



# THE CHARTERED ACCOUNTANT

JOURNAL OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

## COUNCIL YEAR: 2024-25

DRIVING PROGRESS, INSPIRING EXCELLENCE



### Digitalisation

- Committee on AI in ICAI
- 19 CA GPT Modules
- Implemented GeM Portal, e-office and DigiLocker
- Mobile App "ICAI Diaspora" for Overseas Members
- Digital Learning Campus Portal with SPOM



### Research

- Launched ICAI International Research Journal 'ICAI Garuda'
- Specialized Research Centre established at Centre of Excellence (CoE), Hyderabad



### Integrity

- Constituted Local Bodies specific Awards
- Recommended 35 Auditing Standards to NFRA
- Global Ethics Day & Audit Day
- UDIN- New Logo. More than 8.00 Cr UDINs generated
- Peer Review Scope extended



### Skills

- MoU with CBSE
- Panchayats and Municipal Bodies Accountants/Auditors
- Setting up ICAI International ADR Centre on advise of Ministry of Law & Justice
- Constituted Professionals Skills Enrichment Committee
- 7392 CPE events organised generating 35 lakh learning hours
- 2066 Career Counselling Programme PAN India benefiting 4.36 lakh students



### Handholding

- Assisted in PM Internship Scheme
- Asia Book of Records for ICAI MSME and Startup Yatra
- Committee for Aggregation of CA Firms
- Issued Guidelines for Merger / Demerger & Aggregation of LLPs
- Established Grievance Resolution Directorate
- Group on Work Life Balance & Stress Management
- Scholarships to 13,146 students amounting to Rs. 9.55 crore
- Rs. 2.73 Cr disbursed to 155 beneficiaries by CABF
- Green Mahotsav and CA Run for Viksit Bharat
- New Infrastructure Policy
- 4 New Branches, 1 Representative Office & 2 Overseas Chapters
- CoE, Kolkata & New ICAI Bhawan as "Regulatory Wing" in Noida



### Transparency & Independence

- Audit Quality Maturity Model version 2.0
- Collaborated with ADB and World Bank to improve quality of Audit for EAPs

Organised



WORLD FORUM OF ACCOUNTANTS | 31<sup>st</sup> JAN - 2<sup>nd</sup> FEB 2025 | NEW DELHI, INDIA

Accountability Meets Innovation (AI): For A Sustainable Planet



**The Institute of Chartered Accountants of India**

(Set up by an Act of Parliament)



# CRAFTING CAPTIVATING THOUGHTS

## Invitation to Write Articles

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:

- ★ **The length of articles should be about 2000-2500 words.**
- ★ **Articles should not have been published or sent for publishing in any other print or electronic media.**
- ★ **An executive summary of about 100 words should accompany the article.**
- ★ **Articles should be engaging, original and aligned with Journal guidelines. Every selected article is subjected to Plagiarism check in line with Editorial Board's Plagiarism Policy.**

Please send articles sharing your valuable insights and expertise to the ICAI Journal and help enrich the knowledge base of the accountancy profession. Attach photograph, editable soft copy of file, declaration of originality and assignment of copyright in the prescribed format along with the article. E-mails may be sent to [eb@icai.in](mailto:eb@icai.in) and [eboard@icai.in](mailto:eboard@icai.in)

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## Pioneering Progress: Serving the Nation with Ethics, Independence, and Integrity

Progress is not about achieving perfection but about taking deliberate steps in the right direction. Our true trajectory is guided by life's purpose—a goal that fuels our passion, keeps us focused and motivates us to overcome every hurdle. With a staunch approach, remarkable milestones become attainable, inspiring others to follow a path paved with integrity and perseverance. In this journey, resilience becomes our most valuable asset, transforming challenges into opportunities for growth. By adopting a mindset of continuous improvement, we elevate not only our personal potential but also create a ripple effect, empowering others around us to strive for excellence.

India is undergoing a remarkable transformation, steadily advancing toward its aspirational goal of emerging as a global superpower. This ambitious endeavor demands the unified efforts of every citizen, fueled by a commitment to innovation and steadfast dedication to national progress. Empowered by extraordinary talent and a forward-thinking mindset, Indians are accomplishing significant achievements across diverse fields. To further bolster this momentum, the government has introduced numerous initiatives and schemes designed to extend financial support to the nation's young and visionary innovators. These programs aim to empower them to transform their groundbreaking ideas into impactful and sustainable ventures, contributing significantly to India's dynamic growth trajectory.

Over the next 25 years, India's trajectory of growth will be characterized by dynamic economic expansion, the adoption of sustainable development practices, the promotion of inclusive and equitable opportunities, cutting-edge technological advancements, and the nurturing of a highly competent and skilled workforce. A pivotal force driving this transformation is the Institute of Chartered Accountants of India (ICAI), which has consistently played a vital role in shaping the nation's economic landscape. As an esteemed institution, ICAI continues to excel as an educator, a pioneer in setting rigorous standards, and a facilitator in developing professionals whose expertise is indispensable in navigating the complexities of today's ever-evolving global economy. Through its resolute pursuit of excellence, ICAI remains a cornerstone of India's progress, equipping its members with the skills and

values required to contribute meaningfully to the nation's transformative journey.

As a rapidly growing economy, India will require more skilled Chartered Accountants to support its aspiration of becoming a developed nation. Since its inception, the CA fraternity has played a pivotal role in shaping the country's financial infrastructure, contributing to its growth, stability, and global standing. Chartered Accountants have not only been custodians of financial accuracy but have also upheld the highest ethical standards, thereby strengthening public trust in the nation's economic framework.

Over the years, the role of Chartered Accountants has evolved significantly. From traditional domains such as auditing, taxation, and financial reporting, they have expanded into emerging fields like forensic accounting, sustainability reporting, and business advisory. This adaptability underscores the profession's pioneering spirit and its ability to stay ahead of the curve. By leveraging cutting-edge technologies such as artificial intelligence, blockchain, and data analytics, Chartered Accountants enhance their ability to provide deeper insights, mitigate risks, and ensure financial transparency.

Furthermore, the CA fraternity has been instrumental in fostering a culture of compliance and governance across industries. By advising businesses on regulatory frameworks and best practices, CAs ensure that organizations operate within the bounds of law and ethics. Their unwavering commitment to ethical conduct and professionalism reinforces the foundation of a transparent and trustworthy financial ecosystem.

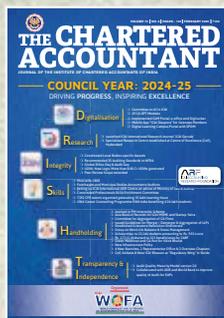
India's philosophy of collective development, rooted in the principles of joy, integrity, and shared progress, resonates deeply with the ethos of the Chartered Accountancy profession. The Institute of Chartered Accountants of India, along with its fraternity, stands prepared to face future challenges by steadfastly adhering to the values of ethics, independence, and integrity. With steadfast resolve, the seeds of *Viksit Bharat* are being nurtured, ensuring a prosperous and ethical future for generations to come.

**-Editorial Board ICAI**

Partner in Nation Building

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**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**  
ICAI Bhawan, Post Box No.7100, Indraprastha Marg,  
New Delhi-110002, Tel: +91 (11) 39893989.  
E-mail: [eboard@icai.in](mailto:eboard@icai.in), Website: [www.icai.org](http://www.icai.org)



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# From the President



**CA. Ranjeet Kumar Agarwal**  
President, ICAI

Dear Professional Colleagues,

*"You know but little of that which is within you. For behind you is the ocean of infinite power and blessedness" - Swami Vivekananda*

These profound words serve as the guiding light of my journey, and they resonate deeply, as I pen down my final message as the President of ICAI for the Council Year 2024-25. It is with immense pride, gratitude, and hope that I reflect on this unforgettable chapter in my life—a chapter that has been a confluence of opportunities, challenges and monumental achievements for our profession.

Today, as the President of ICAI, while sharing my final message, I am filled with deep appreciation, a sense of

accomplishment, and an overwhelming hope for the future of our esteemed profession. This is not an ending but the beginning of a journey and now this journey has gained a momentum to shape a legacy of excellence, innovation, and service—both to our nation and to the world.

The year 2024-25 will be remembered as a year of innovative ideas, transformative actions, and resolute will redefine the future of our profession. At the heart of ICAI's initiatives lies the framework of TRUST—Technology, Research, Union Development, Sustainability, and Transparency. This framework was, further enriched by the guiding vision of 'DRISHTI,' setting the profession on a course toward the 'Golden Era of Chartered Accountancy.' With Digitalisation, Research, Integrity, Skills, Handholding, Transparency, and Independence as its pillars, DRISHTI is a framework that will shape the next 25 years (2024-2049) of the profession.

In my role as President, I have strived to act not just as a leader but as a humble servant of our collective mission—a mission aligned with the vision of *Viksit Bharat@2047*. Every initiative we undertook, every milestone we achieved, and every challenge we overcame together has been driven by this greater purpose: to elevate our nation and our profession to unprecedented heights.

## ICAI Scaling New Heights - Expanding Presence

The Profession continues to grow by leaps and bounds both nationally and internationally, with the membership count crossing the 4-lakh mark and a student base of about 10 lakh, ICAI expanded its national presence to 177 branches with setting up of New Branches in Neemuch, Muzaffarpur, Darbhanga, Raigarh & Mandi Govindgarh and approval of New Branches in Vizianagaram, Tonk and Raigarh. Further to enhance the welfare of students and members, 10 new examination centers were established, and 18 additional reading rooms were inaugurated. With the establishment of Rotterdam Representative Office and new chapters in Florida and Zurich, ICAI now boasts 52 chapters and 29 representative offices across 47 countries. During the year two new buildings were added to ICAI Infrastructure Renovated New ICAI Bhawan as Regulatory wing in Noida and soon to be launched Centre of Excellence in Kolkata.

## Integrating Technology: Transforming the Profession

As a proud Chartered Accountant, I am deeply honoured to contribute to the profession by embracing innovation and driving transformation. ICAI is at the forefront of this transformation, evolving from traditional roles to become trusted advisors and leaders in a tech-driven world.

In 2024-25, ICAI established the Committee on Artificial Intelligence (AI) to accelerate AI adoption across student services, member support, and internal operations. It launched the Certificate Course on AI (AICA), completing 150+ batches in under 100 days, with over 5,000 members enrolled. A significant milestone was the introduction of 19 CA GPT modules, benefiting 65,000+ members and 55,000+ students. Further advancing AI integration, ICAI unveiled the Industry Forum GPT for listed company reports and UAE VAT & Corporate Tax Assistant GPTs, streamlining regulatory compliance and enhancing productivity for professionals. ICAI has redefined AI as Accounting with Innovation & Auditing with Innovation.

We integrated technology into operations through the **e-Office** & other initiatives to make ICAI technologically advanced and the **Centralized Document Management System**, ensuring sustainability and operational efficiency. Our Member and Student Dashboards provide real-time insights and support, streamlining processes across the organization. Additionally, ICAI's involvement in the Digital India program, working with MeitY on **DigiLocker**, shows its commitment to digitizing the profession. Further strengthening overseas operations by launching the **"ICAI Diaspora"** mobile app for overseas members. Through these efforts, ICAI is harnessing the power of technology to revolutionize the profession, ensuring its relevance and leadership in a rapidly evolving digital era.

### Partnering for National Progress

Henry Ford once said, *"Coming together is a beginning, staying together is progress, and working together is success."*

This year, ICAI exemplified this spirit by actively collaborating with the government to align its initiatives with the vision of Viksit Bharat @2047 and contribute meaningfully to national priorities.

Our representation on the Consultative Group on Tax Policy at NITI Aayog exemplifies our commitment to refining tax policies, simplifying processes, and improving compliance. To address the growing demand for improved financial management in local governments, ICAI signed an MoU with the Comptroller and Auditor General's office launching certificate courses for accountants in Panchayats and Municipal Bodies in which around 4000 youths have registered so far. In further support of governance, ICAI organized the Local Governance Synergy Conclave – *Sashakt Bharat*, focusing on strengthening accounting practices at the local self-government level.

ICAI through its ARF has played a pivotal role in transitioning from cash-based accounting to accrual based accounting of the Indian Railways thereby enhancing trust and transparency in its financial statements. This step in itself is a big step to augment the transparency for the upliftment of our economy. The accrual based Financial statements of FY 2021-22 were presented in June 2024 and of FY 2022-23 were presented in December 2024

to the railways which is a remarkable achievement in the journey of moving Indian Railways to adopt accrual-based financial statements.

Towards establishing India as Global Finance and Accounting hub, the IFSCA Expert Committee, chaired by the President ICAI, has submitted its recommendations to establish GIFT IFSC as a global hub for Bookkeeping, Accounting, Taxation, and Financial Crime Compliance (BATF) services. Given IFSC's role in global financial services, this initiative strengthens India's position as a provider of high-quality professional expertise. Furthermore, ICAI is actively involved in the Standing Committee for the development and regulation of professional services at GIFT IFSC. Also, Report of the working group for simplification of Income Tax laws applicable for GIFT IFSC Centres presided by President, ICAI submitted to GIFT IFSC.

Moving towards future ICAI is setting up the ICAI International ADR Centre, following the advice of the Ministry of Law & Justice, this will provide new avenues for professional development. Additionally, ICAI assisted the MCA in streamlining the PM Internship Scheme (PMIS) Implementation announced in the 2024-25 Budget and further proposed to MCA to have CA firms under PMIS, for empower of youth.

ICAI continues to play a vital role in shaping policy by offering suggestions to the Ministry of Corporate Affairs (MCA) on simplifying company rules and improving investor protection laws. ICAI has also assisted in the smooth transition of the MCA 21 Version 3 Portal. ICAI also collaborated with various government bodies, including Capacity Building Commission, Commercial Taxes Department of Andhra Pradesh and the National Academy of Customs & Indirect Taxes, fostering capacity-building among government officers.

Further, as outlined in our framework of DRISHTI we have placed our enhanced thrust on research and in this regards we have come up with the International Research Journal of ICAI named ICAI Garuda, wherein 360-degree analysis are being provided on various topics of professional interest. ICAI established a specialized research center at the Centre of Excellence (CoE) in Hyderabad wherein a Dean-cum- Director has been appointed having 13 long years of experience at ISB, Hyderabad. Further, an Advanced Flagship 5 days Residential Program - Empowering Trusted Advisors Unlocking the Potential of Family Enterprises has been organised to equip CAs with the expertise needed to address the distinct challenges of family businesses.

These initiatives are not just about enhancing the profession; they are about driving India's growth story and has positioned ICAI as a key enabler of progress. Further ICAI is also committed to the professional skill building of the members. And in this regards it is noteworthy that total of 7,981 Programmes have been organised by the CPE Committee through its CPE POUs and around 39 lakhs CPE Hours have been generated during this period.

## Building New India – Entrepreneurial, Sustainable and Inclusive

In our pursuit of a developed nation, ICAI firmly believes in empowering the MSMEs, Women and Youth through focussed initiatives on MSME and Startup nurturing ecosystem fostering value and job creation through Startup Sphere, MSME and Startup Yatra initiatives inspiring youth to build startups and support improving competitiveness of MSMEs. **I am proud to inform that ICAI is being recognized in Asia Book of Records for its MSME and Startup Yatra initiatives creating awareness in more than 100 cities in 100 days.** Similarly, to promote equity and financial inclusivity the institute has conducted large-scale awareness programs, such as the “Vitiyagan Mela” across 63 cities including hosting influencer meet to strengthen the financial literacy ecosystem in the country. Further, ICAI continues to drive financial education through Investor Awareness Programs (IAPs), with over 88 programs in 2024 alone, engaging hundreds of thousands of participants. These initiatives underscore ICAI’s resolute commitment to strengthen the profession and support the government’s broader goals of financial literacy, transparency, and good governance.

## Enhancing Expertise, Elevating the Profession

I am fortunate that I am surrounded by like-minded professionals who are ready to burn the midnight’s oil to elevate the profession to unprecedented growth, and evolution, driven by innovative initiatives and a forward-thinking approach. With the right initiatives, the institute and the profession is growing. The launch of the Audit Quality Maturity Model (AQMM v 2.0) and the first-ever “Global Ethics Day” & “Audit Day” underscore ICAI’s dedication to strengthening audit standards and ethical practices. The UDIN portal continues to scale new heights, with over **8 crore** UDINs generated, and further, more than 1.50 lakh members have been registered at portal. Quality assurance remains a priority, as evidenced by the Peer Review Board issuing **2971** certificates in 2024-25. For the first time, local bodies were recognized through specific awards for the best financial statements, encouraging healthy competition and improved reporting.

In an ever-changing market landscape, our ability to adapt, lead, and innovate ensures that we remain at the forefront of driving industry growth and national economic progress. Accordingly, to build new avenues and being ready for future the institute launched **Certificate Course on Fund Management at IFSC**, introduced the **Certificate Course on Compliance of Capital Market Intermediaries, Certificate Course on Skill Enrichment** and **Certificate Course on Mediation**. Further initiated Online German Language Course for ICAI Members and Students to make them ready for global market. Further, ICAI collaborated with the Indian School of Business (ISB) to offer a customized “Masterclass on Leadership,” program for members to enhance their managerial and leadership abilities. Additionally, ICAI has broadened its

scope with initiatives like the Advanced Flagship Program for family businesses. Skill development also took center stage with the establishment of the Professional Skills Enrichment Committee and workshops for youth and entrepreneurial growth.

It is the time for India now, it is the time for our profession to expand our wings and explore the sky. ICAI has also enhanced its global presence, professional outreach, and educational initiatives. Under the Ministry of External Affairs, it successfully hosted its first Indian Technical and Economic Cooperation (ITEC) program and welcomed a delegation from the Economic Development Board of Mauritius to discuss business regulations. To support global mobility, ICAI engaged Ecctis to conduct an independent benchmarking study to evaluate the comparability of the ICAI Intermediate and Final level in the context of the UK and UAE education.

The institute is collaborating with ICAEW, CPA Australia and CPA Canada and discussions are in advanced stages to launch Global Certification Course on Sustainability Reporting for 3 million global accounts to take forward the agenda of sustainability for building a better planet.

Playing its role effectively as an educator the Institute has implemented the National Education Policy, introduced CA Foundation & Intermediate exams thrice in a year, and launched a Digital Learning Campus with over 1.67 lakh registrations. Scholarship programs supported 13,146 students, and numerous conferences, including the Global Education Summit on Commerce & Accountancy, enriched academic and professional discourse.

## Sustainability and Well-Being: A Call to Action

Towards building Sustainable Planet ICAI undertook **Green Mahotsav** initiative, wherein we pledged to plant **100,000 trees**—a small but meaningful step toward creating a healthier planet for future generations. Further, ICAI is advancing sustainability with solar power installations at 14 units to reduce its Carbon footprint. Equally important is the well-being of our members, for a healthy profession begins with healthy individuals. The **CA Run for Viksit Bharat and Work life Balance and Yoga** initiative were organized to promote physical fitness and mental well-being, reminding us of the importance of balance in our lives. Further a group focussing on work-life balance and stress management to introduce measures aimed at improving work-life balance and managing stress within the profession has also been constituted.

Some of the significant achievements of the Institute in the Council year 2024-25 have been listed separately and published in this journal elsewhere for your perusal.

## India – Global Accounting & Auditing Hub

With ICAI at the forefront, India has the potential to lead and meet the global demands of accounting and auditing as visible in India’s emergence as GCC Capital of world with 1,800 Global Capability Centres (GCCs), powered by 67% young and dynamic ICAI population under 40, where one-third of Chartered Accountants are women are encouraging amidst the rising age of population globally. With India’s technological

expertise, knowledge prowess, and other growth enablers, India is poised to become a global leader in the accounting profession, driving innovation, excellence, and collaboration across borders.

World Forum of Accountants (WOFA) a landmark global forum, is an incredible showcase of India's thought leadership in the accounting profession being attended by nearly 7,000 delegates from 46 countries. I would like to extend my heartfelt gratitude to Chief Guest Shri Rajnath Singh, Hon'ble Minister of Defence, Guest of Honour Mr. Jean Bouquot, President of IFAC for inaugurating the WOFA 2025. I also thanks, distinguished speakers Ms. Madhabi Puri Buch (SEBI Chairperson), Shri Challa Sreenivasulu Setty (SBI Chairman), Mr. Malcolm Bacchus (President, ICAEW), Ms. Pamela Steer, President and CEO, CPA Canada, Mr. Chris Freeland, CEO, CPA Australia, Ms. Alta Prinsloo, CEO, PAFA and Mr. Jamal Fakhro from Bahrain who shared their experience and knowledge in shaping future of the profession on Day -1. A report of same is coming inside the journal.

I take this opportunity to thank all the 200+ speakers, 7000 delegates, sponsors, and one and all for making WOFA a grand success.

### Conclusion – For a Future Illuminated by Hope, Gratitude, and Determination

As I stand before you for one final time as your President, my heart is filled with honour, optimism, and hope. In my 15 years of service to this great profession, I have always considered myself a student of both the profession and my beloved alma mater, and I am proud to have contributed with satisfaction and fulfillment to its development and enhancing its legacy of trust, as President of ICAI.

During my tenure, I have tried to give my all to this profession—leaving behind the comforts of home and family to walk alongside on the path of transformation. Together, we have laid the foundation of progress, built on the pillars of innovation, technology, and an unrelenting pursuit of excellence. Today, our profession shines brighter than ever before, and I firmly believe that the future holds an even greater brilliance for us.

No leader ever walks this path alone, and today, I want to express my deepest gratitude to all those who worked tirelessly behind the scenes to make this journey possible.

To my colleagues, professional partners, and the dedicated team at ICAI, the year has been a testament to what we can achieve when we unite with purpose. Together, we have navigated pivotal moments, launched transformative initiatives, and forged collaborations that had elevated our profession to new heights. Like a small flame in a vast ocean of potential, I am humbled to have contributed to this incredible journey, made possible by the steadfast support of the Council, Regional Councils, Branches, Study Circles, Foreign Chapters, human resources of ICAI, government officials, and the countless individuals who fuel ICAI's mission with their dedication.

I would like to express my heartfelt gratitude to Vice President CA. Charanjot Singh Nanda, whose dedication, collaboration, and hard work have been instrumental in turning our shared vision into tangible achievements. You have proven that the power of collaboration can transform even the boldest of visions into reality.

I thank, my 8 Presidents of ICAI, in my journey of 9 years of Central Council CA. M Devaraja Reddy, CA. Nilesh S Vikamsey, CA. Naveen N D Gupta, CA. Prafulla P Chhajed, CA. Atula Kumar Gupta, CA. Nihar N Jambusaria, CA.(Dr.) Debashis Mitra and CA. Aniket Talati for their continuous guidance and support.

I also thank members of my Eastern Region who reposed trust in me and got me elected two times in Regional Council and three times in Central Council so that I could occupy the highest position in ICAI.

I also thank teachers and mentors, who have guided me with wisdom and inspired me to dream bigger, I owe my journey to your encouragement and lessons. And to my fellow Chartered Accountants, students, and well-wishers, thank you for placing your trust in me and walking with me every step of the way. Your belief in the profession and in our collective potential has been my greatest motivation.

I cannot thank my family enough for standing by me through all my endeavours & decisions over the last 15 years. Though I couldn't give much time to them, I now look forward to spending quality time with them, cherishing their support and love.

As the new Council will take charge from 12<sup>th</sup> February 2025, I wish and hope that the wisdom and experience of the seasoned personalities will take the Institute to newer heights.

Let us strive to make our nation a superpower with the highest economy in the world. Let us stand united, committed to excellence, and ready to conquer the challenges ahead.

Thank you for the trust, the inspiration, and the privilege to serve you all. The future is ours to create—let's create it with pride, passion, and purpose.

Jai Hind! Jai ICAI!



CA. Ranjeet Kumar Agarwal  
President, ICAI  
New Delhi, 31<sup>st</sup> January, 2025

### 1. Meeting with Hon'ble Vice-President of India



CA. Ranjeet Kumar Agarwal, President, ICAI along with CA. Charanjot Singh Nanda, Vice-President, ICAI, CA.N. D. Gupta, Member, Rajya Sabha & Past President, ICAI met Shri Jagdeep Dhankhar, Hon'ble Vice-President of India. Discussions were held on professional matters & ICAI invited Hon'ble Vice President of India for ICAI WOFA 2025.

### 2. Meeting with Governor, Reserve Bank of India



CA. Ranjeet Kumar Agarwal, President, ICAI along with CA. Charanjot Singh Nanda, Vice-President, ICAI met Shri Sanjay Malhotra, Hon'ble Governor, Reserve Bank of India. The President & Vice-President on behalf of ICAI conveyed warm wishes to Shri Malhotra on his appointment as the Governor of RBI.

### 3. Bhoomi Pujan Ceremony for 'ICAI Bhawan' New Branch Building of Kalyan Dombivli Branch



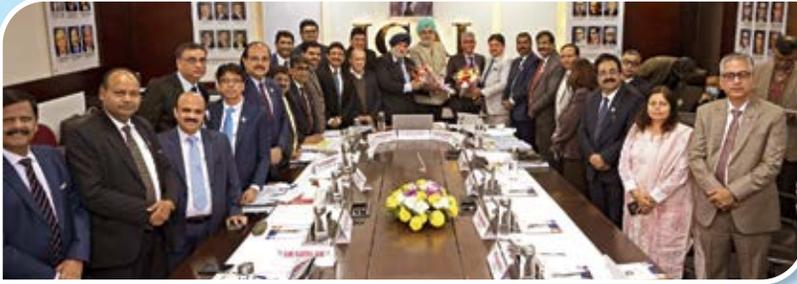
CA. Ranjeet Kumar Agarwal, President, ICAI with Shri Shrikant Eknath Shinde, Hon'ble Member of Parliament, CA. Charanjot Singh Nanda, Vice-President, ICAI, Central Council Members, WIRC & Branch Management Committee Members at Bhoomi Pujan Ceremony for 'ICAI Bhawan'-New Branch Building of Kalyan Dombivli Branch of WIRC of ICAI on January 18, 2025.

### 4. Launch of 1<sup>st</sup> Advanced Flagship Program



CA. Ranjeet Kumar Agarwal, President, ICAI along with Shri B.V.R. Mohan Reddy, Chief Guest, CA. Charanjot Singh Nanda, Vice-President, ICAI, Central Council Members & other dignitaries at the Launch of 1<sup>st</sup> Advanced Flagship Program-Empowering Trusted Advisors Unlocking the Potential of Family Enterprises at Centre of Excellence, Hyderabad on January 7, 2025.

