Opportunities | Exhibition Stall Space | 216 m ² (Prime Location) | 126 m ² | 90 m ² | 54 m ² | 36 m ² | 24 m ² |
| | Exclusive Meeting Room for Workshop/Networking from January 30 to February 1, 2026 (100 pax) | 2 rooms (for all 3 days) | 1 room (for all 3 days) | 1 room - for Half Day (for all 3 days) | 1 room - for Half Day (for all 3 days) | - | - |
| | Dedicated hospitality desk with concierge for Lead Sponsor delegates. | Y | - | - | - | - | - |
| Registration and Social Event | Complimentary Registrations | 500 | 250 | 75 | 60 | 40 | 20 |
| | Discount on Registration | Up to 500 delegate registration @ 10% discount | Up to 250 delegate registration @ 10% discount | Up to 125 delegate registration @ 10% discount | Up to 100 delegate registration @ 10% discount | Up to 70 delegate registration @ 10% discount | Up to 30 delegate registration @ 10% discount |
| | Complimentary Social Event Passes | 500 | 250 | 75 | 60 | 40 | 20 |
| Marketing | Logo on Registration Counter | Y | Y | - | - | - | - |
| | Logo on all Outdoor Advertising & Digital Marketing Materials | Y | Y | Y | Y | Y | Y |
| | Logo on Dedicated Sponsor Banners at Venue | Y | Y | Y | Y | Y | Y |
| | Logo hyperlinked on the website | Y (Home page) | Y (Home page) | Y | Y | Y | Y |
| | Logo on all Invites & Passes | Y | Y | Y | - | - | - |
| | Logo on Delegate Badges | Y | Y | - | - | - | - |
| | Research Paper/Article in WOFA Souvenir | Y (2500 words) | Y (1500 words) | Y (1500 words) | Y (1500 words) | - | - |
| | Colour Advertisement in Souvenir | Back Cover Full Page | Front Inside Full Page | 1 Full Page | 1 Full Page | 1 Half Page | 1 Half Page |
| | Colour Advertisement in CA Journal | 1 Full Page (6 editions) | 1 Full Page (4 editions) | 1 Full Page (3 editions) | 1 Full Page (2 editions) | 1 Full Page | - |
| Sponsor Recognition in post WOFA 2.0 thank you emails to delegates | Y | Y | Y | Y | Y | - | |
| Media Recognition | An interview with the leadership, promoted via WOFA 2.0 website and social media platforms | Y | Y | - | - | - | - |
| | Acknowledgement as sponsor in electronic media | Y | Y | - | - | - | - |
| | Acknowledgement as category sponsor in newspaper advertisement | Y | Y | Y | Y | Y | - |
| | Recorded Video with CEO / Leadership to be promoted at WOFA 2.0 website | 3 min | 2 min | - | - | - | - |
| | Social Media Posts with tags, mentions across Facebook, Instagram and Twitter | All posts | 40 | 25 | 15 | 10 | - |
| Brand Exposure | Display opportunity for your promotional film at Venue | 2-3 min | 2-3 min | 1-2 min | 1 min | - | - |
| | Recognition during WOFA 2.0 | Y (before inaugural session) | Y (before inaugural session) | Y | Y | Y | - |

Plus Applicable 18% GST.

World Forum of Accountants (WOFA 2.0), Greater Noida



WHY TO ATTEND

Engage to Expand your Network
and
Elevate your Expertise

Learn from
Global Leaders

Celebrate
the Profession

Stay
Future-Ready

Shape the
Future

Build Powerful
Networks

Gain Strategic
Perspectives

Explore
Innovation



Contact us:



Corporate and PAO
Sponsorship Opportunities:
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CA Firm Participation:
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