## 5. 437<sup>th</sup> Council Meeting



CA. Ranjeet Kumar Agarwal, President, ICAI along with CA. Charanjot Singh Nanda, Vice-President, ICAI & Central Council Members at 437<sup>th</sup> Council Meeting held at New Delhi on January 8, 2025. ICAI warmly welcomed Shri Balamurugan D, Joint Secretary, MCA & Shri Inder Deep Singh Dhariwal, Joint Secretary, MCA on their appointment as Government Nominees to 25<sup>th</sup> ICAI Central Council.

## 6. ICAI Startup Manthan & acknowledgement of ICAI MSME & Startup Yatra in India Book of Records



CA. Ranjeet Kumar Agarwal, President, ICAI along with CA. Charanjot Singh Nanda, Vice-President, ICAI and Central Council Members at ICAI Startup Manthan organized at Mumbai on January 17, 2025. The ICAI MSME & Startup Yatra has recorded its name in India Book of Records by covering 100 cities in 100 days in its campaign.

## 7. Residential meet of ICAI Members in Public Service



CA. Ranjeet Kumar Agarwal, President, ICAI along with CA. Charanjot Singh Nanda, Vice-President, ICAI and Central Council Members during the Residential meet of ICAI Members in Public Service organized from January 17-19, 2025 at Goa, attended by around 100+ members in public service comprising of members of IAS, IPS, IRS, IAAS, ICoAS, IRAS, IRPS, ITAT, IBBI, SEBI etc., representing various Ministries and Government departments.

## 8. Jury Meet for Awards



CA. Ranjeet Kumar Agarwal, President, ICAI along with CA. Charanjot Singh Nanda, Vice-President, ICAI, Central Council Members & other Jury Members at the Jury Meets held for finalization of Awards of Committee for Members in Industry, ICAI Awards for Excellence in Financial Reporting, Sustainability Awards & Panchayat/ Municipal Bodies Award on January 17, 2025. Also, Jury Meet for ICAI Awards for Best Presented Financial Statements for Local Bodies 2024-25 was organised on January 21, 2025.

**9. CA 40 under 40 Awards**



CA. Ranjeet Kumar Agarwal, President, ICAI along with CA. Charanjot Singh Nanda, Vice-President, ICAI, CA. Sanjiv Mehta & Shri Boman Irani-Guests of Honor, Central Council Members & Award Winners at the CA 40 under 40 awards organized at Mumbai on January 17, 2025.



**10. National Conference 'Saksham'**



CA. Ranjeet Kumar Agarwal, President, ICAI along with CA. Charanjot Singh Nanda, Vice-President, ICAI, Central Council Members, Past President, ICAI, CIRC & Branch Management Committee Members addressed the Member Fraternity at the National Conference 'Saksham' - CAs in Nation Building organized at Indore on December 28, 2024.

**11. SAFA Conference & Board Meeting**



CA. Ranjeet Kumar Agarwal, President, ICAI along with CA. Charanjot Singh Nanda, Vice-President, ICAI addressed delegates during their respective Keynote Address & Panel Discussion at SAFA Conference-South Asia's Economic Outlook-Challenges & Opportunities held at Karachi on January 11, 2025. They also attended SAFA board meeting.

## 12. First CA Gulf Cooperation Council (GCC) Seminar



CA. Ranjeet Kumar Agarwal, President, ICAI along with CA. Charanjot Singh Nanda, Vice-President, ICAI, Chapter Management Committee Members & other dignitaries addressed the participants at the First CA Gulf Cooperation Council (GCC) Seminar hosted by ICAI Oman Chapter in Oman on January 18, 2025.

## 13. National Conference of CA Students-Utkarsh



CA. Ranjeet Kumar Agarwal, President, ICAI along with CA. Charanjot Singh Nanda, Vice-President, ICAI, Central Council Members & NIRC Members addressed the Member and Student Fraternity at the National Conference of CA Students-Utkarsh organized at New Delhi on December 29, 2024.

## 14. Inauguration of Renovated New ICAI Bhawan as "Regulatory Wing" in Noida



## 15. Inauguration of 'ICAI Pandal' at the Maha Kumbh 2025



CA. Ranjeet Kumar Agarwal, President, ICAI along with Central Council Members, CIRC & Branch Management Committee Members at the inauguration of 'ICAI Pandal' at the Maha Kumbh 2025 being held at Prayagraj. President, ICAI also addressed members at the Members Meet organized by the Branch on January 25, 2025.

## 16. Republic Day Celebrations at Varanasi



CA. Ranjeet Kumar Agarwal, President along with Central Council Members, CIRC & Branch Management Committee Members unfurled the national flag at Varanasi Branch of CIRC marking the Republic Day 2025 with pride & patriotism.

CA. Ranjeet Kumar Agarwal, President, ICAI along with CA. Charanjot Singh Nanda, Vice-President, ICAI & Central Council Members at the inauguration of renovated "ICAI Bhawan" as Regulatory Wing at C-1, Sector-1, Noida on January 22, 2025.

# Milestones of Progress 2024-2025: Building Bridges to New Horizons



## Strategic Role in Shaping a Growing Nation

### Fostering Growth Through Mutual Collaboration and Synergistic Potential

- ❖ The IFSCA Expert Committee for developing GIFT IFSC as “Global and Finance Accounting hub”, aiming to establish a robust regulatory framework for bookkeeping, accounting, taxation and financial crime compliance (BATF) services within IFSC at GIFT City has submitted its recommendations to IFSCA. The IFSC’s focus on global financial services necessitates a skilled workforce, offering Indian professionals a chance to shine globally. Additionally, ICAI participated in a Working Group dedicated to simplifying income tax laws related to GIFT IFSC.
- ❖ Launched Certificate Courses for Accountants of Panchayats and Municipal Bodies in partnership with the office of Comptroller and Auditor General (O/o C&AG) to make available skilled & trained accountants at grassroots level to improve accounting of Local-self Government in India.
- ❖ ICAI is forming Section 8 Company for setting up Alternate Dispute Resolution Centre of ICAI, on the advise of Ministry of Law and Justice.
- ❖ ICAI has been instrumental in guiding Indian Railways to transit from cash system of accounting to accrual system of accounting thereby

enhancing the transparency and efficiency of the financial statements of the Indian Railways.

- ❖ ICAI represented in the **Consultative Group on Tax Policy** constituted at NITI Aayog in order to support the goal of improving tax policies, tax administration and tax compliance while simplifying processes and reducing litigation.
- ❖ **Committee for Aggregation of CA Firms** was constituted towards reshaping the landscape for CA firms in India. Towards building Global large accounting firms Council revised and approved guidelines for **Merger & Demerger**, brought guidelines for **Aggregation of LLPs**. Further work is in progress on Guidelines for Overseas Networking.
- ❖ The “**Policy Document on Centre of Excellence**” which encapsulates research, teaching and learning, training, dialogue with stakeholder and other strategic planning efforts aimed at outlining the vision, mission, goals, objectives, governing structure, action plan and monitoring benchmark for ICAI- Centre of Excellence was developed.
- ❖ A **specialized research center** is established at the Centre of Excellence (CoE) in Hyderabad wherein Dean cum Director appointed having 13 years long experience from ISB, Hyderabad and 2 Research Associates.
- ❖ Launched ICAI International Research Journal ‘**ICAI Garuda**’ to promote research and expand knowledge for the development of profession.
- ❖ Supporting MCA in relation to **smooth transition of MCA 21 Version 3 Portal**.
- ❖ Empowering Entrepreneurship Across India. ICAI MSME & Startup Yatra has created history and recorded its name in the prestigious **Asia Book of Records** by covering a record **100 cities** during its nationwide campaign from June 27,



2024, to October 19, 2024. Under the vision of 'Viksit Bharat', this remarkable initiative focused on promoting financial & tax literacy, capacity building for MSMEs & Startups, and driving economic growth.

- ❖ Assisted in **Streamlining the PM Internship Scheme (PMIS) Implementation** and proposed to MCA to have CA firms under PMIS.
- ❖ ICAI has **collaborated with ADB and World Bank** to improve quality of audit of **Externally Aided Projects (EAPs)** in India.
- ❖ UDINs crossed a mark of **8.0 crores**. For the first time, the **Comptroller and Auditor General of India (C&AG)** used the UDINs as one of the elements for the purpose of empanelment of CA firms/LLPs by them for the year 2023-24.

### Strengthening Governance: ICAI's Support to Government and Ministries

- ❖ Suggestions to the **Ministry of Corporate Affairs (MCA)** on Simplification of the Companies Rules under the policy for pre-legislative consultation.
- ❖ Suggestions to CBDT Committee, Ministry of Finance on Comprehensive Review of the Income-tax Act, 1961.
- ❖ Amendments to Ind AS 21 regarding lack of exchangeability has been recommended to National Financial Reporting Authority.
- ❖ Amendments to AS 22, *Accounting for Taxes* on Income arising due to International Tax Reform-Pillar Two Model Rules have been issued by the ICAI for non-company entities and the same are effective for annual reporting periods beginning on or after April 1, 2024.
- ❖ Suggestions for **improving the Draft Rules of the Investor Education and Protection Fund Authority** (Accounting, Audit, Transfer, and Refund) Rules, 2016 sent to the MCA
- ❖ The ICAI developed the **Guidelines on the Valuation of Assets during CIRP**, as per the request of IBBI. The Guidelines have been bifurcated into two sections viz, general guidelines

for all the asset classes and specific guidelines for the three asset classes. The Guidelines as approved by the Council have been submitted to IBBI.

- ❖ Provided inputs to SEBI on Social Impact assessment Framework.
- ❖ ICAI has recommended following to NFRA based on the initiative being taken by MCA to notify these Auditing Standards as per Section 143(10) of the Companies Act, 2013.
  - All 35 Auditing Standards in which NFRA has accepted 33 Standards as recommended by ICAI but made major changes in 2 Standards (SA 600 and SA 299 which is being not agreed by ICAI .

### Leadership Development: Training Initiatives and Key Events

- ❖ **38 Capacity Building Programmes on GST organised** for the Officers of State GST, Central GST and other Government Departments. **More than 1800 officers** trained in these programmes.
- ❖ **Memorandum of Understanding (MoU) with Commercial Taxes Department, Andhra Pradesh, National Academy of Customs & Indirect taxes (NACIN)** for capacity building and extending technical co-operation in research, assistance in policy making, consulting etc. Zonal Campuses at Kolkata, Bhubaneswar, Patna, Shillong and Chennai for capacity building of Officers.
- ❖ Providing support to **Department of Housing & Urban Affairs (DoHUA), Government of Assam** in their capacity building initiatives and technical support for implementation of accrual accounting reforms in Urban Assam.
- ❖ Conducted Interactive Meet with 26 Trade Commissioners/Officers from 23 different embassies to understand the evolving global paradigm and promote India as Global Finance & Accounting Hub.
- ❖ As part of MCA's On Job Training, conducted training programme for **Indian corporate Law Service (ICLS) officer trainees** of 2022 Batch 13th Professional Course Programme (PCP) on April 20, 2024 & 2023 Batch of 14th PCP on January

14th, 2025 for holistic understanding of the Role, Duties, Responsibilities and Function of ICAI.

- ❖ Conducted **Training programmes** on Digital Forensics, Cyber Security, Forensic Accounting and Fraud Detection etc. for **Indian Corporate Law Service (ICLS) Academy of Ministry of Corporate Affairs**
- ❖ Training Programme on Financial Crime Investigation for **Economic Offence Wing of Gujarat Police**.
- ❖ Capacity building of SEBI officials and senior bank officials on Financial Fraud Investigation
- ❖ Organised several trainings for Government Officials in **vernacular languages** like for officials of **Government of Tamil Nadu** and **Punjab Municipal Infrastructure Development Company (PMIDC)**.
- ❖ With a focus on addressing the growing need for enhanced financial management and transparency within local self-governments, the **Local Governance Synergy Conclave** was organized on the theme “सशक्त भारत: **An Initiative to Strengthen Local-Self Government Accounting**”.
- ❖ Conducted Second edition of “**Startup Sphere**”, highlighting the profound impact of Chartered Accountants on the entrepreneurial.
- ❖ Conducted **Resolve 2024**, highlighting the role of Chartered Accountants on the insolvency landscape.
- ❖ Access to e-learning lectures on international taxation and transfer pricing provided to **National Academy of Direct Taxes (NADT), Nagpur** for knowledge sharing.
- ❖ Partnered with the **Capacity Building Commission** to design a course focusing on financial and tax literacy.
- ❖ Aligned with the Government of India’s national mission on **Financial Literacy (Vitiya Saksharta)**
  - Conducted **Quiz Competition** on Financial & Tax Literacy, with 15,000+ participants hosted at mygov.in platform.
  - Organised **Finfluencers meet** and also executed Radio campaign in 12 vernacular languages across 44 locations promoting Financial & Tax Literacy.
  - Hosted “**Vitiyagan Mela**” was held across the 63 branches of ICAI, promoting financial education among the common people with 10,000+ participants.
- ❖ Conducted more than **88 Investor Awareness Programs (IAPs)** in 2024 for the public, and **over 8,837 IAPs till date**, with approximately **1,88,250** women participants and a total of **around 4,43,150** participants.



### Building Trust Through Robust Regulatory and Reporting Frameworks

- ❖ For expeditious disposal of cases 5 Disciplinary Committee benches were constituted. During the year BoD/DC together held 107 meetings, considered 488 PFOs, concluded 149 hearings and awarded punishment in 163 cases.
- ❖ Launched the **Audit Quality Maturity Model version 2.0 (AQMM v 2.0)**, a significant step forward in ICAI’s ongoing efforts to elevate the standards of audit practice.
- ❖ Celebrated milestones – **Global Ethics Day** – highlighted the importance of ethics in the profession; **7<sup>th</sup> Valuation Day** – highlighted role of ICAI in establishing high-quality Valuation Standards; **2nd Accounting Standards Day** – highlighted importance and role of Accounting Standards in Presentation of Financial Statement, and **Audit Day** Programme - highlighted the significance of enhancing audit quality.
- ❖ **First Time** announced **Local Bodies specific awards** for the best presented financial statements to recognise and award local bodies and encourage competition amongst them to improve their financial reporting.
- ❖ The provision for **capturing PIN Code during UDIN generation** enabled at UDIN portal.
- ❖ The **Peer Review Board** actively contributed to quality assurance by issuing 2971 **Peer Review**

**certificates** during the current Council Year 2024-25. Further, Revised **Policy of Empanelment of CA Firms/LLPs and appointment of auditors of Companies under Section 139(5) and 139(7) of the Companies Act 2013 and of Statutory Corporations/Autonomous Bodies as per the provisions of their respective Acts provides that maximum of 25 points** have been allotted to firms which hold a **Peer Review Certificate** on the date of making an application for empanelment.



### **Elevating the Profession Globally: A Vision for International Growth**

- ❖ Developed **comprehensive guidelines “Directions of the Council for Accreditation and Functioning of Chapters Outside India”** for strengthening ICAI overseas Chapters, in order to serve the members abroad in an effective and efficient way.
- ❖ With the launch of the **Netherland (Rotterdam) Representative Office, Florida & Zurich Chapters**, ICAI has now a global presence - **52 Chapters and 29 Representative Offices** spanning **81 cities across 47 Countries** worldwide.
- ❖ Launched **Mobile App “Diaspora”** for ICAI Overseas Members, as a bridge between ICAI and its international members, offering enhanced services and benefits.
- ❖ With the aim of expanding the opportunities for Professionals in foreign jurisdictions, **ICAI engaged Ecctis** (erstwhile UK NARIC- The National Recognition Information Centre for the United Kingdom), a **renowned UK national agency**, to conduct an independent **benchmarking study** to evaluate the comparability of the ICAI Intermediate and Final level in the context of the UK and UAE education systems.
- ❖ Initiated Online German Language Course for ICAI Members and Students to make them ready for global market.
- ❖ ICAI, under the aegis of the Ministry of External Affairs, successfully organized its **first-ever Indian Technical and Economic Cooperation (ITEC)** program attended by officials from **11 countries**.
- ❖ Hosted **delegation from the Economic Development Board of Mauritius (EDB Mauritius)**, as part of their India Business Mission. The Interactive Meet focused on regulatory aspects of doing business in Mauritius.
- ❖ A training session was organized for the **Supreme Audit Institution (SAI) of Syria**, acceding to a request received from the **International Centre for Information Systems and Audit (iCISA)**, a premier training Institute of the C&AG.





### Enhancing Expertise: Member Initiatives for Continuous Professional Growth

- ❖ During calendar year 2024, total 7392 CPE Events were organised for professional development and knowledge enrichment of members and generated about 35 lakhs Learning hours.
- ❖ Launched the 1<sup>st</sup> Advanced Flagship Program, a thoughtfully designed initiative aimed at equipping Chartered Accountants with the specialized expertise required to address the distinct needs of family businesses at CoE Hyderabad.
- ❖ Launched Certificate Course on Fund Management at IFSC, introduced the Certificate Course on Compliance of Capital Market Intermediaries, Certificate Course on Skill Enrichment and Certificate Course on Mediation for building competence of profession for emerging avenues.
- ❖ On the occasion of “World Entrepreneurs Day” organised ICAI’s 1<sup>st</sup> InnoFest 2024 for CA budding Entrepreneurs promoting culture of entrepreneurship.
- ❖ Organised Interactive Meets/ Webinars for Empowering CA Civil Service Aspirants and CAMembers who wish to be in Entrepreneurship.
- ❖ Relaunched Women Portal <https://wmec.icai.org> for Flexi & Part-time Work options. This portal enables both employers and job seekers to register, facilitating better job matching and networking.
- ❖ Constituted Professionals Skills Enrichment Committee & organised World Youth Skills Day, to celebrate and promote youth skill development, focusing on preparing the next generation of professionals.
- ❖ Around 100 physical Programmes Conducted on Entrepreneurial Skills for Chartered Accountants, providing participants with practical insights and strategies for business innovation and leadership development.
- ❖ Virtual Yoga Session are being conducted for Chartered Accountants, aimed at enhancing overall well-being and productivity.
- ❖ Conducted AI Innovation Summit and AI Hackthon for members to get them acquainted with AI and support them in embracing AI in professional sphere.



### Future-Ready: Student-Led Initiatives for Growth and Innovation

- ❖ CA Intermediate & Foundation Course examinations to be held THRICE annually.
- ❖ Change of nomenclature from “Pass” “Fail” to Successful and Unsuccessful.
- ❖ During the year 31,946 students qualified as Chartered Accountants.
- ❖ During the year, 59<sup>th</sup> & 60<sup>th</sup> editions of the Campus Placement Program were conducted, wherein 198 & 245 organizations have participated respectively. Collectively at both edition of campus placement programme 7785 jobs were offered. The highest domestic salary was Rs. 36 Lakh.
- ❖ MoU Signed with ICAI and CBSE to establish mutual co-operation between the parties for the advancement of commerce-based skill courses taught under BFSI Sector amongst the students of CBSE across the country.

- ❖ Implemented the **National Education Policy** for Oral Coaching Classes in collaboration with universities and colleges under the New Scheme of Education and Training.
- ❖ Launched the **ICAI Digital Learning Campus Portal** with Self-Paced Online Modules (SPOM), achieving over 1.67 lakh registrations. As on December 31, 2024, **311460 candidates** had already appeared for the exam.
- ❖ In the interest of the well-being of students & members **10 new examination centres** were opened in Aizawl (Mizoram), Balotra (Rajasthan), Chhatarpur (Madhya Pradesh), Korba (Chhattisgarh), Imphal (Manipur), Puri (Odisha), Thanjavur (Tamil Nadu) Morbi(Gujarat), Patan (Gujarat) and Valsad (Gujarat).
- ❖ Organized the **International Conference of CA Students** with over 3,600 participants.
- ❖ Developed **Saransh Booklets** for quick revision across all Foundation and Intermediate subjects.
- ❖ Set up **18 Additional Reading Rooms** with 7 more in progress to provide students with a conducive study environment across India.
- ❖ Over ₹9.55 Crore were awarded to over 13,146 students as **scholarships** under Merit, Merit-cum-Need, and Need-Based categories.
- ❖ Organized the **Global Education Summit on Commerce & Accountancy (GESCA 2024)**, attended by 36 Vice Chancellors and 115 university representatives. **Eight MoUs** were signed to enhance employability and practical education.
- ❖ ICAI successfully conducted 2066 **Career Counselling Programme** (including 437 Career in Accounting & Finance for Youth (CAFY) & Super Mega Career Counselling Programme) across PAN India and total **4,36,519** students of class VIII to Graduation benefited.
- ❖ To promote CA profession, enhance awareness of the New Education Scheme, and inspire future talent ICAI conducted **10 Career Counsellor Empowerment Meet empowering 773 Career counsellors** and engaged with **130 educators** through **Principal Conclave**.
- ❖ Conducted **16 National Conferences, 15 Mega Conferences, 15 State-Level Conferences and 5 Branch-Level Conferences** to enhance students' knowledge and skills.



### Innovating for Tomorrow: Leveraging Technology to Drive Transformation

- ❖ Constituted **Committee on AI in ICAI** in the year 2024-25 to outline the Roadmap of AI in ICAI functioning, Student Services, Member Services and Employee activities.
- ❖ “**ICAI CA GPT**”, launched in its beta version including a repository of 19 GPTs, allowing all members to access the specific GPTs for respective committees/departments. Total Number of Members registered – 1,00,000 plus and total number of prompts – 1,80,000 plus.
- ❖ Launched “**Industry Forum GPT**” wherein Annual Reports of more than 5000 listed companies are uploaded for the benefit of members. This is a first of its kind initiative anywhere globally.
- ❖ The “**ICAI CA Student GPT**” was launched in beta version. Total number of Students Registered – **56224**
- ❖ Launched a **Certificate Course on AI (AICA)** which provides a 360-degree understanding of AI and AI-driven practices within the finance and accounting domain to members for their holistic development. During the year more than 150 batches were conducted in which more than 5000 members enrolled/attended.

- ❖ To enhance productivity and streamline operations in order to serve members and stakeholders better, launched **e-Office** under the theme Service with Sustainability.
- ❖ Implemented **Centralized Document Management System** facilitating the digitalization of ICAI records across all Regional Offices, Central Committees, and Departments.
- ❖ Working towards implementing the accessibility of Members Certificate at Government Digi Locker platform.
- ❖ Web portal <http://centres.icaixam.icaai.org> is put in place, for capturing of absentee data online, on the day of the exam, on a daily basis as well as further strengthening the examination process through scanning of QR Code by centre functionaries.
- ❖ Launched redesigned **CA Connect Portal** with new features to support networking.



### Empowering Growth: Infrastructure Driving Future Pathways

- ❖ Formulated **New Infrastructure Policy**, focusing on creating state-of-the-art facilities that align with global standards, fosters profession's growth and inclusivity within ICAI.
- ❖ ICAI expanded its national presence to **177 branches** with setting up of **New Branches** in Neemuch, Muzaffarpur, Darbhanga, Raigarh & Mandi Govindgarh and approval of **New Branches** Vizianagaram, Tonk and Raigarh.
- ❖ **Foundation Stone** laid for **Siliguri, Ujjain, Ratlam, Jabalpur, and Chengalpattu** Branches.
- ❖ Inaugurated Renovated ICAI Building at C1, Sector -1, Noida & Centre of Excellence Kolkata
- ❖ with **state-of-the-art infrastructure** making it a **Regulatory Wing** of ICAI housing Disciplinary Directorate, Peer Review Board, Financial & Reporting Review Board, Taxation Audit Quality Review Board and Centre for Audit Quality Directorate.
- ❖ New Construction Proposals approved for **ICAI Bhawan in Ujjain, Nagpur, Tirupati, Kota, Patiala and Latur**. Also, Bhoomi Pujan was performed for **Kalyan-Dombivali**.
- ❖ **Unified Identity Nationwide**. Introduced uniform glow signage and standardized painting across ICAI buildings, creating a consistent, professional brand identity that reflects excellence and innovation.
- ❖ Aligning with the Government's Swachh Bharat campaign, **ICAI Green (Sustainable) and Swachh Bhawan Awards** have been launched to motivate Branch Committees in maintaining top-tier infrastructure.
- ❖ **ICAI is advancing sustainability** with **solar power installations at 14** units to reduce its Carbon footprint and converting diesel generators at ICAI Bhawan, Sector-62 Noida, to eco-friendly emission control technology.
- ❖ **22 new CPE PoUs** were opened towards strengthening the learning ecosystem of CPE POUs network base to **689** spread across India and abroad.





## Additional Initiatives: Exploring New Opportunities

- ❖ **Green Mahotsav initiative** was launched by ICAI, as commitment to the nation in a crucial area of environmental sustainability, where ICAI geared up to green the earth by planting 100,000 plants and trees.
- ❖ ICAI commemorated its 75 years of service to the nation with the grand **CA Run for Viksit Bharat** on 30th June, 2024.
- ❖ Launched **Grievance Resolution Directorate (GRD)** ensuring an efficient grievance resolution mechanism and providing timely, high-quality service to ICAI's members and students. Further, GRD has enhanced services by **expanding support in regional languages**, reflecting our commitment to inclusivity.
- ❖ Successfully addressed **approx. 6 lakh calls**, demonstrating commitment to resolving queries efficiently.
- ❖ Formed a **dedicated group on Work-Life Balance & Stress Management** to introduce measures aimed at improving work-life balance and managing stress within the profession.
- ❖ ICAI Elections for the **26<sup>th</sup> Central Council and 25<sup>th</sup> Regional Council** held at **925 booths** across India, catered to over **4,03,619 registered voters**.
- ❖ Website of International Affairs committee has been revamped.
- ❖ **New Logos for ICAI ARF and UDIN:** visibly distinguishable logos have been designed which represents authenticity, integrity and trust in the Chartered Accountant profession emphasizing the core value and connection to national growth.

**ARF**  
ICAI ACCOUNTING  
RESEARCH FOUNDATION

**ICAI**  
**UDIN**  
UNIQUE DOCUMENT IDENTIFICATION NUMBER

# THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

## National Conference on GST

Organised by: GST & Indirect Taxes Committee, ICAI  
Hosted by: Eastern India Regional Council, ICAI

Biggest Ever GST Conference in the City of Joy - Kolkata

10 Technical Knowledge Sessions

DAY -1

- Amnesty under GST Navigating the Maze of Section 128A and 16(4)
- Recent Amendments including GST Proposals in Budget 2025
- ICAI's Role in Establishing GST
- Input Tax Credit (ITC) in GST - Is it a right or a benefit?
- Mock Interception of Vehicle alongwith Relevant Issues

DAY -2

- Section 73/74 of CGST Act -Defining its Limits and Way Forward
- GST Implications on Imports and Exports including SEZ
- Journey from GST Demand to Assessment - Strategy and Defence including Penalties
- Appeal and Revision under GST - Major Challenges and Representation
- Mock Search including Rights and Duties

For registration, please visit  
[www.idtc.icai.org](http://www.idtc.icai.org)  
[www.eirc-icai.org](http://www.eirc-icai.org)

7<sup>th</sup> & 8<sup>th</sup> February 2025

🕒 2PM - 8.30 PM  
📍 Kalamandir, Kolkata

Registration Fees

Fees with GST Act(s) & Rule(s) Bare Act -  
(January - 2025 Edition)  
Rs. 1000/- + GST (18%)

Fees with Background Material on GST -  
(January - 2025 Edition)  
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# Accountancy Profession: Driving Progress, Inspiring Excellence Significant Achievements - 2024-25

The accountancy profession has been from time immemorial dedicated to continuous upskilling and global excellence. Further, the profession has achieved remarkable milestones in the Council Year 2024-25, cementing its role as a trusted partner in nation-building. This year marked significant milestones for the accountancy profession, showcasing its commitment to progress, innovation, and sustainability. The *World Forum of Accountants (WOFA)* brought together global professionals to exchange insights and shape the future of the profession. The introduction of *CA GPT*, an AI-powered tool, highlights the adoption of cutting-edge technology, complemented by the establishment of the *AI Committee in ICAI* and the *Professional Skills Enrichment Committee* to upskill members with modern expertise. The launch of the *E-office platform* underscores the Institute's dedication to sustainability and operational efficiency, reducing paper wastage while streamlining processes at the same time. Progressive initiatives like the formation of the *Committee on Aggregation of CA Firms* strengthen accounting firms, the tri-annual CA foundation and Intermediate exams provide enhanced opportunities for aspiring professionals. The *Green Mahotsav* initiative, with its ambitious goal of planting 100,000 trees, reflects a strong commitment to environmental preservation. Additionally, *ICAI Garuda*, *The International Research Journal* fosters critical research skills, advancing the academic prowess of the profession. Below is a detailed account of the key activities undertaken by ICAI during the council year.



## 1. Partner in Nation Building

### 1.1 Inputs/Initiatives/Suggestions Submitted

- SRSB of ICAI has submitted comments on several key consultation papers released by SEBI, including the Consultation Paper on Facilitating Ease of Doing Business with respect to BRSR and the Consultation Paper on Expanding the Scope of the Sustainable Finance Framework in the Indian Securities Market. Moreover, ICAI provided valuable inputs to the MCA regarding the work of the International Sustainability Standards Board (ISSB) on climate-related financial disclosures.
- The IFSCA Expert Committee for developing GIFT IFSC as "Global and Finance Accounting hub" as chaired by President, ICAI, aiming to establish a robust regulatory framework for Bookkeeping, Accounting, Taxation and Financial crime compliance (BATF) services within IFSC at GIFT City has submitted its recommendations to IFSCA. The IFSC's focus on global financial services necessitates a skilled workforce, offering Indian professionals a chance to shine globally. Report of the working group for simplification of Income Tax laws applicable for GIFT IFSC Centres presided by President, ICAI submitted to GIFT IFSC. Additionally, ICAI participated in a Working Group dedicated to simplifying income tax laws related to GIFT IFSC.
- ICAI is also a part of standing Committee for development and regulations of professional services

ecosystem (Ancillary Services and BATF Services) at GIFT-IFSC which aims at developing a strategic vision, identifying key factors and suggesting policy measures and initiatives, facilitating partnership along with recommendations for improvement in the regulatory framework.

- ICAI plays a pivotal role in capacity building for government employees by providing specialized training programs. During 2024-25 Council year, ICAI conducted training for Indian Corporate Law Service (ICLS) officer trainees of 2022 Batch of 13<sup>th</sup> Professional Course Programme (PCP) on April 20<sup>th</sup>, 2024 & 2023 Batch of 14<sup>th</sup> PCP on January 14<sup>th</sup>, 2025.
- The ICAI celebrated the International MSME Day highlighting the significance of MSMEs as growth engines and job creators for the economy. A Conference was organized to dwell upon the emerging trends and coming out with a roadmap amongst the stakeholders for further strengthening the MSME sector of the country.



- ❑ The ICAI keeps on engaging with the global stakeholders to understand the evolving global paradigm and promote India as Global Finance & Accounting Hub. In this context, an Interactive Meet with Trade Officers of Foreign Embassies was held which was attended by 26 Trade Commissioners/Officers from 23 different embassies.
- ❑ Proposed adopting RBI norms for auditor empanelment for Multi-State Cooperative Societies to the Ministry of Cooperation, ensuring fair and effective audits.
- ❑ Submitted request to Gujarat Police to mandate Forensic Accounting and Investigation Standards (FAIS) while assigning investigation of economic crimes to ICAI members.
- ❑ The ICAI is improving accounting of Local-self Government through Certificate Courses for Accountants of Panchayats and Municipal Bodies, a joint initiative of ICAI and O/o CAG.
- ❑ Comments on the Guidance Note on Accounting of Fixed Assets were formulated and submitted to the Government Accounting Standards Advisory Board (GASAB) apart from preparation of Concept paper on Accounting of Public-Private Partnership Arrangements for them.
- ❑ Aligned with the vision of Atmanirbhar Bharat, through initiatives like ICAI Startup Sphere 2024, fostering innovation and the startup ecosystem uniting startups, investors, and thought leaders to shape the startup landscape.
- ❑ Taking forward the Government of India's mission of 'Vitiya Saksharta' (Financial Literacy) to the next level and promoting understanding of tax laws, accounting, and diverse facets of finance, the Institute organized a Finfluencers meet in New Delhi on 5<sup>th</sup> April, 2024 wherein over 42 prominent social media influencers deliberated and decided to collaborate on educating masses on financial knowledge.
- ❑ ICAI organized the Academia Meet with Universities & Institutions organized on May 17<sup>th</sup>, 2024 at New Delhi.



Academicians and researchers from over 35 Universities/Institutions converged to exchange ideas and insights, deliberating on diverse strategies to enhance the research landscape in the country.

- ❑ Launching of a dedicated initiative of ICAI incorporating a Section 8 company for setting up ICAI International ADR Centre on the advise of Ministry of Law & Justice.

## 1.2 Facilitating Government and other Regulatory Bodies

- ❑ MoU signed between ICAI and Chhattisgarh Real Estate Regulatory Authority (CG-RERA) to strengthen transparency and streamline document authentication processes.
- ❑ The Reserve Bank of India holds quarterly meetings of State Level Coordination Committee (SLCC) to regulate Non-Banking Financial Companies (NBFCs) and deposit accepted activities of incorporated bodies (UIBs) at each of their regional offices. More than 40 SLCC/Sub-SLCC meetings were held during the year and ICAI's representatives have actively participated in these meetings.
- ❑ The Ministry of Corporate Affairs (MCA) had initiated comprehensive review of the Rules under the Companies Act 2013, Company Law Rules, LLP Rules and Rules under IBC under the policy for pre-legislative consultation formed by the MCA. As part of this initiative, it had requested ICAI to provide valuable suggestions and insights. After a comprehensive review, ICAI suggestions on simplification of Companies Rules, 2014, Companies (Registered Valuers and Valuation) Rules, 2017 were submitted to the MCA.
- ❑ On request received from the Investor Education and Protection Fund (IEPF) Authority, ICAI submitted its observations on the Draft Rules concerning the Refund process on the (IEPF) Authority (Accounting, Audit, Transfer and Refund) Rules, 2016.



## ■ SIGNIFICANT ACHIEVEMENTS ■ THE CHARTERED ACCOUNTANT



- As part of the implementation of the PM Internship Scheme (PMIS) announced in the 2024-25 Budget, the Ministry of Corporate Affairs (MCA) identified 500 leading companies based on their CSR spending over the past three years. To streamline communication and coordination, ICAI played a pivotal role by proactively reaching out to these companies to identify and gather details of their Single Point of Contact (SPOC). By closely collaborating with the MCA and other stakeholders, ICAI ensured the seamless collection of SPOC information, enabling companies to log in and submit their internship opportunities on the PMIS portal effectively.
- The Insolvency and Bankruptcy Board of India (IBBI) requested ICAI to develop the Guidelines on the Valuation of Assets during CIRP. The Guidelines were developed and submitted to IBBI, and includes a detailed list of assets to be valued. The Guidelines have been bifurcated into two sections viz, general guidelines for all the asset classes and specific guidelines for the three asset classes.
- The Institute, through GST & Indirect Taxes Committee, entered into Memorandum of Understanding (MoU) with Commercial Taxes Department, Andhra Pradesh for capacity building and extending technical co-operation in research, assistance in policy making, consulting etc. Similar MoUs for capacity building have been entered into with National Academy of Customs & Indirect taxes (NACIN) Zonal Campuses at Kolkata, Bhubaneswar, Patna, Shillong and Chennai. These MoUs will facilitate imparting training on GST at Commercial Taxes Department, Andhra Pradesh and NACIN, Zonal training Institute (ZTI), Kolkata, Bhubaneswar, Patna, Shillong and Chennai through capacity building programmes on a regular basis.
- **Reinforcing GST policy making, implementation and research – Technical inputs:**
  - The GST & IDT Committee submitted its suggestions on the Central Excise Bill, 2024 to the CBIC on June 26, 2024.
  - The GST & IDT Committee submitted its suggestions on Invoice Management System (IMS) on the GST portal launched by GSTN on November 14<sup>th</sup>, 2024 for making it more effective and efficient.
- **Suggestions submitted to the Insolvency and Bankruptcy Board of India (IBBI) on following Discussion Papers - by IIIPI jointly with I&VSB of ICAI:**
  - Discussion Paper on Monitoring Committee under CIRP
  - Discussion Paper on Review of Grievance Redressal and Enforcement Framework and Rationalisation of Timelines Regarding Authorisation for Assignment
  - Discussion Paper on amendments to Insolvency and Bankruptcy Board of India (Liquidation Process) Regulations, 2016 and Insolvency and Bankruptcy Board of India (Voluntary Liquidation Process) Regulations, 2017.
  - Discussion Paper on Issues Related to Real Estate
  - Discussion Paper on Mediation by the Operational Creditors (OCs) before approaching Adjudicating Authority (AA) for filing Section 9 application
  - Discussion Paper on MSME Registration and Disclosure Framework under CIRP
  - Discussion Paper on Format for progress report during Liquidation Process
  - Discussion paper on amendments to Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Process) Regulations, 2016
  - Discussion paper on Reducing Compliance by Review of CIRP Forms submitted by Insolvency Professionals (IPs) to IBBI
  - Discussion paper on “Strengthening the process of issuance of record of default by Information Utility”
- **Representation/Technical Inputs related to International Trade and Services were given to the Government on below matters:**
  - India Australia ECTA implementation - Proposal from ICAI regarding audit access rights etc.
  - India-US TPF Services Working Group issues.
  - Contact points for India-Japan Comprehensive Economic Partnership Agreement (IJCPEA)
  - Inputs on India's offer related to Accounting and Bookkeeping under India-UK FTA

- Inputs for the Second Session of India-Mauritius High Powered Joint Trade Committee (HPJTC) Meeting.
- Mutual Recognition Agreement (MRA) negotiations with Australian, Korean and Japanese counterparts – regarding status update
- India-Malaysia Comprehensive Economic Cooperation Agreement (IM-CECA)- Regarding Status of MRAs.
- Inputs on challenges faced by members in GCC Countries with regard to qualification recognition.
- Inputs for the next round of India-Singapore Ministerial Round table (ISMR).
- India- Egypt Joint Trade Committee (JTC) Meeting.
- Comments submitted regarding India- South Africa Joint Working Group on Trade and Investment.
- 14<sup>th</sup> Meeting of India-Thailand Joint Trade Committee-Request for (i) Inputs for preparation of the Agenda of the meeting and (ii) ATN on the decisions of the 13<sup>th</sup> JTC meeting.

#### ■ Representation to RBI

The Insolvency & Valuation Standards Board submitted the representation letters to RBI and SEBI, urging them to modify their empanelment guidelines for valuers. This correspondence seeks non-inclusion of the International Valuation Standards from the empanelment guidelines issued by various banks for Valuers and to recognise ICAI Valuation Standards.

#### ■ Represented to SEBI

Represented to SEBI for restoring professional opportunities for members in conducting system audit of stock brokers etc.

#### ■ Representations submitted to CBDT: Submission of representations on taxpayer concerns to the CBDT for timely resolution. Some representations submitted by the DTC are as under –

- Concerns of taxpayers governed by Portuguese Civil Code in respect of communication received for mismatch in income as per Annual Information Statement (AIS) and Income Tax Return (ITR)
- Genuine concerns of assesses relating to time of filing of Form No. 10-ID for availing benefit of section 115BAB
- The concerns faced by taxpayers regarding intimation received to rectify the defect with respect to capital gain computation under section 50C

- The concerns in relation to Form 26AS/TIS/ AIS and in e-filing the returns of income and payment of taxes
- Extend the last date for linking of PAN with Aadhar to 31.7.2024
- Resolve the technical glitches in filing returns and payment of taxes
- Concerns relating to e-filing utility not permitting rebate u/s 87A in respect of income-tax on STCG u/s 111A and LTCG u/s 112
- The concerns of eligible assessee, who have filed the original return of income under the old tax regime, in filing revised return after the due date u/s 139(1) under the same.
- Concerns faced by eligible assessee due to re-classification of certain income (declared as “Income from other sources” in the original return) as income under the head “Profits and gains of business or profession” in the intimation notice/assessment order
- Concerns in relation to the variance in Form No. 10B/10BB and ITR 7 on account of non-updation of Form No.10B/10BB in line with the amendment by the Finance Act, 2023
- Concerns in relation to restriction of applicability of clarification given in Circular No. 17/2023 dated 9<sup>th</sup> October 2023 to only A.Y.2023- 24
- Resolve the genuine hardship faced while furnishing Tax Audit Report for A.Y. 2024-25
- Extend the time limit for updation of UDIN by Chartered Accountants after submission of Audit Report under section 44AB in the e-filing portal upto the due date of filing of return of income i.e., 31<sup>st</sup> October, 2024/30<sup>th</sup> November, 2024, as the case may be.
- Extend the applicability of Safe Harbour Rules to A.Y. 2024-25 and A.Y.2025-26
- Tax exemption/relief on withdrawal from National Savings Scheme (NSS) in light of notifications issued by Ministry of Finance on discontinuation of interest after 1<sup>st</sup> October 2024
- The concern on account of receiving intimation under section 139(9) for defective return on



account of non-reflection of income appearing in Form 26AS in the return of income filed

- Resolve the genuine hardship faced by taxpayers and professionals on account of the technical glitches in return filing on the Income-tax e-filing Portal
- The concerns on account of intimation(s) being sent under section 139(9) for defective return in certain cases
- Concerns of taxpayers while filling Schedule 5A - Information regarding apportionment of income between spouses governed by Portuguese Civil Code in the Income-tax Return
- One-time relaxation for taxpayers who have omitted to disclose the required information related to foreign income or assets in the income-tax return.

#### ■ Representation to CBIC:

The GST & IDT Committee submitted a representation to Chairman, CBIC and GST Council on 28<sup>th</sup> March, 2024 requesting to extend the last date for filing of appeals under Notification No. 53/2023 CT dated 02.11.2023 till 30<sup>th</sup> April 2024 and/or to include therein the orders under sections 29, 54, 73, 74 and 129 issued up to 31<sup>st</sup> October 2023.

#### ■ Representations/Suggestions/Inputs to MCA and other bodies:

- Submitted representation for digitizing operations under the Maharashtra Public Trusts Act, including online audit report validation via OTP/Digital Signatures, virtual hearings for complex cases, and complete digitization of trust budget submissions.
- Views submitted on a matter received from the MCA in relation to a company in context of Ind AS 115, Revenue from Contracts with Customers.

- The Institute of Chartered Accountants of India (ICAI) and its Accounting Research Foundation (ICAI ARF) have been playing a pivotal role in supporting the transition to accrual-based financial statements, enhancing transparency and accountability. ICAI ARF has successfully facilitated the preparation of accrual-based financial statements in Indian Railways for all Zonal Railways and Production Units from 2015-16 to 2022-23, contributing significantly to strengthening India's self-reliant infrastructure and financial governance.



### 1.3 National Leadership Encouraging ICAI

- **CA Day Celebrations** - July 1<sup>st</sup>, 2024 was very special as the Institute celebrated 75 years of Trust, honouring the excellence and contributions of Chartered Accountancy Profession towards National Development. The Chief Guest **Shri Nitin Gadkari, Hon'ble Minister of Road Transport and Highways of India**, inaugurated the celebrations. On the occasion, the dignitaries Shri R. Venkataramani, Attorney General of India; Shri S. Krishnan, Secretary, Ministry of Electronics and Information Technology; Dr. Manoj Govil, Secretary, Ministry of Corporate Affairs, lauded the ICAI and profession for its stellar contribution in this 75 years journey of Trust and Excellence.
- **CA Run for Viksit Bharat** - The Institute is the world's largest accountancy body, commemorated its 75 years of service to the nation with the grand 'CA Run for Viksit Bharat' on 30<sup>th</sup> June, 2024. The event was graced by the presence of Shri Harsh Malhotra, Hon'ble Union Minister of State in the Ministry of Corporate Affairs, who praised ICAI's contributions to the nation's financial standards and robust reporting ecosystem.
- Shri Jagdeep Dhankhar, Hon'ble Vice-President of India graced the National Conference on Internal Audit & Technology organized by ICAI in Jaipur on October 15<sup>th</sup>, 2024. The Conference discussed about integration of Internal Audit and Technology.
- With aim to foster collaboration and innovation in the realm of local governance the Institute organized Local Governance Synergy Conclave themed "Sashakt Bharat: An Initiative to Strengthen Local-Self Government Accounting" on 1<sup>st</sup> - 2<sup>nd</sup> October, 2024



in association with O/o C&AG. With over 350 officials from local bodies across India participating, the conclave aspired to bolster transparency and efficiency in local self-governance, aligning it with the vision of a Viksit Bharat. The event was graced by Hon'ble C&AG Shri Girish Chandra Murmu, as Chief Guest.



-Maharashtra wherein discussion were held on Trust, Co-Operatives, Municipalities, Universities, Colleges & other Professional matters on 13<sup>th</sup> December 2024.

- ❑ Dr. Manoj Govil, Hon'ble Secretary, MCA, Shri Inder Deep Singh Dhariwal, Joint Secretary, MCA in the presence of CA. Ranjeet Kumar Agarwal, President, ICAI, CA. Charanjot Singh Nanda, Vice-President, ICAI, Past President & Central Council Members held Interactive Session on Aggregation of CA Firms organized at ICAI HO, New Delhi on June 21, 2024.
- ❑ ICAI organized Discussion on Union Budget 2024-25 on 24<sup>th</sup> July, 2024 wherein Shri Ravi Agrawal, Chairman, CBDT joined senior officials from CBDT, Central Council Members, ICAI and eminent experts and discussions were held on Union Budget.
- ❑ Dr. Ajay Bhushan Prasad Pandey, Chairperson, NFRA addressed the 431<sup>st</sup> meeting of the Council on 25<sup>th</sup> April, 2024. In his address the Chairperson NFRA highlighted the technological advances and rise of India on global landscape which needs regulation and financial reporting for building trust and confidence amongst investors and stakeholders.
- ❑ The ICAI leadership met Shri S. Krishnan, Secretary (MeitY) on 20<sup>th</sup> April, 2024 and discussion were held about the India's AI mission and harnessing the potential of Artificial Intelligence in realizing the vision of Indian economy to be a \$ 30 trillion economy.
- ❑ ICAI leadership along with Central Council Members met CA. Anand Mohan Bajaj, Deputy Comptroller & Auditor General of India (Commercial) at New Delhi on June 5<sup>th</sup>, 2024, for discussion regarding Professional Development and Role of ICAI in Nation Building.
- ❑ ICAI leadership along with Past Presidents & CCM met Shri C. P. Radhakrishnan, Hon'ble Governor -Maharashtra wherein discussion were held on Trust, Co-Operatives, Municipalities, Universities, Colleges & other Professional matters on 13<sup>th</sup> December 2024.
- ❑ An Awareness Program on Financial Planning for the Salaried Persons was conducted on September 3<sup>rd</sup>, 2024 at Raj Bhawan, Dehradun, Uttarakhand for the Governor's Secretariat. Hon'ble Governor Uttarakhand Lt. Gen Gurmit Singh was the Chief Guest of the event.
- ❑ Shri Sanjay Seth, Hon'ble Minister of State for Defence launched the re-designed CA Connect Portal on September 1<sup>st</sup>, 2024 at Ranchi. CA. Sunil Mehta, Executive Director, Coal India Ltd. and CA (Dr.) Girish Ahuja also addressed the participants.
- ❑ Shri Shaktikanta Das, Hon'ble Governor of RBI visited as Chief Guest in 2-day National CA Conference 2024 on the theme "समृद्धि: Fostering Growth, Fuelling Success" Organised by CPE Committee and Hosted by Bhubaneswar Branch of EIRC of ICAI on August 31<sup>st</sup>, 2024.
- ❑ Shri Kanak Vardhan Singh Deo, Deputy Chief Minister of Odisha was Chief Guest in 2-day National CA Conference 2024 on the theme "समृद्धि: Fostering Growth, Fuelling Success" Organised by CPE Committee and Hosted by Bhubaneswar Branch of EIRC of ICAI on September 1, 2024.
- ❑ Shri Ashwani Bhatia, Whole Time Member, SEBI, served as the Guest of Honour and Keynote Speaker for the programme organised for Banks, Asset Reconstruction Companies (ARC), Non-Banking Financial Companies (NBFCs) and other financial stakeholders on "Future Proof Forensics: Thought Leadership in Financial Fraud Investigation".
- ❑ Smt. Meenakshi Lekhi Ji, the then Minister of State for External Affairs & Culture of India was the Guest of Honour at the National Conference on Capital Market organized at Mumbai.
- ❑ Shri Rajat Sharma, Chairman India TV graced as Chief Guest, 'Global Ethics Day' organized by ICAI in Delhi on October 16<sup>th</sup>, 2024. The celebration reinforced the commitment of Chartered Accountants to ethical conduct and their responsibility in fostering trust within the financial ecosystem.
- ❑ An Investor Awareness Programme was organized at Udaipur where Shri Manoj Tiwari, Executive Director, The Securities and Exchange Board of India (SEBI), was the Chief Guest.
- ❑ **Global Education Summit in Commerce and Accountancy (GESCA) 2024:** The ICAI organised





the 4<sup>th</sup> Global Education Summit in Commerce and Accountancy (GESCA) 2024 at New Delhi, on July 5<sup>th</sup> and 6<sup>th</sup>, 2024. The two-day summit was inaugurated by Shri Harsh Malhotra, Hon'ble Minister of State for Corporate Affairs and Road Transport and Highways, Also present were distinguish Guests of Honor, Dr. Abhay Jere, Vice Chairman of AICTE and Prof. Shashikala Wanjari, Vice Chancellor of NIEPA. The summit focussed on sharing insights to enhance the employability of Commerce graduates through upskilling initiatives. The GESCA 2024 had participation from 36 Vice-Chancellors of various universities, along with representatives from 115 top universities and 30 autonomous colleges across the country. Additionally, the summit witnessed the signing of Memorandums of Understanding (MoUs) with 8 educational institutions. The signing of MoUs with various universities underscores ICAI's dedication to enhancing the quality of commerce and accountancy education in India.

### 1.4 Meeting with National Leadership, Dignitaries and Others

- A meeting was held with Shri Saurabh M. Deshmukh, Director of Audit and Legal at the Department of Posts (DoP) to explore professional opportunities for Chartered Accountants in auditing post offices.
- Meeting with Ms. Anna Roy, Senior Advisor, NITI Aayog, New Delhi regarding the collaboration between ICAI and NITI Aayog WEP for empowering women entrepreneurs and to support NITI Aayog in its related endeavours.
- Meeting was held with the Audit Relation Group of the RBI, wherein various issues concerning the audit profession in the banking industry were discussed.
- Meeting with Shri Anand Kumar Jha, Joint Secretary and

Central Registrar of Cooperative Societies, Ministry of Cooperation, wherein various issues relating to the panel of auditors for Multi-State Cooperative Societies prepared by the Office of Central Registrar of Cooperative Societies were discussed. Thereafter, a representation was also submitted.

- ICAI leadership along with Central Council Member met Ms. Vandita Kaul, Secretary, Department of Post at New Delhi on June 19<sup>th</sup>, 2024, to discuss conversion of Department of Post Accounts from cash to accrual basis.
- Meeting with Ms. Monika Khanna, Joint Central Registrar of Cooperative Societies, Ministry of Cooperation wherein issues related to the empanelment of auditors for UCBs and Multi-State Cooperative Banks were discussed.
- A meeting was held with Shri Rabindra Kumar Agarwal, Central Registrar of Cooperative Societies, Ministry of Cooperation, to address concerns raised by the members on notification of the panels of auditors for the FY 2024-25 and related issues. In line with the deliberations of the meeting with CRCS, a representation was also submitted to the office of CRCS.
- Meeting was also held in the office of CRCS under the Chairmanship of Additional Secretary (Coop.) & Central Registrar of Cooperative Societies for discussing strengthening of audit mechanism, Standards/Norms of Auditing and Accounting and panel of Auditors in the Multi-State Cooperative Societies.
- Meetings were held at NABARD, Mumbai with Shri S K Nanda, CGM, Dr. A V Bhavani Shankar, GM, Dr A V Ravindradas, DGM and Shri Pavithran Nair, AGM. During the meeting, matters pertaining to preparation of the panel in line with Guidelines regarding the appointment/re-appointment of Statutory Auditors for State Co-operative Banks and Central Co-operative Banks (S and CCBs) were discussed.
- ICAI President attended various meetings of the Insurance Regulatory and Development Authority of India (IRDAI) through physical/online mode.





- Sh.VNThete-Principal Commissioner, CGST, Bhubaneswar
- Sh. Pallav Gopal Jha, IAS- Commissioner of Taxes, Assam
- Shri Ramakrishna Chitturi, IAS- Commissioner of Taxes, Government of Meghalaya
- Sh. Manish Kumar Sinha, IRS-CEO, GSTN and his team

- 50<sup>th</sup> and 51<sup>st</sup> meeting of the Insurance Advisory Committee (IAC) of the Insurance Regulatory and Development Authority of India (IRDAI) were held and attended by ICAI President. During the meeting various suggestions were given on agenda items concerning the IRDAI (BIMA Sugam) Regulations, 2024; IRDAI (Registration, Capital Structure, Transfer of Shares, and Amalgamation of Insurers) Regulations, 2024; IRDAI (Corporate Governance for Insurers) Regulations, 2024; and IRDAI (Actuarial Finance and Investment Functions of Insurers) Regulations, 2024, IRDAI (Maintenance of Information by regulated entities and sharing of information by the Authority), Regulations, 2024 etc.
- Meeting was held with Shri Gopal Bhagat, Deputy Chief Executive, Indian Banks Association and discussions were held on various aspects of Banking sector vis-a-vis the role of Chartered Accountants including recommendations of ICAI on Advisory dated 27<sup>th</sup> May 2024 issued by IBA in respect of remuneration payable to SCAs and SBAs for various items of audit works; involvement of ICAI in certain aspects of empanelment for Forensic Audit and ASM audit; dissemination of information about the panel of ICAI in respect of "OA" category which is being introduced by ICAI for "Other assignments" in Banks; issues arising due to lack of uniformity in formats of certificates.
- Meeting with Dr. M. P. Tangirala, Additional Secretary, Department of Financial Services, Ministry of Finance, wherein a representation regarding upward revision of audit fees for statutory auditors of Regional Rural Banks (RRBs) was submitted.
- Various meetings held with various Commissioners of State Tax/GST and the other senior officers of Central and State Governments, to apprise the officials about the various initiatives taken by the ICAI with regard to GST and discuss ways and means through which the GST & Indirect Taxes Committee can offer proactive support to the Government in the area of GST.
- Sh. Sanjay Mangal, IRS- Principal Commissioner, CBIC
- Hon'ble Justice Shri C. Hari Shankar, Delhi High Court
- Hon'ble Justice Shri Dilip Gupta, President, CESTAT
- Meeting with Ms. Renu Lata, Economic Advisor, Department of Commerce, Ministry of Commerce and Industry for recognition of ICAI as a Eligible Agency under Market Access Initiatives (MAI) Scheme 2021 –Accounting & Finance Services under CSSS.
- Meeting with Mr. Sanjiv Singh IRS, Joint Secretary, DPIIT to explore strategies for amplifying the startup ecosystem's impact.
- Meeting with Mr. Arindam Bhattacharyya, Director, Ministry of External Affairs to deliberate various modalities to conduct the ITEC Program by ICAI.
- Virtual meeting held with Shri Darpan Jain, IAS, Joint Secretary, Ministry of Commerce & Industry on sharing insights on the proposed changes in India's offer related to Accounting and Bookkeeping under India-UK FTA.
- Virtual meeting held with Dr. Rupanjali Karthik, Director of Services, Trade Negotiation Wing - Bilateral, Department of Commerce on clarification of ICAI recommendation on audit access rights proposal in existing MRA with Australia.
- ICAI organized a Conclave on Indirect Taxes Litigation before Tribunal in New Delhi to enhance Chartered Accountants' skills in drafting, representation and procedural compliance before the Tribunal. The Conclave was a pioneering event with over 20 esteemed Members of CESTAT from different benches across the country present on one platform and sharing their insights on judicial perspectives, best practices and practical approaches to effective advocacy in indirect taxes litigation.



## 2. Evolving Standards

The Institute consistently strives to strengthen the financial reporting framework by introducing new standards and practices on a regular basis. These efforts are focused on enhancing credibility, transparency, and good governance within the reporting ecosystem, thereby supporting economic growth.

- ❑ Companies (Indian Accounting Standards) Amendment Rules, 2024, notified by the MCA vide notification dated August 12<sup>th</sup>, 2024 comprising issuance of new insurance standard (Ind AS 117) and consequential amendments to fourteen (14) other Ind AS. The said amendments are applicable for annual reporting periods beginning on or after April 1<sup>st</sup>, 2024. The applicability of Ind AS 117 to Insurance companies will be as per the roadmap to be announced by the IRDAI.
- ❑ Amendments to Ind AS 116, Leases corresponding to amendments to IFRS 16, Leases in relation to lease liability in a sale and lease back transaction has been notified by the MCA vide Companies (Indian Accounting Standards) Second Amendment Rules, 2024, dated September 9<sup>th</sup>, 2024, that is applicable for annual reporting periods beginning on or after April 1<sup>st</sup>, 2024.
- ❑ Recommendations of ICAI submitted to National Financial Reporting Authority on:
  - *Lack of Exchangeability* – Amendments to Ind AS 21, the Effects of Changes in Foreign Exchange Rates corresponding to IAS 21- Proposed applicability date April 1<sup>st</sup>, 2025.
- ❑ Issued revised criteria for classification of non-company entities for applicability of Accounting Standards issued by the ICAI.
- ❑ Amendments to AS 22, Accounting for Taxes on Income arising due to International Tax Reform-Pillar Two Model Rules have been issued by the ICAI for non-company entities and the same are effective for annual reporting periods beginning on or after April 1<sup>st</sup>, 2024.
- ❑ Issued Exposure draft of proposed new standard Ind AS 118, Presentation and Disclosure in Financial Statements, corresponding to IFRS 18 issued by the IASB, for public comments.
- ❑ 'Annual Improvements to Ind AS' corresponding to Annual Improvements to IFRS Accounting Standards issued by the IASB have been approved by the Council.
- ❑ The Insolvency & Valuation Standards Board of ICAI initiated the process of developing the Valuation Standards for the Asset classes, namely Land & Building and Plant & Machinery in addition to Securities and Financial Assets. The Concept Paper to formulate Valuation Standards for the Asset Classes – Plant and Machinery and Land and Building was prepared to take the formulation forward.





### 3. ICAI Towards a Global Footprint - Enhancing Brand CA Globally

ICAI is committed to preparing professionals for the global stage by strengthening the international recognition of the CA brand. This is achieved through strategic global partnerships, fostering knowledge exchange, creating professional opportunities, and promoting mobility with a global outlook.

#### □ Benchmarking of ICAI qualification by Ecctis

ICAI has always pursued academic and professional excellence for its students and members. To expand global opportunities for members, the Institute has engaged Ecctis (formerly UK NARIC), a leading UK agency specializing in qualifications benchmarking. Ecctis will evaluate the comparability of ICAI's Intermediate and Final levels within the frameworks of the UK and UAE education systems. With curriculum changes at ICAI, a fresh evaluation is underway, further supporting members seeking international mobility and professional growth.

#### □ Unified Profession for a Global Economy – WOFA 2025

Marking a historic milestone, ICAI is organizing the inaugural World Forums of Accountants (WOFA) from 31<sup>st</sup> January – 2<sup>nd</sup> February, 2025 in Yashobhoomi, Delhi, under the theme 'Accountability Meets Innovation (AI): For a Sustainable Planet'. This landmark event will emerge as a platform to shape the future of accountancy, fostering dialogue on innovation, sustainability, and global excellence. With its universal perspective, WOFA 2025 reaffirms ICAI's commitment to create a globally respected accountancy profession and build a sustainable, value-driven future.

□ ICAI expanded its global footprint with the launch of the Rotterdam Representative Office in the Netherlands, adding to its presence in Amsterdam and Eindhoven. It also inaugurated the Florida Chapter, its 51<sup>st</sup> overseas and 12<sup>th</sup> in the USA, and the Zurich Chapter, its 52<sup>nd</sup> overseas and first in Switzerland. With 52 Chapters and 29 Representative Offices across 81 cities in 47 countries, ICAI continues to uphold the mission of Indian Chartered Accountancy on the global stage.



□ ICAI launched the "Diaspora" mobile app for its overseas members, providing a platform for connection, networking, and engagement. Designed for approximately 40,000 global members, the app facilitates self-registration, enabling ICAI to identify members missing from its database. It ensures data synchronization, accurate records, and enhanced services while strengthening ties between ICAI and its international members.

□ With the upcoming amalgamation of CPA Ireland into Chartered Accountants Ireland on September 1<sup>st</sup>, 2024, resulting in the cessation of CPA Ireland's independent identity, ICAI and CPA Ireland proactively renewed their Mutual Recognition Agreement (MRA) on August 28<sup>th</sup>, 2024. The new institute will uphold existing reciprocity agreements, ensuring continued benefits for members of both organizations.

□ ICAI has actively represented the Institute's perspective by participating in the governing boards of various international accounting bodies like CAPA, SAFA, the IFAC Board, IFAC PAIB & IPAE, IAASB, CAW, and the IFRS-SME Implementation Group. Currently, ICAI representative is heading Edinburgh group further strengthening its global influence and contributions to the accounting profession.

#### □ ICAI as part of high-level delegation from IFSCA to Australia and USA

As part of its ongoing efforts to promote the International Financial Services Centres Authority (IFSCA), GIFT City, and the export of accounting services, ICAI participated in a high-level IFSCA delegation that visited Australia and the USA. In Australia, they met key officials from





ASIC, exploring collaboration in accounting, auditing, and corporate governance, while attending seminars, roundtables, and networking events focused on GIFT City opportunities and the FinTech ecosystem.

In October 2024, the delegation visited New York and San Francisco, engaging with the US financial services industry and universities, to discuss opportunities for US institutions in GIFT IFSC, and raise awareness about BATF opportunities.

#### ❑ RESOLVE-2024

ICAI organized the second edition of RESOLVE-2024, an International Convention on Insolvency Resolution and Valuation. It proved to be an even more compelling platform for the exchange of global best practices in insolvency and valuation.

#### ❑ ICAI International Research Awards 2024

The awards aim to acknowledge the exemplary research contributions in the fields of accountancy and other allied areas. The awards were distributed in Accounting, Finance, Economics, and Taxation categories. A total of 227 nominations were received. The Jury Panel chaired by Mr. Dale Pinto, President of CPA Australia had awarded 11 papers for the ICAI International Research Awards 2024. The Awards Presentation Ceremony took place on August 30<sup>th</sup>, 2024, in Chandigarh, India.

#### ❑ International Conference of CA Students - 'Drishti Se Shrishti'

The Institute of Chartered Accountants of India (ICAI), through the Board of Studies (BoS), organized two-day International Conference of CA Students in Kolkata on 22<sup>nd</sup> and 23<sup>rd</sup> June 2024. The event witnessed the participation of more than 3600 students from across the globe, setting a record attendance at the International Conference of CA Students. The conference united accountancy students from India and abroad, allowing them to engage with peers from diverse countries.

### 3.1 Collaborations with Foreign Accounting Bodies

❑ Comments submitted on five Exposure Drafts issued by the International Accounting Standards Board (IASB) and two Tentative Agenda Decisions

issued by IFRS Interpretations Committee. Further, comments were also submitted on International Non-Profit Accounting Guidance (INPAG) - Part 2 and Part 3 issued by Chartered Institute of Public Finance and Accountancy (CIPFA).

- ❑ ICAI regularly participated at various international forums for financial reporting such as Asian-Oceania Standard-Setters Group (AOSSG), Emerging Economies Group (EEG) and International Forum of Accounting Standard Setters (IFASS) wherein technical projects of IASB and research work related to financial reporting are discussed.
- ❑ According to a request received from the International Centre for Information Systems and Audit (iCISA), under the Indian Technical and Economic Cooperation programme of Ministry of External Affairs, a training session was organized at ICAI Bhawan, New Delhi on 12<sup>th</sup> September 2024 for 13 officers from the Supreme Audit Institution (SAI) of Syria.
- ❑ The Sustainability Reporting Standards Board of ICAI conducted a survey on sustainability and ESG practices, engaging ICAI and SAFA members. With over 1,061 responses, the survey highlighted the need for clear guidelines, ongoing training, practical exposure, and collaboration with key organizations to enhance Chartered Accountants' roles in sustainability reporting.
- ❑ The Research Committee of ICAI evaluated the Annual Report of various entities received from SAFA member countries Sri-Lanka, Pakistan, Bangladesh and Nepal. The conference marking session for SAFA BPA was held at Sri Lanka.
- ❑ Contributed for a research project focusing on the "Comparative Analysis of Global AML/CFT Legislations and Exploration of Best Practices in AML/CFT Compliance Regime".
- ❑ Ethical Standards Board Updated the Survey on "NOCLAR – Implementation Challenges" received from Confederation of Asian and Pacific Accountants (CAPA).
- ❑ Comments were formulated and submitted on Documents/Exposure Drafts (EDs) of the International Public Sector Accounting Standards Board (IPSASB)

- Strategy and Work Program 2024-28;
- ED 86, Proposed IPSAS on 'Exploration for and Evaluation of Mineral Resources'
- ED 87, Proposed IPSAS on 'Stripping Costs in the Production Phase of a Surface Mine (Amendments to IPSAS 12)'
- ED 88, Proposed IPSAS on 'Arrangements Conveying Rights over Assets (Amendments to IPSAS 47 & IPSAS 48)'
- ED 89, Proposed IPSAS on "Amendments to Consider IFRIC Interpretations"
- ED 90, Amendments to IPSAS as a Result of the Application of IPSAS 46, Measurement; and
- ED 91, Limited-scope Updates to First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSAS) (Amendments to IPSAS 33).

### 3.2 Important International Meetings and Conclaves

- ICAI representatives met Mr. Mark Billington, MD International-ICAEW & Ms. Vandana S. Poria, Strategic Advisor-India-ICAEW during the side lines of the CII Meeting in Mumbai. The meeting dwelled upon how the two institutes can synergize for development of Global Accountancy Profession in Technology & Sustainability Initiatives.
- Mr. Tim Thomas, CEO & Mr. Cal McGuirk, Director, Centre for Australia India Relations (CAIR) visited ICAI and met with ICAI leadership wherein deliberations were held regarding various opportunities for ICAI members in Australia.
- Delegation from CPA Australia met President, ICAI. Discussions were held on furthering collaboration opportunities aimed at benefiting members of both Institutes, in areas such as Artificial Intelligence, ESG, Corporate Governance, MSME, and Research.
- Delegation from the Economic Development Board of Mauritius (EDB Mauritius) led by Hon'ble Soomilduth Bholah, Minister of Financial Services and Good Governance of Mauritius, as part of their

India Business Mission on March 14<sup>th</sup>, 2024, in Delhi visited ICAI. The Interactive Meet focused on regulatory aspects of doing business in Mauritius.

- ICAI representatives attended IESBA-NSS meeting held at New York & meeting(virtual) of Committee on Professional Ethics and Independence of South Asian Federation of Accountants (SAFA).
- ICAI representative visited Davao, Philippines to attend the CAPA Conference and addressed the participants in CAPA Members Meeting and participated at the Panel session of the CAPA Conference. Also, attended the AFA Council Meeting in Davao.

### 3.3 Visit of Foreign Delegates, Meeting with Persons of Importance

- Meeting with Hon'ble Indian High Commissioner at Singapore and discussions were held on increasing the brand value of the Indian Chartered Accountants in Singapore.
- Meeting with Mr. Vivekananda, Deputy Registrar, SIAC (Singapore International Arbitration Centre) wherein professional opportunities were explored for ICAI members in Singapore in the areas of arbitration and mediation.
- ICAI representatives visited Melbourne to attend the 5<sup>th</sup> Annual Conference 2024 'Lead the Wave' organized by Australia (Melbourne) Chapter of the ICAI. Dr. Sushil Kumar, Hon'ble Consulate General of India at Melbourne was the Chief Guest at the event.
- ICAI representatives addressed International Conference "Empowering Tomorrow's Leaders - Igniting Entrepreneurial Triumph" organized by Dubai Chapter of ICAI. Also met H.E. Shri Sunjay Sudhir, Ambassador of India to UAE. Discussions were held on increasing the brand value of the Indian Chartered Accountants in UAE.
- ICAI representatives visited Seoul to attend the meeting of the International Forum of Accounting Standard Setters (IFASS). Various topics pertaining to financial reporting and sustainability reporting were discussed at the meeting.

- ICAI representative visited Romania to attend the meeting of the International Panel on Accountancy Education (IPAE) of IFAC. During the visit, met H.E. Mr. Rahul Shrivastava, Hon'ble Ambassador of India to Romania.



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Discussions were held on increasing the brand value of the Indian Chartered Accountants in Romania.

- ICAI representatives visited Toronto and Vancouver, engaging with the Vice-Chancellor of the University of British Columbia and the Premier of British Columbia to discuss advancing the accounting profession and leveraging Indian Chartered Accountants' potential in technology, finance, and sustainable development. He met with the Consulate General of India and CPA British Columbia to explore enhancing recognition for Indian CAs. Additionally, he addressed the Fintech Conclave 2024 organized by the Toronto Chapter of ICAI on "AI in ICAI: Transforming the Future of Accountancy."
  - ICAI representative attended the 138<sup>th</sup> Council Meeting of the ASEAN Federation of Accountants (AFA) held in Kuala Lumpur. The focus was on regional cooperation and alignment of accounting standards and practices across ASEAN member countries.
  - ICAI representatives attended the IFRS Foundation Conference in London, which focused on financial reporting, accounting, and sustainability disclosures. Key discussions included the new IFRS Accounting Standard, the Exposure Draft on Business Combinations, and the Integrated Reporting Framework. They also met with ICAEW leaders to strengthen professional ties and discuss AI, sustainability, green financing, and insolvency.
  - ICAI representatives visited Singapore to discuss a potential qualification reciprocity agreement with the Institute of Singapore Chartered Accountants (ISCA). They also met with Accounting and Corporate Regulatory Authority (ACRA) executives to explore collaboration on ICAI's Valuation Standards and Forensic Accounting and Investigation Standards (FAIS). Additionally, discussions were held with the Institute of Valuers and Appraisers, Singapore (IVAS) on areas of mutual interests for development of profession.
  - ICAI representatives visited Doha to attend the 10<sup>th</sup> Annual Conference of Doha Chapter of ICAI. The conference featured eminent and famous startup entrepreneurs, founders and investors sharing their experiences and insights into the startup ecosystem.
- Also, met with Shri Vipul, Hon'ble Ambassador of India to Qatar, H.E. Mr. Saleh bin Majid Al-Khulaifi, Deputy Undersecretary at Ministry of Commerce and Industry in Qatar & other dignitaries.
  - ICAI representatives visited Toronto and met with Ms. Pamela Steer, President of CPA Canada and Mr. Andy Thomas, Vice-President, Education, CPA Canada to discuss on the issues relating to qualification reciprocity agreement between ICAI & CPA Canada.
  - ICAI representative visited Paris to attend the IFAC Council Meeting and also attended a meeting with CPA Ireland Leadership on the sidelines of the IFAC Council Meeting. Also, had a meeting with Mr. Lee White, Chief Executive Officer, IFAC.
  - ICAI representatives visited Zurich, Switzerland to inaugurate the Switzerland (Zurich) Chapter of ICAI. The Zurich Chapter was inaugurated in the presence of Shri Mridul Kumar, Ambassador of India to Switzerland.
  - ICAI representatives visited Bahrain for the 16<sup>th</sup> Annual Conference, which focused on digital transformation, sustainability, and governance shaping the professional landscape. They met with key figures including Mr. Abbas Alradhi, Chairman of the Bahrain Accountants Association, and members of the Internal Auditors Association, Bahrain Chapter, to discuss mutual areas of interest and collaboration.
  - ICAI representatives visited Kuwait to attend the 4<sup>th</sup> Annual Conference of Kuwait Chapter of ICAI. The conference featured eminent and famous startup entrepreneurs, founders and investors sharing their experiences and insights into the startup ecosystem. H.E. Dr. Adarsh Swaika, Ambassador, Embassy of India to Kuwait graced the event as the Chief Guest and Ms. Meshal Al-Qahs, Assistant Undersecretary, Ministry of Finance graced the event as Guest of Honor.
  - ICAI representatives visited Muscat Oman, addressed the participants at the First CA Gulf Cooperation Council (GCC) Seminar hosted by ICAI Oman Chapter in Oman on January 18, 2025.





## 4. Robust Regulatory Mechanism

The regulatory mechanism of ICAI is designed to ensure that the accounting profession in India adheres to high standards of integrity, transparency, and professionalism. The regulatory framework comprises of Disciplinary Directorate, Ethical Standards Board, Financial Reporting Review Board, Peer Review Board, and Taxation Audit Quality Review Board. The overall aim of ICAI's regulatory mechanisms is to maintain public trust in the financial reporting system and uphold the dignity of the accounting profession.

- Six Benches of Disciplinary Committee for expeditious disposal.
- Overall disposal of Board of Discipline / Disciplinary Committee during Council Year 2024-25 (upto January 20<sup>th</sup>, 2025):

Particulars	BOD	DC	Total
No. of Meetings held	29	78	<b>107</b>
1. No. of PFOs considered(**)	336	152	<b>488</b>
2. No. of Hearing cases concluded(**)	41	108	<b>149</b>
3. No. of Punishment awarded	13	150	<b>163</b>
<b>4. Tax Audit cases closed on account of Judgement of Hon'ble SC as per below breakup</b>			
a. at PFO Stage	4	0	<b>4</b>
b. at Hearing stage	0	118	<b>118</b>
c. at Punishment stage	0	71	<b>71</b>
5. Misc. Items(#)	907	0	<b>907</b>

(\*\*) - includes cases of withdrawal/ Rule 12 / infructuous etc. post registration stage

(#) - includes defective complaints / information / Rule 6 / infructuous / Rule 5(4) etc. at pre-registration stage



- In pursuance to the Orders of the Board of Discipline and the Disciplinary Committee passed in terms of the provisions of Sections 21(A)(3) and 21B(3) of the Chartered Accountants Act, 1949, read with the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007, **a total no. of 48 removal notifications were published in the Gazette of India** during the period February 12<sup>th</sup>, 2024 to January 6<sup>th</sup>, 2025. The names of the members have been removed for the period ranging from 1 month to three years and 30 days with/without imposition of monetary fine as per the Order(s) concerned.
- Revision of the Code of Ethics is in progress. For revision of Volume-I of Code of Ethics, the group has been constituted in year 2024-25. Further, More than 150 queries of members on various professional ethical issues were addressed and resolved by ESB
- Issued **2971 Peer Review Certificates** during the Council Year 2024-25. This brings the total number of **5753 Audit Firms** holding valid Peer Review Certificates as of January 16<sup>th</sup>, 2025.
- ICAI Council approved the Phase III and Phase IV of Peer review mandate to be further extended by 6 & 9 months respectively. Phase III will be implemented from 01.07.2025 and Phase IV will now be implemented w.e.f 01.01.2026.
- The Financial Reporting Review Board completed the **review of 52 cases** selected on *suo moto* basis (49 cases) and as special cases (3 cases). Out of these 52 cases, **8 cases were referred to concerned regulators**



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and Director (Discipline) for further action, and in **33 cases**, Board decided to issue advisory to the auditor of the enterprise. With this, all the pending cases which were selected for review during the Council Year 2020-21 and pertaining to Financial Year 2018-19, were considered by the Board.

- During the year, a comprehensive repository of 424 cases have been incorporated on FRRB's web portal which were reviewed by the Board in last 6 Council Years i.e., from 2018-19 to 2023-24 encompassing case specific non-compliances observed by the Technical Reviewers (TR)/ Financial Reporting Review Group (FRRG) and the decisions taken by the Board. Additionally, the portal manages the workflow of 229 active cases which are on different stages of review.
- The Expert Advisory Committee **finalised opinions on 34 queries**, received from the members of the Institute, on different accounting issues of various corporates (including public sector entities) and non-corporates.

- Taxation Audits Quality Review Board selected **123 Tax Audit Reports** for review during the year 2024-25. Based on review of the tax audit reports, advisories are being issued to tax auditors as deemed necessary. Suggestions were identified for changes in the e-filing utility of the Tax Audit Report and conveyed to CBDT for appropriate action at their end.
- Provision for capturing **PIN Code** during UDIN generation has been enabled at UDIN portal. The usage of such information is to generate a report on the geographical distribution of UDIN including the highest/lowest generation of UDINs in a particular City/District/State.
- **Odisha-RERA [Odisha Real Estate Regulatory Authority (ORERA)]** sought collaboration with the UDIN Directorate to integrate their updated system (ORERA 2.0) with the UDIN portal for real-time UDIN verification through API.



### 5. Empowering Members

The Institute is committed to foster knowledge enhancement and professional excellence by offering diverse learning opportunities, thereby empowering its members. Below are some of the key initiatives undertaken during the year:

#### 5.1 Skill Development/Empowerment

- In Calendar year 2024, a total of 7,392 Programmes (in Physical & Virtual mode) have been organised by the CPE Committee through its CPE POU's in which 7,43,406 participants were there and 35,911 CPE Hours have been granted to them. Also, around 39 lakhs CPE Hours have been generated during this period.
- In pursuit of excellence, the CPE Committee is focusing majorly on integration of IT tools in CPE activities including redesigning/revamping of CPE Portal, for single sign-in facility into portal and improved monitoring of attendance system.
- A new feature is added in CPE Portal to upload the unstructured CPE Hours of the members who attended Webcast/Webinar after completion of the programme, from 1<sup>st</sup> Feb 2024 onwards. This facility will enhance the compliance of CPE Hours requirements for those members who are required to comply with CPE Hours requirements by completing Unstructured Learning Activities.
- 173 Batches of Certificate Courses of ICAI on Internal Audit, IPR, Co-operatives, FATA, UAE Corporate Tax, GST, Anti-Money laundering Laws, Forex and Treasury Management, Wealth Management and



Financial Planning, Concurrent Audit of Banks, Ind-AS, Forensic Accounting and Fraud Detection, ADR (Arbitration, Mediation & Conciliation), Public Finance & Government Accounting, Financial Markets and Securities Laws, Insolvency and Bankruptcy Code, 2016, Sustainability & BRSR, Derivatives, New Age Auditors, CSR, MSME, Start-ups, Project Financing, FEMA, Overseas Outsourcing, AI etc., were organised for Members by the Central Committees of ICAI through physical/virtual mode.

- 34 Batches of Post-Qualification Courses on Information Systems Audit (ISA) and International Taxation were organised by Central Committees of ICAI through physical/virtual mode.
- During the Council Year 2024-25, the Peer Review Board organized **77 training programmes** across the country through physical mode attended by 6095 participants. Apart from these, Board also organised two virtual interactive training programs for the existing Peer Reviewers.
- Online tests are being conducted for the empanelment of Peer Reviewers. Final Assessment Tests are

organized every alternate Fridays. In addition to this, Mock Tests are organized for every Final Tests. Accordingly, 24 Final and 25 mock tests are conducted till 16<sup>th</sup> January 2025 during Council Year 2024-25. Total of 3940 members have successfully cleared these tests, with 1050 of them qualifying during the current Council Year 2024-25.

- ❑ ICAI has been organizing various sessions in different cities of India for ICAI members looking for opportunities abroad with its MRA Partners to promote the MRA amongst ICAI members.
- ❑ Organized **18 seminars and 7 workshops** with the various Branches of ICAI for spreading awareness on the importance of conducting **Qualitative Tax Audits**.
- ❑ To help members in the smooth conduct of bank branch audits, CAQ released **the Utility for Bank Branch Audit, 2024 Edition**. This enhanced tool enables efficient tracking of audit progress and key concerns, incorporating features such as MoC sheets, certificate control, IFCoFR monitoring, day-wise team attendance, and SA 700 compliance. Aligned with the Guidance Note on Bank Audits, it supports streamlined audit management and thorough documentation.
- ❑ AASB established two Online Panels of Experts for the financial year 2023-24. The Bank Audit Expert Panel addressed queries related to bank branch audits from April 1<sup>st</sup> to April 30<sup>th</sup>, 2024, while the Statutory Audit Expert Panel handled queries on auditing aspects from April 16<sup>th</sup> to September 30<sup>th</sup>, 2024, assisting members with their audit-related concerns.
- ❑ In the 59<sup>th</sup> edition of the Campus Placement Program (Feb-Mar 2024), interviews were conducted across 9 major and 18 smaller centers with 6,888 candidates registering and 198 organizations participating. These organizations offered 3,002 jobs, of which 2,218 were accepted. The highest domestic salary was Rs. 29 Lakhs, and the average salary was Rs. 13.12 Lakhs.
- ❑ In the 60<sup>th</sup> edition (Aug-Sept 2024), 15,266 candidates registered at 9 major and 19 smaller centers, with 245 organizations offering 4,783 jobs of which 3,703 were accepted. The highest domestic salary was Rs. 36 Lakhs, and the average salary was Rs. 12.49 Lakhs.
- ❑ In association with Business Standard organized Season 3 of 'ICAI Business Leader 40 Under 40 Awards' on 17<sup>th</sup> January 2025 at Jio Convention Centre, Mumbai, to recognize and felicitate the exemplary contribution of young outstanding CA Business Leaders who have demonstrated excellence as CA professionals.
- ❑ ICAI has collaborated with the Indian School of Business to offer a customized **"Masterclass on Leadership"**. This program is specifically designed for all members of ICAI to enhance their managerial and leadership abilities.



- ❑ **"Practice ki पाठशाला"** – a three-day intensive residential refresher course conducted in the Centre of Excellence (COE's) of ICAI at Jaipur and Hyderabad. It aims to equip participants with vital skills crucial for the growth of their practices and to ensure they remain abreast of the latest developments in their respective practice areas. Since February 2024, 14 batches have been organised.
- ❑ The Committee for Members in Practice (CMP) is organizing a comprehensive two-day training session focused on the various tools and software listed on the CMP Benefits website. This training aims to equip members with practical knowledge and skills to effectively utilize these resources, enhancing their professional capabilities and productivity. Since February 2024, CMP has organized 27 such trainings.

## 5.2 Professional Issue/Representation

The Institute has designed an automated Web-Based Software through which the Statutory Branch Auditors' of Public Sector Banks (PSBs) are being randomly mapped and associated with the vacancies available in the PSBs. The software was utilized by 7 Public Sector Banks for the year 2023-24 including Indian Overseas Bank, Bank of Baroda, Punjab National Bank, Bank of India, Bank of Maharashtra, Punjab & Sind Bank and Canara Bank.

**Introduction of additional category apart from Categories of RBI:** An effort was made by ICAI to provide opportunities to newer or smaller firms that have potential and enthusiasm but lack the necessary track record. Such firms who do not fit in RBI qualification norms for statutory auditors are categorized as "Not Eligible" as of now. This creates great impediment for these firms in getting even other assignments from Banks and financial institutions.

To facilitate such firms, the Professional Development Committee introduced an additional category in Multipurpose Empanelment Form (MEF) for assignments other than statutory branch audits such as concurrent audits, stock audits, etc. This new category is referred to as Category "OA" (Other Assignments). This category comprises of proprietor firms / partnership firms / Members practising in their individual names, provided that the partner / proprietor / Member is exclusively associated with Applicant as on July 1<sup>st</sup>, 2024. Information about this



new category will be communicated to the banks for non-statutory branch audit assignments and also with other authorities who require MEF panel.

### 5.3 Post-Qualification Courses – Certificate Courses

- ❑ As part of Ind AS Implementation initiatives, 11 batches of Certificate Course on Ind AS (online & offline) were conducted, wherein approximate 1700 members were trained.
- ❑ 1<sup>st</sup> batch of Certificate Course on Project Financing was held in Mumbai and 32 members registered for the course.
- ❑ Organized Five batches of the Certificate Course on CSR Reporting and Impact Assessment.
- ❑ Completed 25 batches of online Certificate Course of Sustainability and BRSR, with approximately Till around 2347 participants enrolled.
- ❑ Organized 8 Batches of Online Certificate Course on Insolvency and Bankruptcy Code, 2016 from the period of March 2024 to December 2024.
- ❑ Organized 5 Batches of Online Certificate Course on MSME & Startup.
- ❑ 12 batches of the Certificate Course on GST were organized physically and virtually which were attended by 750 members.
- ❑ Conducted 2 online batches of Post-Qualification Diploma in International Taxation, where about 300 members have been trained in International Taxation through this course. 2 batches of Post-Qualification Diploma in International Taxation through physical mode at Gurugram and Mumbai have been completed. More than 125 members have been/are being trained in International Taxation through these physical batches.
- ❑ Organized 2 online batches of Certificate Course on UAE Corporate Tax. 1 physical batch was conducted



in Dubai and 1 in Bengaluru, India. In total, 477 members have been trained in these batches.

- ❑ 4 online batches and 4 online examinations of the Certificate Course on Public Finance & Government Accounting were conducted during the year. Till date, approx. 2800 persons (including both CAs and Government Officials) have been trained through the course and out of which approx. 2100 have also cleared the certificate course examination.
- ❑ During the period 2 batches of Certificate Course on Forex and Treasury Management, 1 batch of Certificate Course on Derivatives, 2 batches of Certificate Course on Financial Markets and Securities Laws, and 2 batches of Certificate course on Fundamental Analysis and Technical Analysis including Equity Research were conducted.
- ❑ 1 Batch of the Post Qualification Course – Diploma on Management and Business Finance (DMBF) was conducted online. 76 participants have registered for said Course.
- ❑ 7 Physical and 3 Virtual Batches of Certificate Course of Concurrent Audit of Banks conducted by the Board. Around 266 participants have successfully cleared the course during the period.
- ❑ 1 Physical and 1 Virtual Batches of the Certificate Course on Internal Audit conducted by the Board. Around 211 participants have successfully cleared the course during the period.
- ❑ Organized 13 batches of Certificate Course on Forensic Accounting and Fraud Detection during the period.
- ❑ 27 batches Post-Qualification Course on Information Systems Audit for ICAI members, 2 batches for ICASL members and 1 batch for ICAN members were organized during the period.
- ❑ AI in ICAI has completed 210 plus batches of Certificate Course on AI – Certificate on AI for Chartered Accountants (AICA)-Level1 during the year. More than 5000 Members have attended/enrolled in the Course.
- ❑ Initiated Online German Language Course for ICAI Members and Students in collaboration with Max Mueller Bhavan.





## 6. Towards Better Education and Training

- ❑ Implemented the **National Education Policy** for **Oral Coaching Classes** in collaboration with universities and colleges under the New Scheme of Education and Training.
- ❑ Launched the **ICAI Digital Learning Campus Portal with Self-Paced Online Modules (SPOM)** SET-A, SET-B, SET-C and SET-D, achieving over 1.67 lakh registrations.
- ❑ Developed **Saransh Booklets** for quick revision across all Foundation and Intermediate subjects.
- ❑ Recorded and released **50 case studies** on contemporary business models.
- ❑ Organized Mock Test Papers, Revisionary Test Papers, and Live Virtual Classes for Foundation, Intermediate, and Final levels.
- ❑ Success at CA Exam Sessions: Provided targeted guidance to students post-Mock Tests, aiding in exam preparation across all levels.
- ❑ Conducted **12 Faculty Development Programmes** (online and offline) to implement the new syllabus of ICITSS and AICITSS.
- ❑ Partnered with the SAFA (South Asian Federation of Accountants) Committee to conduct **5 webinars** on Education, Training, and CPD.
- ❑ Released **9.55 crore** in scholarship awards through an automated process benefitting **13,146 students** under Merit, Merit-cum-Need, and Need-Based categories.
- ❑ To promote the accounting profession, increase awareness about the CA Course and to highlight the role of ICAI, across India, 437 Career in Accounting & Finance for Youth (CAFY) & Super Mega Career Counselling Programmes were conducted, with significant involvement of 85 POUs, i.e., Regional Councils and Branches of the ICAI and total 1,16,760 students of class VIII to Graduation were benefited.
- ❑ With an aim to enhance the knowledge about the New Scheme of Education and Training among career counsellors PAN India, successfully conducted 10 Empowerment Meets & motivated approx. 773 Career Counsellors.





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# Accountability Meets Innovation (AI): For a Sustainable Planet

## Chartered Accountants should Innovate, Adapt, Evolve into Strategic Advisors

*"You are the guardians of trust, the gatekeepers of accountability, and ultimately, the custodians of prosperity in this ever-evolving world. The future not only demands expertise, but also courage and creativity to innovate and uphold the highest standards of your profession" - Shri Rajnath Singh, Hon'ble Minister of Defence, Govt. of India*



The World Forum of Accountants (WOFA) 2025, organized by the Institute of Chartered Accountants of India (ICAI), is a landmark global gathering of accounting professionals and thought leaders from 46 countries and attended by about 7000 delegates being held at Yashobhoomi, New Delhi, from January 31<sup>st</sup> to February 2<sup>nd</sup>, 2025. The event revolved around the theme "*Accountability Meets Innovation (AI): For a Sustainable Planet*" Over three days, it will feature insightful panel discussions and technical sessions will aim at shaping the future of the accountancy profession.

The forum opened with a ceremonial lamp-lighting by Chief Guest **Shri Rajnath Singh**, Hon'ble Minister of Defence, alongside **Mr. Jean Bouquot**, President of IFAC, symbolizing the pursuit of knowledge and India's tradition. Distinguished attendees included **Ms. Madhabi Puri Buch** (SEBI Chairperson), **Shri Challa Sreenivasulu Setty** (SBI Chairman), **Mr. Malcolm Bacchus** (President, ICAEW), **Ms. Pamela Steer**, President and CEO, CPA Canada; **Mr. Chris Freeland**, CEO, CPA Australia, **Ms. Alta Prinsloo**, CEO, PAFA and **Mr. Jamal Fakhro** from Bahrain shared their experience and knowledge in shaping future of the profession.

WFOFA 2025 will explore key topics such as technological advancements, ethics, sustainability, accountants' evolving advisory roles, and their leadership in climate action. The inaugural ceremony began with a **tribute to Lord Ganesha**, reflecting India's rich cultural heritage and unity in diversity. The report presents the key highlights of the inaugural day.

## Plenary Session 1: Holistic Wellness: Nutrition, Exercise & Stress Management

Amogh Lila Das, Motivational Speaker

“S” Stands for Spirituality, the key to reducing stress. Spirituality is a necessity, not a luxury.

CA. M. Devaraja Reddy, Past President ICAI, delivered opening remarks of the session, emphasizing the timeless wisdom that “Health is Wealth.” He highlighted the evolving role of Chartered Accountants not only as financial custodians but also as contributors to societal well-being. Recognizing the increasing pressures of the profession, he impressed upon ICAI's commitment towards fostering a balanced work-life dynamic, ensuring that wellness remains a priority.

The session was then graced by Shri Amogh Lila Das, a renowned spiritual leader and motivational speaker, who captivated the audience with profound insights on holistic well-being, stress management, and the significance of a disciplined lifestyle. He described stress as a silent disruptor—beneficial when balanced but harmful when excessive. Using relatable analogies, he illustrated how stress, like salt in food or air in a balloon, can fuel growth when controlled but cause damage when remain unchecked. He warned against stress-induced health risks like hypertension and diabetes. Decoding stress, he introduced the CAUSE framework:

- C** Competitive Mentality: Fostering self-improvement rather than envy.
- A** Association: Surrounding oneself with positive influences.
- U** Unhealthy habits: Addressing poor sleep and diet.
- S** Spiritual Vacuum: Filling emotional gaps with mindfulness.
- E** Unrealistic Expectations: Managing pressure with realistic goals.



He concluded that by aligning oneself spiritually and maintaining a balanced approach to life, one can unlock extraordinary potential.

CA. (Dr.) Rohit Ruwata Agarwal, Central Council member ICAI, gave closing remarks of the session by expressing gratitude and sharing inspirational insights from Lord Ram's teachings on simplicity and balance, urging professionals to embrace wellness in their journey.

## Inaugural Ceremony

Welcome address by  
CA. (Dr.) Jai Kumar Batra, Secretary, ICAI



CA (Dr.) Jai Kumar Batra emphasized India's rich cultural and ethical heritage, *Vasudhaiva Kutumbakam*, highlighting global cooperation, collaboration, and economic progress. He highlighted ICAI's ascent as the world's largest accounting body, with an extensive network of 5 Regional Councils, 177 Branches, 144 Study

Circles, 79 Study Chapters in India, 52 Overseas Chapters, and 29 Overseas Representative Offices across 47 countries. With over 4.2 lakh members and 9.5 lakh students, ICAI remains a pillar of professional excellence and nation-building.

On welcoming Hon'ble Defence Minister Shri Rajnath Singh Ji, He emphasized on ICAI leadership, and regulatory representatives, he described WOFA as the "*Mahakumbh*" of accountability, innovation, and sustainability. The theme, "*Accountability Meets Innovation (AI): For a Sustainable Planet*" signifies AI's role in ESG, Green Finance, and responsible governance.

He concluded with the reaffirmation of ICAI's dedication to Viksit Bharat @2047, supporting national initiatives like Make in India, Digital India, and Atmanirbhar Bharat. Chartered Accountants are recognized as architects of economic growth, driving India's emergence as a global financial powerhouse.

## CA. Ranjeet Kumar Agarwal, President, ICAI

“  
 Accountancy needs innovation to drive sustainable growth and meet the challenges of tomorrow.  
 ”



CA. Ranjeet Kumar Agarwal, President of ICAI, reflecting on the past achievements highlighted the Institute's pivotal role in fostering international collaboration. Notably, in 2022, ICAI hosted the prestigious World Congress of Accountants (WCOA) in Mumbai under the aegis of the International Federation of Accountants (IFAC). Since then,

ICAI has continued its global engagement, organizing GLOPAC a major event in Ahmedabad and now the World Forum of Accountants (WOFA).

WOFA marks a significant milestone in the global accounting landscape, being graced by esteemed dignitaries, including the Hon'ble Defence Minister of India, Shri Rajnath Singh and Guest of Honor, Mr. Jean Bouquot, President of IFAC, and President Agarwal emphasized the immense respect and stature commanded by Minister Singh, acknowledging his visionary contributions since 1991, when he introduced the Anti-Copying Act and introduced Vedic Mathematics into the

educational curriculum. The long-term impact of these initiatives is evident in India's progress today.

The Forum welcomed over 7,000 delegates from 46 countries, with participation from prominent global accounting bodies such as the Institute of Chartered Accountants of England and Wales (ICAEW), CPA Australia, CPA Canada, and the South Asian Federation of Accountants (SAFA). This diverse representation underscores the growing global influence of ICAI and the accounting profession in shaping economic and financial policies.

He underscored the importance of continuous growth and adaptation. He drew parallels between the principles enshrined in the Mahabharata and modern global governance, highlighting how India has successfully positioned itself as a thought leader, as evidenced by its role in the G20 Summit and other international forums. The theme of this year's Forum, "Accountability Meets Innovation (AI): For a Sustainable Planet," aligns with the evolving responsibilities of accountants in an era of technological advancement and sustainability concerns.

India's accounting profession has played a crucial role in driving economic momentum. ICAI has made notable strides toward gender equality, aligning with the United Nations' Sustainable Development Goals (SDG) 5. Out of the three million accountants worldwide, 450,000 are Chartered Accountants in India, and a significant proportion—one-third—are women. This marks a transformative shift in the financial and taxation sectors, reinforcing the increasing participation of women in leadership roles.

In the context of SDG 11, which focuses on sustainable urban development, President Agarwal stressed the growing significance of non-financial reporting. Chartered Accountants are now integral to assessing not only financial sustainability but also environmental and social impact. With AI and technology reshaping the profession, the transition from traditional accounting to advanced analytics, including net-zero carbon is imperative. **Zero-Day Accounting is going to transform the profession with AI, blockchain, and cloud computing for real-time reporting, enhancing accuracy and transparency. Moving towards Net Zero goals, it will enable precise sustainability reporting and carbon tracking. Further, as automation replaces traditional methods, sampling and third party confirmations will become redundant in the coming years. Accordingly, standards setting process must evolve to support agility, innovation, and ethical governance.**

India has already demonstrated global leadership in affordable healthcare solutions, and similar progress is expected in AI and digital transformation.

As India aspires to become a developed nation by 2047, Chartered Accountants will play a pivotal role in steering economic policies and financial strategies. The centenary celebration of ICAI will coincide with India's 100<sup>th</sup> year

of independence, serving as a testament to the profession's enduring legacy.

President Agarwal acknowledged and applauded Hon'ble Defence Minister Rajnath Singh, who, despite an ongoing parliamentary session, prioritized addressing the Forum. His presence reinforced India's commitment to global leadership in finance, sustainability, and innovation.

In conclusion, the President reiterated that Chartered Accountants are not merely compliance professionals but architects of economic progress. As financial custodians, their ethical integrity and adherence to professional standards will be instrumental in India's journey toward becoming the third-largest global economy. The World Forum of Accountants 2025 is a platform for fostering dialogue, sharing insights, and shaping the future of the accounting profession. The event promises to be an enriching experience for all attendees, providing valuable insights into the evolving role of accountants in a rapidly changing world. The ICAI President extended his best wishes for a successful and productive forum.

## Chief Guest - Shri Rajnath Singh, Hon'ble Defence Minister of India

“  
In a world increasingly driven by data,  
Chartered Accountants ensure that this  
vital information is not just accurate but  
also intelligible, laying the foundation for  
trust, accountability and informed decision-  
making in our modern economy  
”



The Defence Minister of India, Rajnath Singh, addressed the distinguished gathering at the World Forum of Accountants (WOFA), extending a warm welcome to both international and Indian delegates. He acknowledged the esteemed presence of experts from around the world and expressed gratitude to the Institute of Chartered Accountants of India (ICAI) for organizing the event.

Commencing his address with a historical perspective, he cited Yuval Noah Harari's book *Sapiens*, which reveals that the earliest known written records were accounting documents rather than literary or legal texts. The first documented account from Mesopotamia detailed a transaction of barley, signifying that accounting has been an integral part of human civilization from its inception. Singh emphasized that this historical foundation underscores the critical role of accountants in societal progress.

He further highlighted that the significance of accountancy extends beyond economics and finance, deeply embedding itself in cultural and religious traditions. In Hinduism, Bhagvan Chitragupt is revered as the divine accountant maintaining records of human deeds, while Christian tradition attributes a similar role to Saint Peter at the gates of heaven. This analogy reinforced the importance of accountants as key custodians of integrity and accountability.

Discussing the evolution of information management, he traced the transition from oral traditions to written scripts, the printing press, and eventually the digital revolution. Shri Rajnath Singh pointed out that in contemporary times, organizations rely not only on tangible resources such as infrastructure and machinery but also on intangible assets like technology and transparent financial data. Accountants, therefore, play a vital role in maintaining financial transparency by analyzing and presenting complex information in an accessible manner, fostering trust among stakeholders.

The defence minister emphasized that trust is the foundation of financial systems and governance, as it underpins relationships between citizens and governments, businesses and consumers, and professionals and clients. Chartered Accountants (CAs) in India, have consistently upheld this trust with integrity and competence. He cited Prime Minister Narendra Modi's statement that a CA's signature holds greater influence than that of a Prime Minister, signifying the immense responsibility they bear.

“  
For CAs, the signature is not just a symbol,  
but also a representation of trust, integrity  
and professionalism. It has the ability to  
influence financial decisions, shape businesses  
and impact the lives of one and all.  
”

Moving to the theme of innovation, Singh underscored the rapid advancements in technology and their impact on financial practices. He acknowledged the challenges posed by the increasing volume of financial data and the need

for accountants to continuously adapt and innovate. He referenced past financial scandals, such as those involving Enron and WorldCom, as reminders of the consequences of compromised integrity. Thus, he urged the profession to remain vigilant and uphold ethical standards.

**“ This level of trust, sometimes stronger than family ties, reveals the weighty responsibility accountants carry for the financial well-being of millions and the global economy. ”**

Addressing the future of accounting, he discussed the role of emerging technologies, in enhancing transparency and security. While decentralized financial systems offer benefits, he stressed the need for a structured approach to implementation, regulation, and security. He urged the profession to explore how accounting practices can evolve alongside these technological shifts.

Singh concluded by emphasizing that despite technological advancements, the human element remains irreplaceable. Ethical judgment, cultural understanding, and emotional intelligence distinguish professionals from machines. He encouraged Chartered Accountants to embrace their roles as strategic advisors, ethical guardians, and innovators. Recognizing the significance of continuous learning, he praised ICAI's initiatives in professional education.

Finally, he reiterated India's openness to global collaboration, inviting foreign accountants to engage with Indian professionals in a shared pursuit of progress. He concluded expressing confidence that the discussions at the forum would contribute to meaningful advancements in both business and society.

### Mr. Jean Bouquot - Guest of Honor, President, International Federation of Accountants (IFAC)

**“ We (CA's) do not earn our role by default. We must continue to live up to the high standards we set for ourselves and the expectations of our stakeholders. Trust in the technologies that power systems and businesses is crucial. ”**



Mr. Jean Bouquot, President of the International Federation of Accountants (IFAC), delivered a heartfelt address at the opening of the World Forum of Accountants. Mr. Bouquot began by introducing IFAC as the global representative body for the accountancy profession. Representing 189 member organizations across 141 jurisdictions, IFAC plays a pivotal role

in uniting the profession and fostering integrity and professional quality globally.

He outlined IFAC's Member Value Proposition, emphasizing three key elements: uniting members to create a truly global profession, collaborating to shape the future of accountancy through innovation and learning, and continuously working in the public interest. He acknowledged ICAI as a founding member of IFAC and commended their contributions to India's economic development and their active participation in regional and global forums like the South Asian Federation of Accountants (SAFA) and the Confederation of Asian and Pacific Accountants (CAPA).

Addressing the forum's central theme, Mr. Bouquot highlighted the transformative potential of AI and big data in enhancing efficiency, decision-making, and service delivery. AI is already being used to analyze vast amounts of data with greater accuracy, uncover hidden patterns in audits, and assist in drafting audit reports through generative AI. However, he underscored the importance of ethical considerations and the need for strong guardrails around data privacy and client protection.

He also noted that the profession must embrace digital literacy, collaborating with IT professionals to complement accounting expertise. AI should be experimented with cautiously, starting with simple tools, to mitigate risks while gradually building familiarity. He further stressed the need for professional education to ensure that AI is used responsibly, particularly by small and medium-sized practices that may face challenges in investing in these technologies.

Mr. Bouquot concluded by reaffirming the profession's responsibility to uphold public trust through high-quality professional judgment and critical thinking. As AI continues to evolve, it is crucial for accountants to maintain their role in ensuring transparency, cybersecurity, and the ethical use of technology. He described AI as a once-in-a-generation opportunity for the profession, with great potential for growth and innovation.

## Vote of Thanks by CA. Charanjot Singh Nanda, Vice-President, ICAI

“ ICAI is established before Constitution of India because country needs financial soldiers for stability in economic growth. ”



CA. Charanjot Singh, in delivering the vote of thanks, expressed heartfelt gratitude to the esteemed guests and dignitaries, acknowledging their invaluable presence and contributions. He emphasized the pivotal role of Chartered Accountants in shaping India's economic landscape, particularly highlighting their instrumental efforts in driving GST and income

tax collections. Their dedication and expertise, have not only strengthened India's financial framework but have also earned global recognition for the profession.

He extended sincere appreciation to the Hon'ble Defence Minister of India, Shri Rajnath Singh for his gracious and immediate acceptance of the invitation and addressing at the event. He also extended a warm welcome to Mr. Jean Bouquet, President IFAC for being a part of the event. A special acknowledgment was given to Mr. Ashfaq Tola, President of SAFA, who travelled from Pakistan to be part of the forum. His presence was celebrated as a testament to international collaboration and unity within the accounting profession.

CA. Charanjot Singh extended his thanks to the dignitaries, speakers, delegates and others who contributed to the success of the event. He emphasized the Chartered Accountants' responsibility to the nation and has a vital role in India's progress towards becoming a global superpower. The address concluded with a call for continued excellence, setting new benchmarks, and creating a lasting legacy.

## Plenary Session 2: Building Resilient Markets for Future Growth Special address by Chairperson, SEBI

The event was then followed by a special session on the topic “Building Resilient Markets for Future Growth”.

“ The collaboration between ICAI and SEBI is a powerful combination that ensures the financial markets are driven by trust, transparency, and technology. Together, we're building a future that benefits all investors. ”



It accentuated the need for adaptive, sustainable, and robust economic frameworks to withstand global uncertainties. By leveraging innovation, regulatory foresight, and financial stability, resilient markets can drive long-term growth and economic prosperity.

**CA. (Dr.) Debashis Mitra, Past President, ICAI**, in his opening remarks, highlighted ICAI's pioneering role in

social audit, reinforcing its commitment to transparency and accountability. He also emphasized that ICAI can contribute significantly to the future of digital assurance, shaping the profession in the era of technology. He said that the ICAI is overwhelmed to collaborate with SEBI as both the organizations have a keen interest in technology.

**Ms. Madhabi Puri Buch, Chairperson SEBI**, outlined three core building blocks for strengthening financial markets: *Technology, Trust, and Tailoring*. She emphasized that technology plays a crucial role in mitigating risks and fostering financial inclusion, while trust is essential for regulators to protect investors. SEBI is actively using technology to enhance trust and develop investor-centric solutions.

Ms. Buch highlighted the importance of a new initiative “*Pay Right*” noting that SEBI is focused on improving transaction security through UPI ID verification via KYC, with a consultation paper planned to support this initiative. She further discussed the significance of customizing financial products to meet diverse investor needs, citing examples like home loans with insurance and combining term insurance with mutual funds. These tailored solutions align with SEBI's approach to create investor-centric financial offerings that drive market growth.

In her words, “*Technology, Trust, and Tailored products work hand-in-hand to create a robust market, where innovation drives value and customer satisfaction.*” Ms. Buch concluded by reaffirming SEBI's commitment to leverage these elements, alongside due diligence, to build a secure, customized financial ecosystem.

## Plenary Session 3: India's Banking Sector and Rise of Digital Economy Special address by Chairman, SBI



The session started with opening remarks delivered by CA (Dr.) Raj Kumar S. Adukia, Central Council Member, ICAI, reflected on the evolution of the economy from the barter system to the thriving digital economy that fuels financial growth.

**Shri Challa Sreenivasulu, Chairman, SBI** talked about rise of digital economy

which has a profound impact on the economy of the country. He stressed how digital economy is backed by the spread of Information and Communication technologies (ICT) across all business sectors to enhance productivity. He added *"India's banking sector and digital economy are not just narratives of growth, but of resilience, innovation and inclusivity."* Chairman, SBI highlighted the unparalleled role of Chartered Accountants in auditing India's banking sector. He said *"3000+ Chartered Accountants audit SBI's books—the largest engagement of CAs by any institution worldwide. This reflects the trust, integrity, and expertise of the profession in ensuring financial transparency."*

He emphasized that India is leading the global transformation in Digital Public Infrastructure (DPI), mainstreaming the concept through its G20 Presidency in 2023. As India strengthens its banking and digital finance ecosystem, the collaboration between CAs, financial institutions, and technology will drive the next phase of trust, transparency, and innovation in the financial sector. The session ended with concluding remark by CA. (Dr.) Raj Kumar S. Adukia where he highlighted the benefit, and the opportunity created for Chartered Accountants in the digital era.

## Plenary Session 4: Integrating ESG Metrics into Financial Statements: Fostering Sustainable Economic Growth

**CA. K. Raghu, Past President, ICAI** moderated the session and emphasized on the digital revolution, sweeping across the world and which has a very big impact on the accounting sector.

**Mr. Malcolm Bacchus, President, Institute of Chartered Accountants in England and Wales (ICAEW)** delivered keynote address and stressed upon the necessity to



incorporate ESG matrix into financial statements. The session focused on how Environmental, Social and Government matrix is getting to the financial reporting matrix.

He stressed upon the Planetary sustainability, which has received attention globally, due to Climate Change Statistical on Global Warming.

To achieve a sustainable future, Mr. Bacchus said that businesses need to measure their environmental impact, social impact and quality of their governance. Terming Sustainability a continuous journey, he urged that companies should not look so much on numbers but should focus on figures which show 3-5 years trends about how companies are getting better. He also termed Global collaboration, mandatory and vital for the development of standards and finding innovative solutions.

The keynote address was followed by a **Panel Discussion** on the topic **"The Future of Accounting and Finance - Navigating the Financial Landscape of Tomorrow"**. The panel comprised of eminent speakers from global accountancy bodies i.e. Ms. Pamela Steer, President and CEO, CPA Canada; Mr. Chris Freeland, CEO, CPA Australia, Ms. Alta Prinsloo, CEO, PAFA and Mr. Jamal Fakhro from Bahrain.



**Ms. Pamela Steer, President and CEO of CPA Canada**, stated that Big Data impacts everyone and must be ensured to remain unbiased. She emphasized that its accuracy and efficacy must be trusted by those who use it, as trust remains the bedrock.



**Mr. Chris Freeland, CEO, CPA Australia** focused on the need to embrace the use of AI in the financial accounting. However, he also emphasized on the process to tackle the challenges like learning and development opportunities while collaborating with the Artificial Intelligence.



Elaborating the challenges in current times, **Mr. Jamal Fakhro, Eminent Speaker, Bahrain**, highlighted that technology disruption is a big challenge ahead of us and we as Accountants should evolve alongside technology. He also urged to regulators to stay updated with time to serve better.

Speaking on digital emergence, **Ms. Alta Prinsloo, CEO of PAFA**, stated that efficiency and global competitiveness are enhanced by automation and emerging technologies. However, she noted that many organizations struggle with skill gaps, high costs, cybersecurity risks, and inadequate infrastructure, particularly in rural areas. Therefore, it is time to prioritise the digital transformation, with the focus on capacity building, knowledge sharing, improving access.

The panel discussion concluded with remarks from **CA. Chandrashekhar Vasant Chitale, Central Council Member**, emphasizing that ESG and AI are critical areas, where we need to report and ensuring transparency and accountability in these domains will shape the future of responsible business practices.

### Cultural Programme - Abhivritti- The Progression

During the event the gathering was enlightened with the cultural dance performance "Abhivritti- The Progression", choreographed by Ms. Jaya Prabha Menon, a leading exponent of Mohiniyattam in the country with more than 100 artists. The performance showcased India's cultural heritage, WOFA theme song, Nari Shakti, WOFA theme of sustainability, and weaves of India. The essence of all the performances was "Unity in Diversity".



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We connect people, are friends with nature, and turn the wheels of the future. We love, we care, we respect. We give wings to every dream and light up a million smiles. We know it takes each one of us to build a nation, and anything can be achieved if we come together as one.



# India - A Global Hub for the Accountancy Profession



**CA. Maneet Singh**  
Member of the Institute

India is positioning itself as a pre-eminent global hub for accountancy and taxation, underscored by a robust talent pool, a commitment to international standards, and significant technological advancements. Indian professionals extend their expertise beyond traditional accounting functions to high-quality tax preparation and compliance services. Leveraging the capabilities of its skilled workforce, many global accounting firms have established Shared Service Centres (SSCs) in India, where critical financial operations are executed. Additionally, India is integral to the Global Business Services (GBS) and Business Process Outsourcing (BPO) sectors, providing cost-effective, efficient solutions to international clients. With a solid regulatory framework and an evolving FinTech landscape, India is well-positioned to drive the future of the accountancy profession. The ongoing trends of globalization, an expanding economy, and a complicated regulatory environment are expected to sustain a strong demand for accountants and auditors. The increasing number of public companies will further necessitate accountant's adept at managing obligatory financial documentation. Strategic initiatives focusing on skill development, international collaboration, and sustainability will further entrench India's leadership.

## Understanding BPO, SSC, and GBS

**Business Process Outsourcing (BPO)** aims to capitalize on labour cost differential while enhancing working capital efficiency and optimizing operational expenditures, all while boosting cash flow and customer satisfaction.

**Shared Service Centres (SSCs)** are internal units within organizations designed to consolidate and streamline business functions.

**Global Business Services (GBS)** represents an evolved model born

out of both BPO and SSC, providing an integrated service suite that enables companies to optimize operations and enhance customer service on a global scale.

The fundamental distinction between BPO and SSC lies in BPO's reliance on external firms to execute specific tasks, whereas SSC emphasizes the internal pooling of resources and expertise.

### India's Emerging Leadership in Accountancy

India's accountancy sector is anchored in rigorous educational frameworks, unwavering professional

ethics, and a strong alignment with global standards. The Institute of Chartered Accountants of India (ICAI) plays a pivotal role, wielding global recognition and comprising over 400,000 members along with a vast network of 5 Regional Councils and 177 Branches nationwide. With a significant global footprint covering 52 Overseas Chapters and 29 Representative Offices across 81 cities in 47 countries, ICAI has positioned India as a critical contributor to the global accountancy paradigm.

- **Adoption of Global Standards** - Alignment with International Financial Reporting Standards (IFRS) through Indian Accounting Standards (Ind AS) has bolstered India's credibility. This adherence allows Indian professionals to operate seamlessly across borders, elevating their desirability in international markets.
- **Talent Pool** - India's educational institutions produce an impressive number of skilled accountants annually. Indian Chartered Accountants (CAs) are distinguished by their technical proficiency, analytical capabilities, and ethical integrity, with many occupying senior roles in multinational firms.
- **Increasing Non-IT Services Outsourcing** - The demand for outsourcing in accounting, taxation, and auditing is on an upward trajectory, reinforcing India's dominance as the premier location for SSCs. Finance processes such as accounts payable, receivable, and asset accounting are predominantly managed in SSCs alongside decision support functions (FP&A). There is a consistent rise in the provision of payroll, recruitment, and staffing services through these centres.
- **Most Preferred Location for SSCs and GBS** - India is at the top of the list of the most preferred locations with the largest shared services centres across the globe.
- **Achieving Global Outsourcing Objectives** - India is playing a pivotal role in facilitating global outsourcing strategies with enhanced effectiveness and efficiency. One of the primary objectives achieved by Global Business Services (GBS) organizations is cost reduction, which remains a central focus for companies. Beyond this, standardization and process efficiency, along with capability development, have surfaced as immediate and actionable goals for GBS entities. Organizations are leveraging GBS to mitigate operational risks through the implementation of Business Continuity Planning (BCP) strategies and by diversifying their service delivery models. In the competitive talent landscape, GBS is proving advantageous by providing access to extensive

and varied talent pools, thereby strengthening recruitment capabilities.

## Interplay of Finance and Technology

The intersection of finance and technology (FinTech) is transforming the accountancy landscape, placing India at the vanguard of this shift. The nation boasts a thriving startup ecosystem, driving innovation in financial solutions.

- **Digital Transformation** - The adoption of advanced technologies such as Artificial Intelligence (AI), Blockchain, and Robotic Process Automation (RPA) has optimized accounting workflows. Blockchain enhances transparency in financial reporting, while AI tools automate routine tasks, enabling accountants to pivot towards strategic roles.
- **FinTech Ecosystem** - India's FinTech sector ranks among the fastest-growing globally, fueled by rising demand for accountants proficient in financial technologies. As per FICCI, India has one of the top five startup ecosystems in the world, and over the years, India has become one of the world's leading countries in FinTech adoption. FinTech industry in India is strongly positioned to realize a total industry valuation of USD 150-160 billion over the next five years, creating an incremental value of USD 100 billion. This growth is catalyzing new opportunities within the profession.
- **Skill Development** - To maintain competitiveness in a rapidly evolving market, institutions like ICAI are integrating technology-centric modules into their educational curricula, equipping accountants with essential skills for the future.

## India's Global Contributions to the Accountancy Profession

India's influence on the global accountancy landscape extends significantly, and it is characterized by its active participation in international standard-setting and collaborative initiatives.

- **Knowledge Sharing** - Indian professionals play a vital role in global accounting forums, contributing insights on emerging trends, regulatory developments, and best practices. The Institute of Chartered Accountants of India (ICAI) has established Memorandums of Understanding (MoUs) with various international accounting organizations to enhance knowledge sharing and facilitate professional mobility across borders.
- **Offshoring and Outsourcing** - India has emerged as a primary destination for offshoring accounting and financial services, driven by its cost-effectiveness and a well-trained workforce. Multinational corporations depend on Indian experts for a

## India has emerged as a primary destination for offshoring accounting and financial services, driven by its cost-effectiveness and a well-trained workforce.

diverse range of services, such as bookkeeping, taxation, and intricate financial analysis. A key driver of this outsourcing trend is the significant demand for tax-related services, particularly for US clients. Indian professionals efficiently manage tasks such as tax return preparation, planning, and compliance, leveraging the time zone advantage to ensure overnight delivery of critical services. Their expertise in US tax laws positions them to deliver high-quality outcomes.

- **Shared Service Centres** - Numerous global accounting firms have established shared service centres in India to conduct a broad spectrum of operational functions, including accounting, auditing, tax preparation, and advisory services. By capitalizing on India's skilled labour, these centres provide high-quality, cost-efficient support, underscoring India's strategic relevance in firms like Big 4s.
- **Global Business Services and Business Process Outsourcing** - India is at the forefront of Global Business Services (GBS) and Business Process Outsourcing (BPO), offering comprehensive solutions that extend beyond traditional accounting and finance roles. Indian GBS operations manage entire financial processes including planning, budgeting, and reporting for multinational entities. Concurrently, BPO firms provide varied services from payroll processing to compliance management, utilizing economies of scale and advanced technologies to streamline operations. This model allows global firms to reduce costs, enhance efficiency, and redirect focus to their core strategic objectives.
- **Thought Leadership** - Indian accountants are increasingly recognized as thought leaders in multiple domains, contributing to research and policy formulation on topics such as sustainability reporting, Environmental, Social, and Governance (ESG) frameworks, and the realm of digital taxation.

### Strategies to Enhance India's Position

To solidify India's standing as a premier global hub for accountancy, several strategic initiatives can be considered.

- **Enhancing Education and Training** - Continuous professional development is essential to address the evolving demands of the profession. *Implementing specialized curricula focusing on*

*data analytics, cybersecurity, and international taxation can empower professionals with advanced competencies.*

- **Promoting International Collaboration** - Cultivating deeper partnerships with global accounting bodies and fostering cross-border collaborations will enhance India's influence. **Initiatives such as joint certification programs** and international exchange can facilitate this goal.
- **Leveraging Technology** - Advocacy for the adoption of emerging technologies in accounting practices is vital for boosting efficiency and fostering innovation. Support from the government for technology initiatives, exemplified by the Digital India program, can catalyze advancements in this sector.
- **Focusing on Sustainability** - Given the rising emphasis on ESG reporting, India can position itself as a leader in sustainability accounting. Developing specialized expertise in this area will unlock new opportunities for professionals.
- **Building a Strong Brand** - Highlighting India's success narratives and its contributions to the global accountancy profession will enhance its international reputation. Showcasing the accomplishments of Indian professionals on global platforms can engender confidence and attract foreign opportunities.

### Conclusion

India is on a trajectory toward becoming a pivotal hub in the global accountancy profession, underpinned by its commitment to excellence, adaptability, and innovation. By capitalizing on its strengths and proactively addressing emerging challenges, India can reinforce its role in the global financial ecosystem. As the accountancy profession remains central to promoting transparency and accountability, it will continue to fuel India's growth narrative, contributing to a more inclusive and sustainable global economy.

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Author may be reached at  
singh.maneet.21@gmail.com and  
eboard@icai.in



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**Balasubramanian. G**

+91 98202 98089  
gs@bigsunworld.com

**Krutika Thakur**

+91 91670 90635  
krutika@bigsunworld.com

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# Client Acceptance and Audit Engagement Acceptance Process



**CA. Makreshwar Singh Arya**  
Member of the Institute

SQC-1 (Standard on Quality Control) issued by ICAI requires an audit firm to design and implement policies and procedures on the acceptance and continuance of client relationships and specific engagements. The client acceptance and engagement process is a critical step in the audit process that involves evaluating a potential client's suitability and establishing the terms of the engagement. This process includes several steps, such as conducting an initial evaluation of the potential client's financial statements and reputation, assessing any potential conflicts of interest, evaluating the firm's ability to perform the engagement, and developing an engagement letter that outlines the scope and terms of the engagement. The client acceptance and engagement process helps to ensure that the audit firm can provide high-quality and independent services, and helps to establish clear expectations and responsibilities for all parties involved in the engagement.

**V**ery often we hear the term "risk assessment process" in the context of an audit engagement but whenever we use this term, we most likely refer to the process of assessing audit risk, control risk, and risk of material misstatement. However, the risk assessment process commences long before accepting an audit engagement or even an audit client. This article will help to understand this part of risk assessment.

The client acceptance and engagement process is a very crucial part of the audit process, where the auditor decides whether to accept or continue an engagement with a client. The process should be designed to ensure that the auditor can accept the engagement in a responsible manner while minimizing the risk of any potential conflicts of interest. This involves

evaluating the potential client's integrity, reputation, business practices, and financial stability, as well as determining whether the audit team has the necessary skills, knowledge, and resources to complete the engagement successfully.

The client acceptance process involves evaluating whether the potential client is suitable for the audit engagement. The auditor should consider factors such as the client's reputation, industry, size, complexity, legal and regulatory compliance, and the integrity of its management. The purpose of this process is to assess whether the auditor can perform the audit engagement in accordance with the relevant professional standards.

The engagement acceptance process involves assessing the

specific engagement to determine if it is appropriate for the auditor to undertake. This process involves evaluating the scope and objectives of the engagement, the risks associated with the engagement, the resources required, and the audit fee. The auditor should also assess whether there are any threats to independence or objectivity and take appropriate steps to mitigate these threats.

The client acceptance and engagement process includes a comprehensive assessment of the potential client's reputation, financial stability, management team, and governance structure. They should also evaluate any potential conflicts of interest or other factors that may impair their independence or objectivity in conducting the audit. The entire process derives from the various risks involved in the process.

**The client acceptance and engagement process includes a comprehensive assessment of the potential client's reputation, financial stability, management team, and governance structure.**

- The client's involvement in litigation or regulatory investigations in which the auditor is also involved.

- Pressure from the client to overlook or downplay certain issues during the audit process.

To mitigate independence risk, auditors should carefully evaluate all potential threats to their independence during the client acceptance process. They should also ensure that they comply with all relevant ethical and professional standards, including those related to independence, objectivity, and integrity.

2. **Financial Risk** - It refers to the risk of financial loss to the auditor as a result of accepting a client with poor financial stability or the risk of non-payment for services rendered.

Risks Involved in Client Acceptance					
<b>Independence Risk</b>	<b>Financial Risk</b>	<b>Legal Risk</b>	<b>Competency Risk</b>	<b>Ethical and Reputational Risks</b>	<b>High-Profile Client and Public Perception Risk</b>

If an auditor accepts a client with a history of financial difficulties, there is a risk that the client may not be able to pay the auditor's fees or that the auditor may incur additional

Let's understand these in detail:

1. **Independence Risk** - It is one of the key risks associated with the client acceptance process in an audit. Independence refers to the auditor's ability to perform their duties in an objective and unbiased manner, free from any conflicts of interest that may compromise their independence. When auditors are not independent, their objectivity may be compromised, and the quality of the audit may be called into question.

In the context of the client acceptance process, independence risk can arise when the auditor has a financial or non-financial interest in the potential client, or when there is a perceived or actual threat to the auditor's independence. For example, independence risk can arise if the potential client is a close friend or family member of the auditor, or if the auditor has a significant investment in the potential client's business.

Other factors that can increase independence risk include:

- Business relationships or transactions between the auditor and the client.

costs related to collecting unpaid fees. Additionally, accepting a financially unstable client may increase the likelihood of errors or misstatements in the financial statements, which can lead to reputational or legal risks for the auditor.

To mitigate financial risk, auditors should conduct a comprehensive assessment of the potential client's financial stability during the client acceptance process. This may include reviewing the client's financial statements, credit history, and other relevant financial information. Auditors should also evaluate the client's ability to pay their fees, including assessing their cash flow, debt levels, and creditworthiness.

3. **Legal risk** - The auditor may face legal consequences or liability as a result of accepting a client who is involved in legal proceedings or who has a history of legal issues.

If an auditor accepts a client with a history of legal issues, there is a risk that the auditor may become associated with those issues or their work may be impacted by ongoing legal proceedings. Additionally, accepting a client who is involved in legal proceedings may increase the likelihood of

errors or misstatements in the financial statements, which can lead to legal or reputational risk for the auditor.

To mitigate legal risk, auditors should conduct a thorough assessment of the potential client's legal status during the client acceptance process. This may include reviewing public records, such as court filings and regulatory reports, to identify any legal issues that the potential client is involved in. Auditors should also consider the potential impact of legal risk on their overall risk management strategy and may set limits on the amount of legal risk they are willing to accept.

4. **Competency risk** – It refers to the risk that the auditor may lack the necessary skills or expertise to perform the engagement effectively or efficiently.

If an auditor accepts a client engagement for whom they lack the necessary skills or expertise, there is a risk that they may not be able to perform the engagement in accordance with professional standards or meet the client's expectations. Additionally, accepting an engagement that is outside the auditor's area of expertise may increase the likelihood of errors or misstatements in the financial statements, which can lead to reputational or legal risks for the auditor.

To mitigate competence risk, auditors should conduct a comprehensive assessment of the potential client's industry, operations, and financial reporting requirements during the client acceptance process. Auditors should also evaluate their own skills, experience, and resources to determine whether they are capable of performing the engagement effectively.

If the auditor lacks the necessary skills or expertise, they may need to consider bringing in additional resources or expertise, such as engaging a specialist or subcontracting certain aspects of the engagement to another firm. Auditors should also consider providing training or professional development opportunities to their staff to build their skills and expertise in areas where they may be lacking.

5. **Ethical and reputational risks** - Ethical and reputational risks are significant risks associated with the client acceptance process in an audit.

Ethical risk refers to the risk that the auditor may face ethical dilemmas or conflicts of interest as a result of accepting a client. For example, if an auditor has a personal or financial interest in a potential client, there is a risk that they may face conflicts of interest

## To mitigate financial risk, auditors should conduct a comprehensive assessment of the potential client's financial stability during the client acceptance process.

that could compromise their independence or objectivity. Similarly, if a potential client has a history of ethical violations or questionable business practices, there is a risk that the auditor may be associated with those issues

by accepting the engagement.

Reputational risk refers to the risk that the auditor may suffer damage to their reputation as a result of accepting a client with a poor reputation or history of ethical violations. If an auditor accepts a client with a history of fraud, for example, there is a risk that their association with that client may damage their reputation or erode client trust.

If a potential client has a poor reputation or a history of ethical violations, auditors may consider declining the engagement or imposing additional controls or restrictions to mitigate risk. Auditors should also ensure that they comply with all relevant ethical and professional standards while accepting new clients to minimize the risk of ethical or reputational issues.

To mitigate such risks, auditors should conduct a thorough assessment of the potential client's reputation, business practices, and ethical standards during the client acceptance process. Auditors should also evaluate their own potential conflicts of interest and take steps to ensure their independence and objectivity throughout the engagement.

6. **High-Profile Client and Public Perception Risk** - High-profile clients are often well-known in the public eye and involve constant media attention. Engaging with high-profile clients may be associated with various challenges such as:

- High-profile clients may expect special treatment or may attempt to influence the audit process. The audit firm must ensure that it comply with all ethical standards and maintain the integrity of the audit process.
- High-profile clients may have complex financial structures and may operate in volatile markets. The auditing firm must conduct a thorough financial analysis to assess the client's financial stability and determine whether it is capable of meeting its financial obligations.
- High-profile clients are often associated with higher levels of business risks, such as legal or regulatory risks. It is essential to conduct a thorough investigation of the client's reputation, including any past controversies or legal issues,

to determine whether accepting the engagement could harm the auditing firm's reputation.

## Ethical risk refers to the risk that the auditor may face ethical dilemmas or conflicts of interest as a result of accepting a client.

related to engagement in particular which enable the team to assess the above engagement risks in an appropriate manner. A few of those are briefed below:

Overall, evaluating a high-profile client in the client acceptance process requires a thorough and careful evaluation of several key factors. By conducting a comprehensive analysis of these factors, the audit firm can ensure that it can perform the engagement in a professional and effective manner, while also protecting its reputation and maintaining the integrity of the audit process.

It can be summarized that the client acceptance process typically involves the following steps:

1. **Preliminary evaluation:** This involves obtaining basic information about the potential client, such as the nature of their business, size, location, and history including its business practices. This may involve conducting background checks on potential clients and their key stakeholders.
2. **Independence assessment:** The auditor assesses whether any conflicts of interest may impair their independence or objectivity in conducting the audit.
3. **Evaluation of management and governance:** The auditor evaluates the quality of the potential client's management team, including their integrity, competence, and commitment to financial reporting quality. They also assess the effectiveness of the organization's governance structure.
4. **Financial stability analysis:** The auditor analyzes the financial stability and viability of the potential client, including their liquidity, debt levels, profitability, and cash flow.

By evaluating the results of the steps involved in the process and assessing the responses to the risks involved, the auditor decides whether to accept or decline the engagement. If they decide to accept the engagement, they will proceed with the engagement acceptance process.

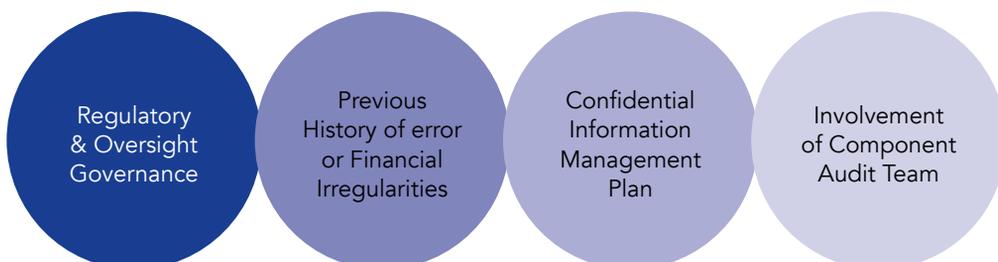
Once the client acceptance is concluded, the audit team should also consider several other factors

- a. **Regulatory & Oversight governance** – Regulatory and oversight governance in the audit engagement acceptance process play a critical role in ensuring that audit firms are independent, objective, and have the necessary skills and expertise to perform high-quality audits. This helps to maintain public trust in the audit profession and ensures that financial statements are reliable and accurate.

To be compliant with regulatory and oversight governance, it is pertinent for the audit team to design, plan, and manage the audit engagement carefully. E.g., an engagement subject to review under PCAOB standards would require different skill sets, audit approaches, and the involvement of an experienced audit team. An audit of a listed company (which is subject to SEBI and SEC governance) would be different from the audit of a non-listed private entity. Similarly, an audit in relation to an Initial Public Offer would require specific considerations different from a recurring audit engagement under any statutory Act. These factors should be assessed while determining the risk of a potential engagement and the audit team need to design a risk mitigation plan accordingly to address this risk.

- b. **Previous History of error or Financial Irregularities** – If a potential client has a history of errors in their previous financial statements or qualifications issued in the prior year audit reports, and financial/non-financial information that shows indication of any irregularities, it will require meticulous assessment whether or not to accept the engagement and to risk mitigation plan accordingly.

- c. **Confidential Information Management Plan** – Confidential information management plans are important considerations in the audit engagement acceptance process. The audit



firm should take appropriate steps to ensure that confidential information is protected and managed appropriately throughout the engagement, including through the use of confidentiality agreements, access controls, secure storage, information-sharing policies, and data retention procedures.

It becomes more critical when audit engagement is subject to data retention and data privacy laws of other countries which might be stricter than their own country. The audit team needs to design a robust risk mitigation plan to comply with such restrictions.

- d. **Involvement of Component Audit Team** – In the context of a group audit, the component audit team is responsible for auditing the financial statements of a subsidiary or other component of the group. The component audit team typically works closely with the group engagement team, which is responsible for the overall audit of the group's consolidated financial statements. The group engagement team relies on the work of the component audit team to obtain assurance about the financial statements of the component.

While involving component audit teams in an audit engagement has many benefits, it can also present several challenges and hence, it is significant to evaluate this factor while accepting an audit engagement. Some of these challenges include:

**Coordination:** Coordinating the work of the component audit team with the work of the group engagement team can be challenging. This requires clear communication channels, regular meetings, and ongoing collaboration. It can be complex and critical in case the component audit team is located in a different geography.

**Timing:** Component audit teams may be located in different countries, which can present challenges in terms of timing and language barriers. Differences in time zones and working hours may make it difficult for team members to communicate in real-time.

**Technology:** Component audit teams may have different technology platforms and processes, which can create compatibility issues and challenges in sharing documents and data.

**Quality control:** Ensuring consistent quality across the different teams involved in the audit can be challenging. The group engagement

team needs to establish and communicate clear audit standards and procedures to ensure that the work of the component audit teams is consistent and meets the required quality standards.

**Independence:** The component audit team may have a different reporting structure and may have closer ties to the subsidiary or division they are auditing, which can raise independence concerns. The group engagement team needs to ensure that the component audit team is independent and objective in their work.

Therefore, involving component audit teams in an audit engagement can be challenging due to coordination, timing, technology, quality control, and independence concerns. Addressing these challenges requires clear communication, a strong project management approach, and effective quality control processes.

In conclusion, the client acceptance and engagement acceptance process is an imperative step in the audit process that helps ensure the audit firm is able to provide high-quality, independent services to clients. This process involves evaluating the potential client's suitability and establishing the terms of the engagement, including assessing any potential conflicts of interest, evaluating the audit firm's ability to perform the engagement, and developing an engagement letter that outlines the scope and terms of the engagement. By conducting a thorough client acceptance and engagement process, audit firms can establish clear expectations and responsibilities for all parties involved in the engagement, and help maintain the integrity of the audit process.

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Author may be reached at  
makreshwar.arya@gmail.com and  
eboard@icaai.in



# *Chuno Jeet ko* *Chuno* **Speed**<sup>®</sup> *ko* *High Performance Petrol*

Unique Friction  
Modifier Technology

Tailored for PFI  
& GDI engines

Better Mileage,  
Smoother Drive

Enhanced Engine  
Performance



# GST collection numbers: What story do numbers say



**CA. Karan Rajvir**  
Member of the Institute

“I think statistics go in one ear and out the other. All of us respond to stories more than number” – Koren Zailckas, author of New York Times bestseller *Smashed: Story of a Drunken Girlhood*

Hon’ble Prime Minister Narendra Modi had rightly said, that GST (Goods and Services Tax) is an example of Cooperative Federalism. Our traditional tax systems like income tax, excise, customs, VAT, etc. are levied either by the central government or state government individually. However, with the advent of GST from 1<sup>st</sup> July 2017, our economy has implemented a tax system wherein the revenue of the central government and the state government are collected jointly in the form of GST. As of April 2024, we are about to complete 7 years of GST implementation. GST collection in this course of time has risen from INR 90,000 crores a month to INR 210,000 crores a month (at its peak so far). While 210,000 crores may be an exceptional figure for April 2024, we have managed to average collection of INR 168,000 crores in fiscal year FY 2023-24. These total numbers include Central Goods and Service Tax (“CGST”), State Goods and Service Tax (“SGST”), Integrated Goods and Service Tax (“IGST”), and compensation cess.

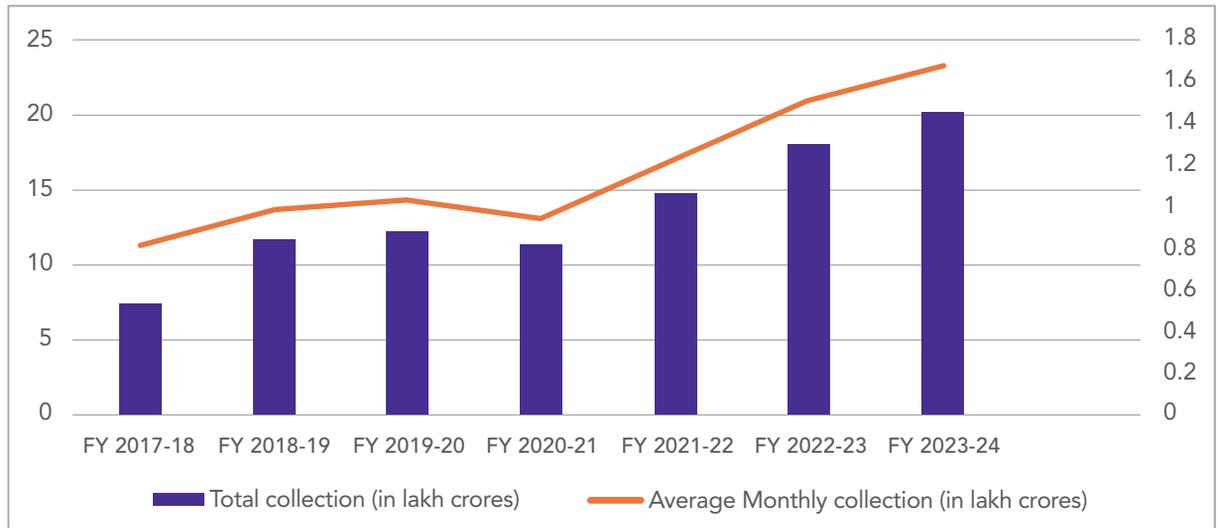
**G**rowth in total GST collection numbers may just be one aspect to look at how GST has worked out for the Indian economy. However, **it would be interesting to delve into other collection data published by the government to understand what story these numbers tell.**

## Total yearly collection: we have grown 2.7X

First things first, let’s quickly look at overall GST collection numbers. In the first year of GST implementation (FY 2017-18), total gross GST

collection provisionally stood at 7.41 lakh crores. In the last fiscal year of FY 2023-24, annual gross GST collection totaled INR 20.18 lakh crores. This indicates a 2.7X growth in the annual collection of GST. However, it may be noted that for FY 2017-18, GST was in place for only 9 months and not 12 months for the remaining years. If we look at the average monthly collection, the average monthly collection has grown from 82 thousand crores in FY 2017-18 (considering 9 months) to 1.68 lakh crores in FY 2023-24 i.e. we have grown 2x times.

**Fig 1: Depicting Annual GST Collection and Average Monthly Collection**



**Source:** Author data compilation on basis of press release issued by Ministry of Finance on pib.gov.in

Gross GST collection has grown sequentially every year with an exception being FY 2020-21. In the year FY 2020-21, the yearly collection dropped to INR 11.37 lakh crores from INR 12.22 lakh crores in FY 2019-20. This can be attributed to COVID lockdown restrictions, due to which even the GDP growth of the country was impacted. Overall, keeping aside the exception of COVID year, GST collection has consistently contributed incremental funds to government coffers. Below is the chart of annual GST collection and average monthly collections.

collections. Every year, (exception again being April 2020 – COVID period), the GST collection has set a new record of the highest ever monthly collection at that point in time. This fact can be attributed to the reason that GST liability for the month of March (last month of the financial year) is discharged in the month of April. The government has also pointed out this fact in the press release dated 1<sup>st</sup> May 2018 “it is usually noticed that in the last month of the Financial Year, people also try to pay arrears of some of the previous months also and, therefore, this month’s revenue cannot be taken as trend for the future.”.

### April: A Month of Breaking Old Records and Setting New Ones

The month of April has been a bonanza for the government treasury with reportedly high GST

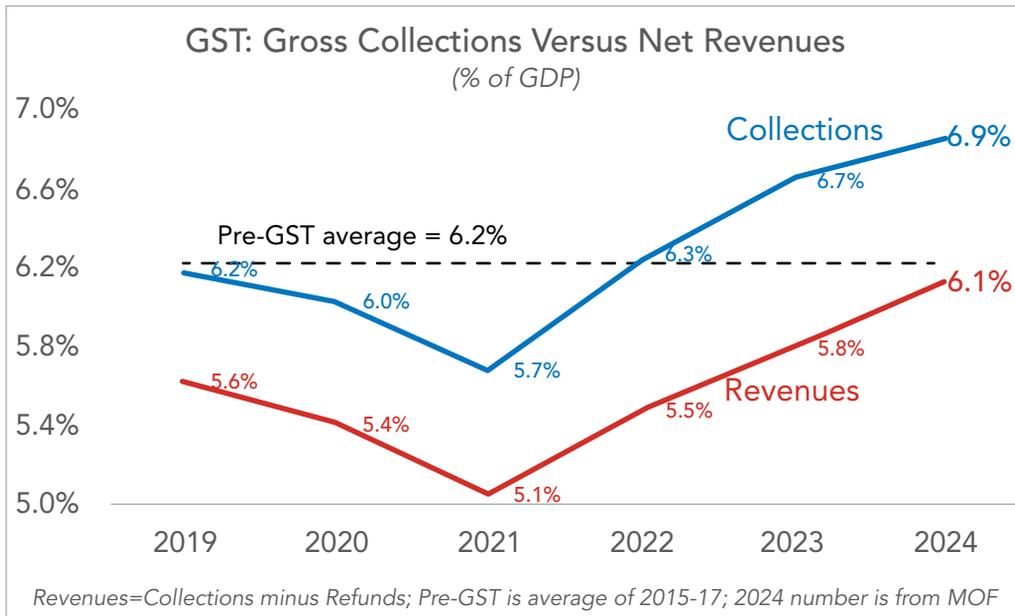
**Table-1: GST Revenue of April from 2018-2024**

Month	Total collection (in crores)	Whether highest ever at that point of time
Apr-24	210,267	Yes
Apr-23	187,035	Yes
Apr-22	167,540	Yes
Apr-21	141,384	Yes
Apr-19	113,865	Yes
Apr-18	103,458	Yes

**Source:** Author data compilation on basis of press release issued by Ministry of Finance on pib.gov.in



The unusually high collection figures in April also indicate that there might be a scope for the majority of taxpayers to ensure tax liability is discharged more

**Fig 2: Year-on-year GST collection to GDP ratio**

**Source:** Author compilation

effectively on a monthly basis in place of making adjustments at the end of the year.

### Rising ratio of GST collection vis-à-vis GDP

As seen above in fig. 2, the total GST collection has been increasing steadily over the years. However, it is also worthwhile to note that the ratio of GST collections vis-à-vis GDP is improving. The gross collection ratio has risen from 6.2% in FY 2019 to 6.9% in FY 2024. Net revenue ratio to GDP ratio has also increased from 5.6% in FY 2019 to 6.1% in FY 2024. The improving GST to GDP ratio may be the result of improved compliance, efforts by the government to curb tax evasion, etc.

### Big 6 state contributors: Same states in top 6 across years

The government provides state-wise GST collection data on a monthly basis. These numbers include tax collection pertaining to CGST, SGST, IGST (excluding IGST collected on import), and cess (excluding cess collected on import if any). For all the fiscal years spanning from FY 2017-18 to FY 2023-24, there are 6 states that have been constantly featured in the top 6 contributors. These states are **Maharashtra, Karnataka, Gujarat, Tamil Nadu, Uttar Pradesh** and **Haryana**. These 6 states have contributed to nearly 60% of the total GST collection across the years. **Maharashtra** has held the **top spot** for all the years.

**Table-2: Contribution of the top 6 states in total revenue is as under**

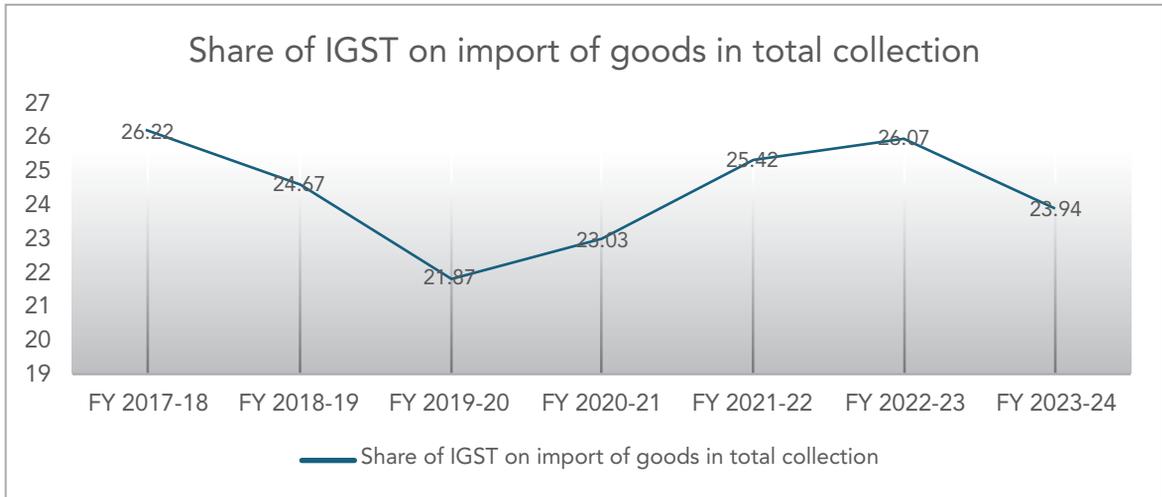
Year	Proportion of share in total revenue (out of 100)
FY 2017-18	58.93
FY 2018-19	58.12
FY 2019-20	57.98
FY 2020-21	57.64
FY 2021-22	58.18
FY 2022-23	59.35
FY 2023-24	60.17

**Source:** Author Data compilation on basis data available on <https://www.gst.gov.in/download/gststatistics>

### Significant share of import of goods on total collection

IGST is levied along with customs duty and various cess on the import of goods in India. The government has received nearly one-fourth of its total GST revenue from IGST levied on the import of goods. This indicates that though indirect taxes like GST are ideally levied on the supply of goods and services within the nation, cross border trade contributes significantly to overall kitty.

**Fig 3: Relative portion of IGST on imported goods in total collection can be observed from below graph**



**Source:** Author Data compilation on basis data available on <https://www.gst.gov.in/download/gststatistics>

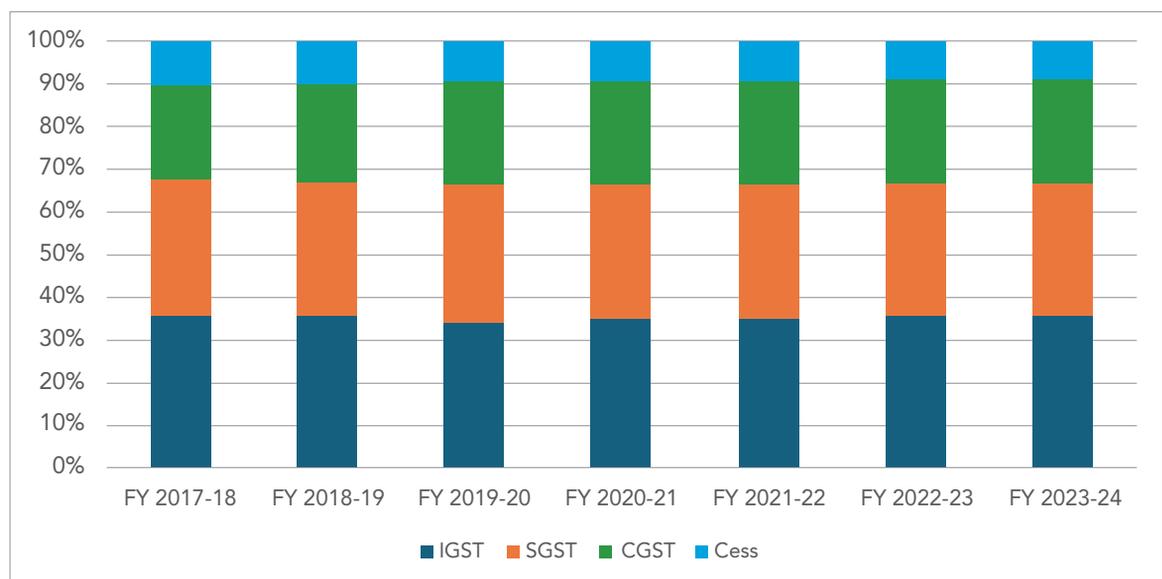
### Tax Breakdown: IGST Leads, SGST Surpasses CGST

If we look at the break of tax components in total collection, it is no surprise that IGST (removing IGST on import of goods) has the highest number in terms of tax collection. This is due to the fact that the IGST rate is double of CGST and SGST rate equally in other words, CGST rate + SGST rate = IGST rate. For the purpose of clarity, IGST is levied on inter-state transactions, while CGST and SGST are levied on transactions within the state. It may be noted that by going through actual

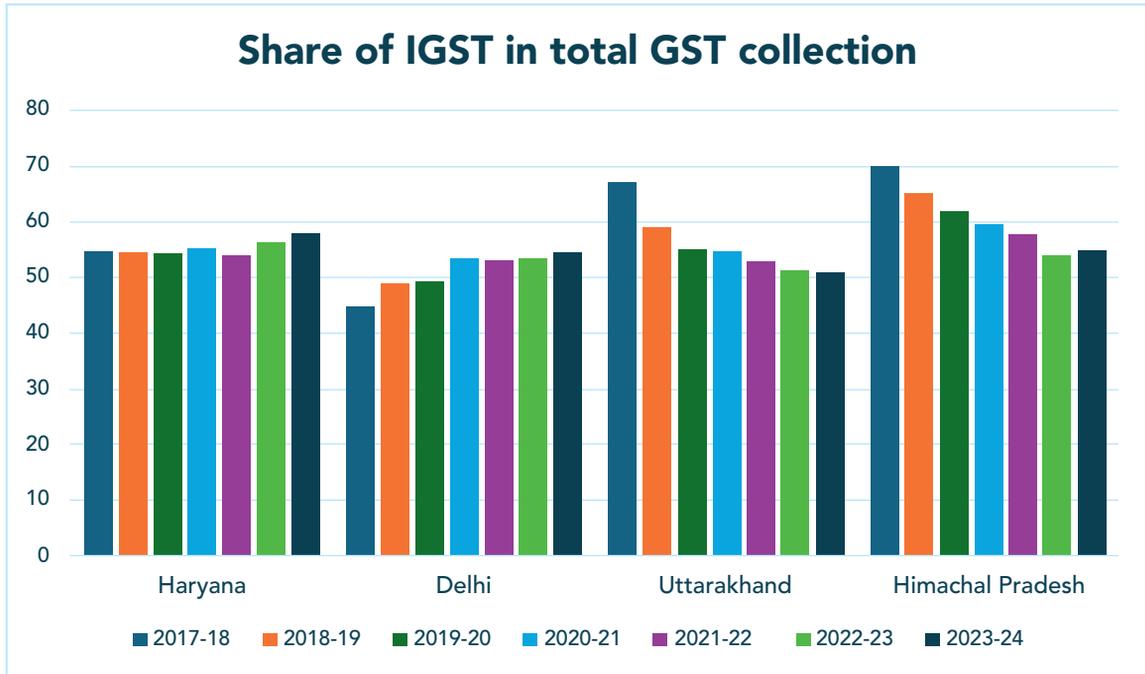
numbers of tax collection, IGST revenue is nowhere equal to the revenue from CGST and SGST combined indicating that the value of intra-state transactions is possibly higher compared to inter-state transactions.

Additionally, the collection of SGST has been significantly more compared to CGST though CGST and SGST are levied at the same rate. This possibly may be attributed to the fact that taxpayers may have utilized IGST input tax credit ("ITC") to utilize CGST liability first and hence, the cash liability towards CGST gets reduced.

**Fig 4: Contribution of IGST (excluding IGST on import), CGST, SGST ad Cess in overall collection**



**Source:** Author Data compilation on basis data available on <https://www.gst.gov.in/download/gststatistics>

**Fig 5: Share of IGST in total GST collection**

**Source:** Author Data compilation on basis data available on <https://www.gst.gov.in/download/gststatistics>

## States with significant IGST contribution in the overall collection

As noted in the fig 4, the share of IGST (excluding import of goods) is roughly about 35% across years. However, there are few states wherein the share of IGST is near to 50% of total revenue. Major such states are Haryana, Delhi, Uttarakhand and Himachal Pradesh. For these states, the share of IGST is equivalent to or greater than 50% in overall collection indicating that the share of inter state transactions holds prominence for these states. The relative contribution of IGST for each of these states can be observed in fig 5.

## Contribution of IGST settlement received by state government vis-à-vis SGST collected by state

GST is a consumption-based tax, meaning revenue is allocated to the state where goods or services are consumed. IGST is levied on interstate supplies, which is collected by the Central Government but apportioned to the destination state. Hence, the total revenue for the state government is the total sum SGST collected on intra state sales and IGST settlement received from the central government (additionally compensation cess is also available for the limited number of years).

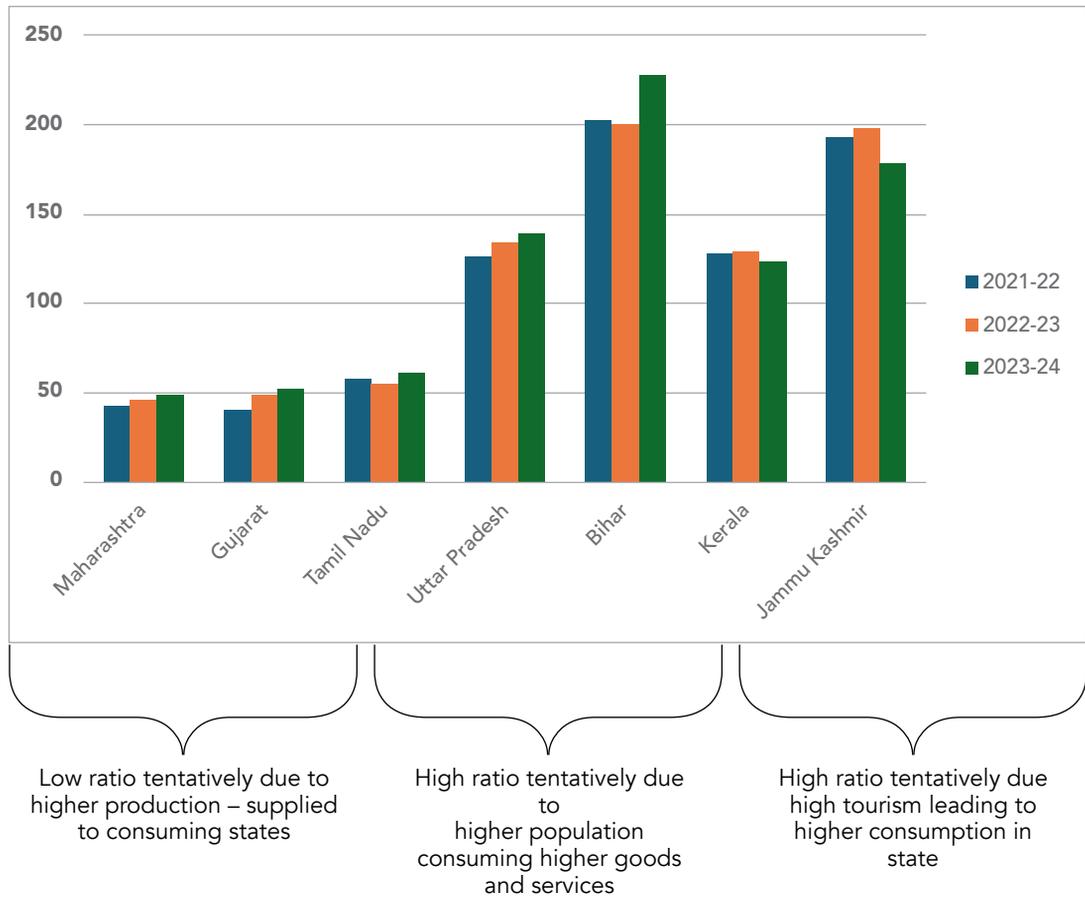
Going through the numbers, the above principle of GST (being consumption-based tax) is aptly depicted.

**Collection of SGST has been significantly more compared to CGST though CGST and SGST are levied at the same rate.**



Industrialized states like Gujarat, Maharashtra, Tamil Nadu, Karnataka, etc receive less IGST settlement compared to SGST collected by the state. This may be due to the fact that goods/services produced by these states are supplied to other states where it is consumed. Contrarily, there are states that receive higher IGST settlement from the government compared to SGST collected. Based on the numbers, it seems it may be attributable to two reasons i.e. 1) High population leading to higher consumption and 2) High tourism leading to higher consumption.

**Fig 6: Ratio of IGST settlement received from central government vis-à-vis SGST collected for sample states with tentative reason**



States with different IGST settlement ratio (IGST settlement received / SGST collected \* 100)

**Source:** Author Data compilation on basis data available on <https://www.gst.gov.in/download/gststatistics>

While the above-mentioned may not be the sole reason (with multiple factors playing its own unique role), the numbers back the principles that GST is a consumption-driven state i.e. higher consumption leads to higher revenue.

**Public limited companies: Highest contributors to the wallet**

After going through the statistics of central and state governments, it may be interesting to look at contributions made by various types of taxpayers. As we had seen in the case state wise revenue collection the top 6 states contribute almost 60% towards GST collection, this figure is even more skewed in the case of the type of taxpayers. **Public Limited companies form only 0.50% of total taxpayers, however, their contribution to total tax collection reaches 34.06%**



as of 30<sup>th</sup> June 2024. If we see public limited and private limited companies together, 6.69% taxpayers contribute to 62.78% of GST collections. Thus, only 2 types of taxpayers contribute to nearly two-third of total GST collection. In terms of number of taxpayers, Sole Proprietorship firms form 80% of total taxpayers in the country. This underscores the fact that a significant number of small businesses continue to operate in the country. These small sole proprietors contribute to 13.30% of total GST collections.

**Table 3: Contributions by each type of taxpayer are as under:**

CONSTITUTION OF BUSINESS	Percentage of Tax payers	Percentage of Tax collection
Public Limited Company	0.50%	34.06%
Private Limited Company	6.19%	28.72%
Proprietorship	80.33%	13.30%
Public Sector Undertaking	0.02%	9.72%
Partnership	10.29%	7.31%
Others	0.22%	2.03%
Society/Club/Trust/AOP	0.87%	1.39%
LLP	0.87%	1.41%
Government Department	0.05%	0.81%
Others	0.66%	1.25%
Grand Total	100%	100%

\*Status as of 30 June 2024; Return period accounted up to March 2024

\*Figures don't include IGST on imports

**Source:** A statistical report on completion of 7 years of GST available on <https://www.gst.gov.in/download/gststatistics>

## Conclusion

Since the introduction of the Goods and Services Tax (GST), it has emerged as a pivotal revenue source for both state governments and the central government

**Total revenue for the state government is the total sum SGST collected on intra state sales and IGST settlement received from the central government.**



in India. As of date, GST in India is still evolving with the passage of each year. Along with legal provisions, numbers analyzed in this article also tend to evolve with the passage of time. As we move forward, continuous monitoring of GST trends will be essential in shaping effective financial policies and in understanding the economic health of the nation. At the end of the day, what will be certain is that the GST shall continue to be a prominent revenue provider to governments (state and central) and will play a pivotal role in growth and development of the Indian economy.

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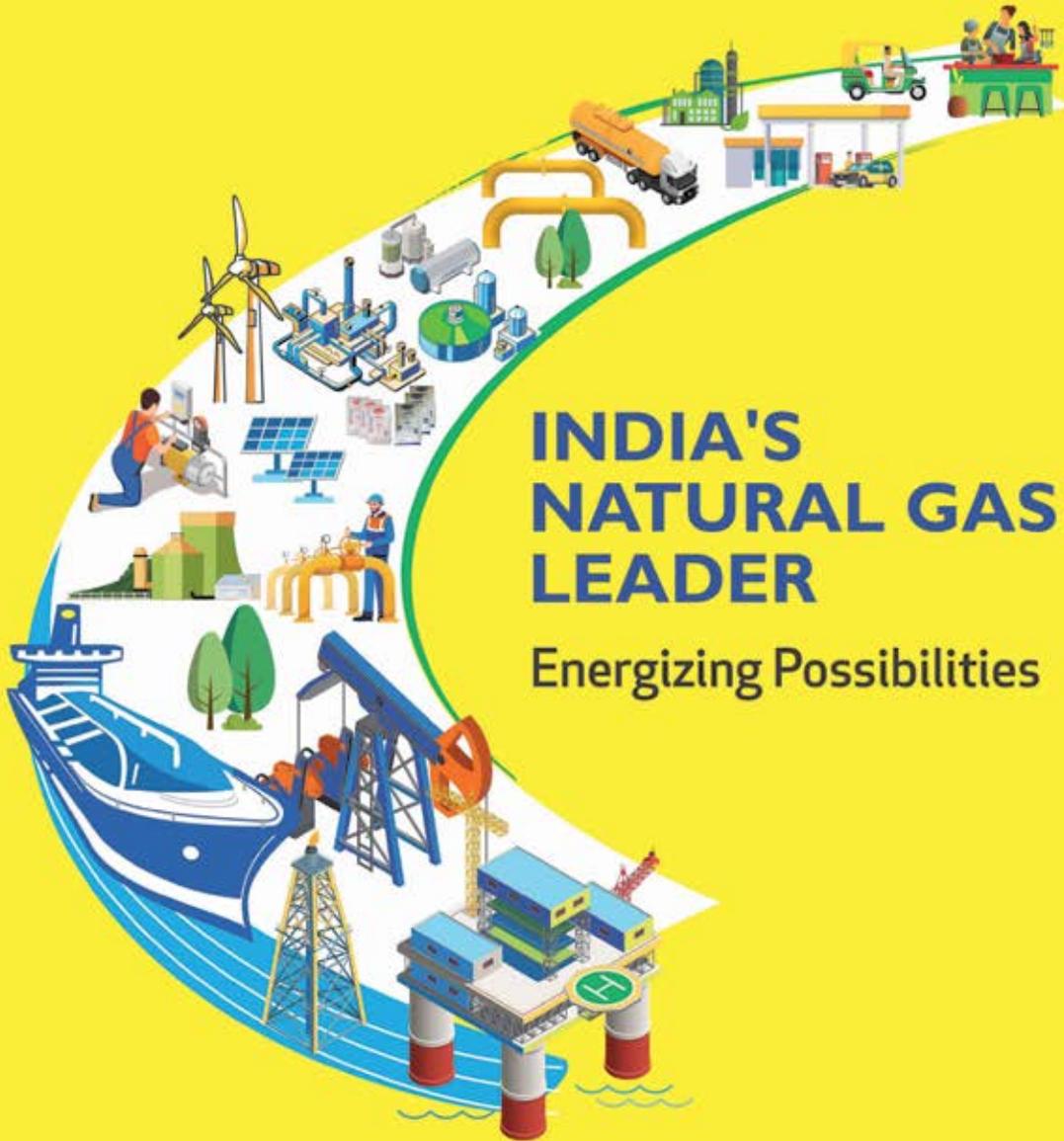
- GST statistics provided on <https://www.gst.gov.in/download/gststatistics>
- Press releases issued by Ministry of finance, the central government on [pib.gov.in](http://pib.gov.in)



Author may be reached at  
[karanrajvir18@gmail.com](mailto:karanrajvir18@gmail.com) and  
[eboard@icai.in](mailto:eboard@icai.in)



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# Decoding Uncertainty by Measuring the Risk



**Varanasi Kishore**  
Senior Consultant

An ideal risk management process contains various phases including Risk Identification, Risk Assessment, Risk Mitigations, Risk Monitoring and Risk Reporting. This article is focused on the Risk Assessment phase, where the risk professionals strive to measure the risks which enable the organizations to make informed decisions.

Risk Assessment can be done both objectively and subjectively. It is based on the organization's maturity in the risk management process. Organizations new to risk management tend to prioritize qualitative risk measurement, while more established ones employ sophisticated methodologies to assess risks and uncertainties. Whether the risks are measured qualitatively or quantitatively, the only goal is to facilitate the board to make informed decisions. This article covers the concepts of 'why' vs 'how' to measure the risks, basic tools, and techniques to measure the risks and broader implications.

## Measuring a Risk - "Why" Vs "How"

Understanding "why" we measure risk is important before we think about "how" to do it. In everyday life, we constantly measure things to help us make smart choices. Let's say someone needs to be at a meeting by 11:30 AM, and it's currently 8:00 AM. To make sure they're not late, they need to figure out how long it takes to get there. ("Why")

Now, let's talk about how we measure risk. In our example, we use a clock to measure time. While measuring the time, several considerations/scenarios are considered to have an approximate measurement of time.

In our example, let's say it's the rainy season. The person might check the weather forecast to see if rain could

slow them down and adjust their travel time accordingly. They could also use maps on mobile phones to check traffic conditions. They might decide to measure time down to the minute or even seconds, depending on how precise they want to be. Gathering this extra information helps make their travel time prediction more accurate. ("How")

In risk management, people use different methods to measure risk. Is that okay? Instead of saying if it's right or wrong, we should ask if these methods help organizations make informed decisions. Organization needs to focus on optimized efforts in quantifying the risks.

## Enablers that assist in gauging the risks

Before diving into the quantification models, let's discuss "what's next?"

i.e., what is the actual outcome of the quantification of risks involved? Yes, we discussed this earlier saying that quantification helps organizations to make informed decisions. But how does this quantification exactly help in making informed decisions?

**Risk appetite tends to change from time to time to reflect the organization’s strategic objectives.**

Organizations need certain “enablers” to make informed decisions. For example, the CRO of Company X has reported to the board saying that a potential cumulative financial risk would hit the profit and loss account adversely by ~INR 50 lakhs if it materializes. What does that INR 50 lakhs mean to Company X? How does Company X decide whether to mitigate or accept the risk?

The following are the enablers that assist the organizations in making informed decisions:

1. Risk Appetite Statements
2. Risk Assessment Scales

**1. Risk Appetite Statements**

Risk Appetite statements are the amount and the type of risks that an organization is willing to accept. Risk appetite tends to change from time to time to reflect the organization’s strategic objectives.

In continuation to the above example, let’s assume (Scenario 1) that Company X has planned to significantly invest in new markets/products in multiple regions as a part of its aggressive growth strategy. In this scenario, Company X would have made multiple debts, made aggressive recruitments, and spent on heavy research and marketing, impacting its cash flow statement adversely and in such situations when the risks are assessed, financial risk would be in the company’s risk priority radar.

An appetite statement is framed on how willingly an organization can accept the risk. In the above example, as the organization is currently operating in a cash crunch situation, the financial risk would be on the company’s radar with a medium to low-risk appetite.

Thus, a potential financial impact of INR 50 Lakhs would be considered by the board and try to mitigate the same.

Below is the sample Risk Appetite Statement of Company X for Financial Risk (Scenario 1):

The organization remains vigilant on the financial aspects to enable it to serve its purpose and value.

Currently, to serve its strategic objective, Company X remains a **low-risk appetite** for financing activities.

Sample Metric: Any potential impact over and above Y% on revenue is considered to be a serious financial impact for Company X.

**2. Risk Assessment Scales**

Risk Assessment Scales help the organizations to measure the risks in multiple parameters (i.e., impact, likelihood, velocity, etc.) and define what is high/medium/low scales for each parameter.

Risk Assessment scales serve as a gauge for measuring risk. In terms of risk appetite, organizations define the amount and types of risks they are willing to accept. In risk assessment, we establish scales for parameters such as impact, likelihood, and others, which help determine whether the identified risks fall with the organization’s acceptable risk appetite.

Similar to Risk Appetite Statements, Risk Assessment Scales require a periodic revision based on the strategic objectives and appetite levels of the organization. In general, most of the organizations prefer a 5-rating scale, however, there is no hard and fast rule for the same.

**Impact Scales**

The **impact scale** in risk assessment measures the potential consequences or severity of a risk event if it were to occur. It helps to evaluate how significantly the risk could affect an organization, project, or process. The impact scale typically ranges from low to high, with a matric that quantifies its effect.

Impact/Consequence is defined by ISO 31000 as “Outcome of an event affecting objectives. A consequence can be certain or uncertain and can have positive or negative direct or indirect effects on objectives. Consequences can be expressed qualitatively or quantitatively. Any consequence can escalate through cascading and cumulative effects.”

Risk Category	Metric	Quantitative Impact Scales				
		1(Very Low)	2(low)	3(Medium)	4(High)	5(Very High)
Financial Risk	Revenue	1%	2%	3%	5%	7%

In the above example, as the Risk Appetite for the company is already defined and the metric says Y% as the cap for potential impact, the scales are defined on the higher cap. Below could be the sample scale for the financial risk: (Assuming Y as 7%)

The above table can be developed for all the risk categories that the organization is willing to assess. For example, SEBI provides a guideline for the risk domain coverage to include financial, operational, sectoral, sustainability, environment, social and governance, information, cyber security etc.

In instances where financial metrics may not apply, such as in the case of Reputational Risks, it becomes imperative to define metrics based on the organization's operations. For instance, a key metric could be the reduction in market share or share price resulting from reputational impact or any inadvertent events.



Risk Category	Metric	Quantitative Impact Scales				
		1(Very Low)	2(low)	3(Medium)	4(High)	5(Very High)
Reputational Risk	Adverse news	News column in a district newspaper	News columns in a few to multiple district newspaper	News column in a state newspaper	Headlines in National news	Multiple allegations/acquisitions in National news on the company and its Board
		No impact on the share price	No to very minor impact on the share price	Minor fluctuations in share price	Significant fluctuations in share price	Permanent reduction in share price

**Likelihood Scales**

The **likelihood scale** in risk assessment measures the probability or frequency with which a particular risk event is expected to occur. It helps to evaluate how likely it is that a specific risk will materialize. The likelihood scale typically ranges from low to high, with different levels representing the probability of the event happening.

Likelihood/Probability is defined by ISO 31000 as *"chance of something happening, whether defined, measured or determined objectively or subjectively, qualitatively or quantitatively, and described using general terms or mathematically (such as a probability or a frequency over a given time period)."*

Now, why do we require the likelihood scale? Is the impact scale and measuring the impact is

**Impact and likelihood are the fundamental scales adopted by organizations to assess the risks and make informed decisions.**

not sufficient? As the risk is assessed always as a futuristic event, we need to assess how probable this impact might be, i.e., if an event is certain to occur, it transitions from being a risk to a certainty of loss. Conversely, when the probability of an event occurring is zero, it ceases to be a risk altogether. Therefore, the probability of occurrence lies between 1% to 99%! The scales can be defined after assessing the historic events and other considerations from the Small Modular Reactor (SMR's).

The Likelihood scales, similar to the Impact scales, can be qualitative and quantitative:

Quantitative likelihood Scales				
1	2	3	4	5
<=19% chance of occurrence	>=20% and <=49% chance of occurrence	>=50% and <=69% chance of occurrence	>=70% and <=89% chance of occurrence	>=90% chance of occurrence

Qualitative likelihood Scales				
1	2	3	4	5
Rare (OR) Once in every 30 to 50 years	Unlikely (OR) Once in every 15 to 30 years	Possible (OR) Once in every 5 to 15 years	Likely (OR) Once in every 2 to 5 years	Frequent / Almost Certain (OR) Annually or more than once annually

Impact and likelihood are the fundamental scales adopted by organizations to assess the risks and make informed decisions. This is called a “two-dimensional” assessment of risks. However, other dimensions like “Velocity”, and “Controllability/Vulnerability” can also be a part of risk assessment scales.

**Velocity Scale**

Paul Hopkins refers to velocity as the “speed at which the risks become significant”. The assessment of velocity happens only after the event has occurred. In our example, we assumed that Company X has the potential financial risk of INR 50 Lakhs to achieve its strategic objective of aggressive growth. In this example, Company X would incur a heavy cash crunch due to its activities but does that impact the company immediately? NO! This impact might take a few months, unlike a financial risk due to a sudden crash in the stock market, which has an immediate effect.



So, velocity can also be defined as “the time between the risk event and the actual impact the company experiences”. Below is the sample Risk Velocity scales:

Velocity Scales				
1	2	3	4	5
Company experiences the impact in a few years post the event occurs	Company experiences the impact in a year post the event occurs	Company experiences the impact in few months post the event occurs	Company experiences the impact in few weeks post the event occurs	Rapid onset of risk impact

### Vulnerability/Controllability Scales

The **controllability scale** in risk assessment measures the extent to which an organization can influence, manage, or mitigate a risk once it occurs. It evaluates how much control the organization has over the risk event, including the ability to prevent, reduce, or manage its impact.

Control is defined by ISO 31000 as “measure that maintains and/or modifies risk. Controls include, but are not limited to, any process, policy, device, practice, or other conditions and/or actions which maintain and/or modify risk. Controls may not always exert the intended or assumed modifying effect.”

In the context of scales, Vulnerability/Controllability is defined as the “Organisations preparedness towards the risks or the strength of the controls”. Below are the sample scales for vulnerability or controllability:

Controllability Scales				
1	2	3	4	5
Strong controls designed and implemented & Controls testing happens frequently	Strong controls designed and implemented & Very minor deviations or lapses in controls	Moderate controls designed and implemented & Few deviations or lapses in controls	Few controls designed and implemented & Major deviations or lapses in controls	No controls in place

The above scales assist organisations in gauging the risks, and now let’s dive into the tools that assist in measuring the risks.

### Risk Quantification Models

There are several tools and techniques that help the organizations in measuring the risks. Below are a few examples:

1. PI Matrix
2. FAIR Methodology

Risk#	Risk Name	Probability	Impact	Risk Exposure	Priority
R1	Financial Risk	3	4	12	1
R2	Safety Risk	2	4	8	3
R3	Compliance Risk	2	5	10	2

3. PERT analysis
4. VaR - Monte Carlo simulation
5. Scenario analysis etc.,

In any quantification method, having accurate data is crucial. Without reliable data, the results won’t be accurate.

### PI Matrix (Probability - Impact Matrix)

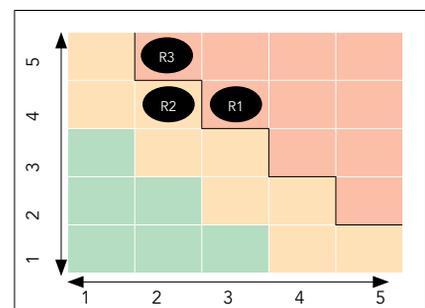
After assessing the risks, the PI matrix helps the organizations in prioritizing the risks. Once the risks are prioritized, it becomes clear to the organization that what risks it has to invest resources and plan for mitigations. Below is the methodology:

Calculate Risk Exposure = Probability X Impact

For example, if a particular risk is rated as 3 on the impact scale and 4 on the probability scale, the risk exposure is  $3 \times 4 = 12$ . The PI matrix is a 5X5 matrix (if the probability and impact scales are 5 pointers), below is the sample PI matrix post-computation of all risk exposures:

The Red, Amber, and Green colours in the PI matrix resemble the risk appetite of an organization.

Different organizations adopt different prioritization methodologies. The above risks are prioritized based on the “Risk Exposure”. If Velocity and Controllability scales are also considered, then the prioritization varies. Simply put, all risks that fall under the red colour represent the organization’s top priority, while others are assigned lower priority accordingly.



**FAIR (Factor Analysis of Information Risk) Methodology**

FAIR methodology deconstructs the uncertainty inherent in risk into manageable elements. FAIR methodology mostly focuses on Cyber and Operational Risks. Its fundamental components, Loss Event Frequency (LEF) and Probable Loss Magnitude (PLM), play key roles. LEF assesses the frequency of potential loss events occurring within a specific timeframe, while PLM evaluates the likely financial impact of each event. This structured approach enables organizations to comprehensively analyze and address their risk landscape.

The entire flow of FAIR methodology ranges from designing scenarios, FAIR factors, Expert estimation, PERT analysis, and Monte Carlo.

**PERT Analysis**

The FAIR methodology has suggested the PERT analysis to estimate the uncertainty. As per this methodology, one should have 3 values for a risk i.e., minimum, most likely, and maximum. Along with this, organization has the highest confidence value among the three.

Sample results can be as below:

For example, in case of financial risk, organizations should consider the maximum loss, most likely loss, and minimum loss if the risk materializes. Also, by expert judgement or by any past data, organizations should be a little surer about either of the 3 values. Below is the computation:

Expected Value =  $[Min + (4 \times \text{Most likely}) + Max] / 6$  - If organization is little surer on Most likely value

Expected Value =  $[(4 \times Min) + \text{Most Likely} + Max] / 6$  - If organization is little surer on Minimum value

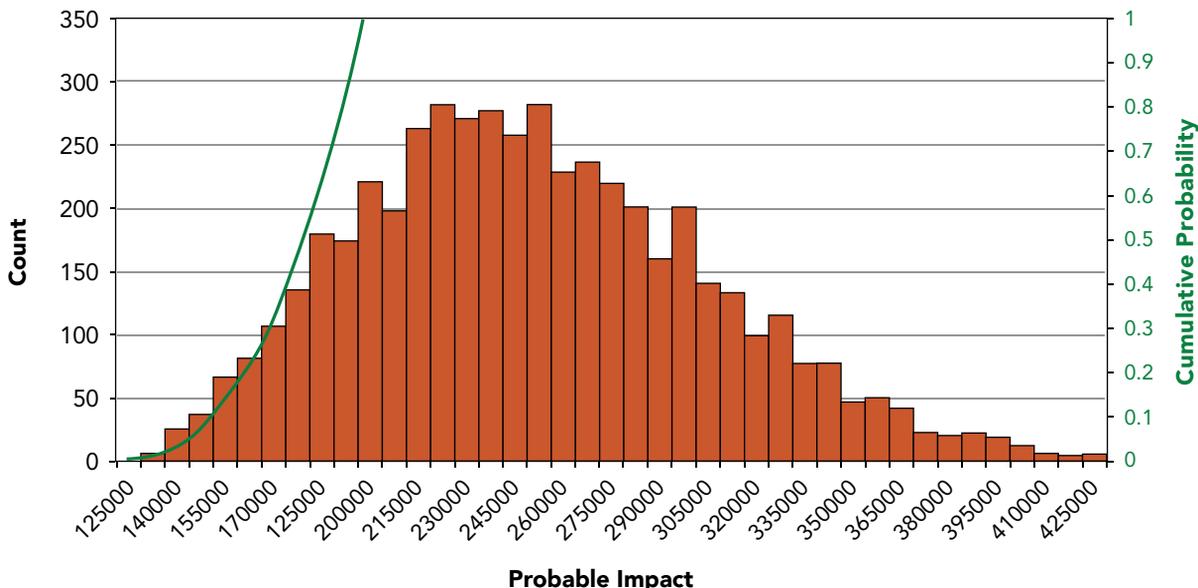
Expected Value =  $[Min + \text{Most Likely} + (4 \times Max)] / 6$  - If organization is little more sure on the Maximum value

**VaR - Monte Carlo Analysis**

Monte Carlo is the most commonly and widely used risk analysis methodology, mostly used in finance fields. Below are the steps followed to apply Monte Carlo simulation:

1. Determine the impact of the potential risk event, based on expert judgement or brainstorming. A range of the outcome can also be considered as an input to the simulation.
2. Run the Monte Carlo simulations with the available data by running around ~1000 iterations.

**Histogram of Monte Carlo Simulation Results**



95% Central Interval	
<b>Q(0.025):</b>	₹ 1,56,142.83
<b>Q(0.975):</b>	₹ 3,65,183.45

Quartiles	
<b>Min:</b>	₹ 1,25,153.00
<b>Median:</b>	₹ 2,43,539.93
<b>Max:</b>	₹ 4,33,716.71

3. For a simulation of ~1000, Mean and Std Deviation are calculated by the tool.
4. The output of Monte Carlo, provides multiple possible outcomes and the probability of each from a large pool of data.

The output generated will usually be a normal distribution or bell curve, with the most likely value in the middle of the curve i.e., There is almost an equal possibility that a risk impact could be higher or lower.

Users may obtain the results such as the minimum value, which is the lowest value generated by the Monte Carlo simulation, a maximum value, which is the largest generated value, as well as an average and most likely value.

Now as the results have been narrowed down, expert judgement can be utilized to quantify and rate the risks.

### Scenario Analysis

Scenario analysis refers to defining one or more risk scenarios with utmost detail that could impact the strategic objectives. The details of the scenarios can boil down to the severity of risk, time duration, mitigation efforts, etc.

However, this analysis cannot be done to all the risks of the organization. Before getting into scenario analysis, the organization should already have a high-level top 15-20 risks. The scenarios can be developed by a combination of risk experts, process owners, and SMRs.

Below is the sample Scenario analysis: (While there can be base case, worst-case, and best-case scenarios, only the worst-case scenario is considered here for illustration purposes)

### Conclusion

In conclusion, risk quantification is an indispensable process for organizations seeking to navigate the complexities of today's dynamic business environment. By systematically assessing, analyzing, and assigning numerical values to various risks, businesses can make informed decisions, allocate resources effectively, and mitigate potential threats to their objectives.

However, it's crucial to recognize that risk quantification is not a one-time exercise but an ongoing practice that requires continuous monitoring, evaluation, and adaptation to evolving circumstances. By embracing a proactive and data-driven approach to risk quantification, businesses can better anticipate, respond to, and ultimately thrive in an ever-changing landscape, safeguarding their sustainability and success in the long run.

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Author may be reached at  
varanasi.kishore9308@gmail.com and  
eboard@icai.in

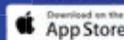
Risk Description	Strategic Objective	Metric	Detailed Scenarios	Impact	Existing Controls	Additional actions to be taken
Strategic Risk - The risk that the organisation cannot achieve its strategic objectives	1B\$ company by 2030	Revenue	<ol style="list-style-type: none"> <li>1. New market player with innovative product</li> <li>2. Failure of current R&amp;D project</li> <li>3. Technology Shift</li> <li>4. Competitor pressure</li> <li>5. Supply chain issues</li> <li>6. Failure to scale</li> <li>7. Attrition / loss of talent</li> </ol>	<ol style="list-style-type: none"> <li>1. Decline in market share by 30%</li> <li>2. Loss of INR 50 Lakhs quarterly</li> <li>3. Increase in R&amp;D expenses by INR 20 Lakhs</li> <li>4. 15% price reductions / discounts</li> <li>5. 12% price increases / inflation</li> </ol>	<ol style="list-style-type: none"> <li>1. Marketing Campaigning at core markets - Detailed plan attached</li> <li>2. FMEA in place</li> </ol>	TBD



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# Valuing Employee Stock Options



**CA. Inderpreet Singh**  
Member of the Institute

The issue of business succession and distribution of value amongst a company's multiple stakeholders has been debated for a long time, with many solutions proposed over time, but the most elegant solution is the introduction of employee stock options. The progenitors of the foremost employee ownership plan believed that employees were the most vital contributors to any company's success and must be compensated with an ownership stake in the company. In recent years, the Indian startup landscape has flourished with funding skyrocketing to tens of billions of dollars, with the employee share buybacks tagging along for the ride. The mechanics of the ownership plan as well as the technique for determining their fair value, are equally wonderful, albeit with their own set of permutations and challenges.

## Lessons from History

### The Origin of First Employee Stock Ownership Plan

The origin of the Employee Stock Ownership Plan/Scheme [ESOP/ESOS] can be traced back to Mr. Louis O. Kelso, an economist and lawyer who created the ownership plan to ensure an ownership transition of Peninsula Newspaper Inc. from its aged founders to their chosen employees and managers. Kelso belonged to the school of thought with the proposition that employees are the ones responsible for a company's success and know the operations throughout, and accordingly, the company's own employees should be the owners. However, this ownership would come with a catch, in order to purchase any ownership in the company, the employees would have to use their own retirement funds to pay for the shares. The solution to this problem was created in the form of the world first ESOP in the year 1956.

Prior to the genesis of this plan, the owners had majorly only two options:-

1. Option 1: Sell the business to competitors.
2. Option 2: Sell the portion of the business to key employees and redeem the remaining shares.

Both of these options had significant disadvantages related primarily to brand identity, higher leverage, and tax inefficiencies. Further, employee ownership wasn't an unheard concept, as prior to Kelso's creation of the ESOP there were many public and private companies that had significant employee ownership to increase morale and productivity through the medium of the "Stock Bonus Plan" primarily investing the shares of the company.

### Survival and Defensive Tool

The year 1979 witnessed the application of the ownership plans to ensure that failing companies

survived wherein the stocks that the ESOP acquired were paid from the negotiated salary reductions instead of employee contributions from current or accumulated profits. The major candidates for this survival plan were the Chrysler Corporation, Weirton Steel, and United Airlines. However, it is important to note that the majority of the salary-reduction ESOPs failed and were approved by a majority vote of all the participating employees after full disclosure of the financial situation.

During the 1970's stocks of many publically traded companies became undervalued which eventually led to hostile takeovers. In order to prevent this, "poison pills" were invented which have many facets but the primary objective would be to deter takeovers by increasing the shareholding of all the shareholders except the acquirer and extinguishing the control they would have obtained normally. The poison pill took effect in the situation of an acquirer gaining controlling interest in the subject company and was litigated extensively in Delaware courts, as well as federal and federal district courts. ESOPs can be used as a defensive tool by issuing shares representing 20-30% of the outstanding share capital to block any incoming votes on the resolution for takeover.

Accordingly, ESOP's fared much better in dissuading hostile takeovers than the poison pills along in protection shareholder value. For countries like Japan, nearly 90% of the publically traded firms offer stock options for the employees to participate in although the overall employee holding percentage is miniscule.

### Employee Stock Options in India

The credit for introducing ESOPs to the Indian landscape is held by Wipro which introduced the scheme in 1985. Thereafter, many public IT Companies brought employee ownership plans into the mainstream media by creation of salaried millionaires and billionaires. The old taxation legislature offering tax exemption both at the time of exercise of options and sale led to the inherited value of ESOP being incredibly higher than the base salaries. The taxation laws would be amended in the early 2000s but that would not dampen the lustre of stock options for the employees.

The government sector companies would soon jump on the bandwagon with Maruti Udyog Limited becoming



the first PSU to introduce ESOP in 1990s in the form of a trust called "Employees Mutual Benefit Fund" which operated along the likes of mutual funds by churning employee savings to be utilized by the fund for investment in shares, stocks, debentures or other financial instruments of the company.

Based on the positive feedback of the scheme, the Department of Public Enterprises, Government of India issued guidelines for other PSUs to develop similar schemes for their employees.

### Retrospective on Indian Startups

Following the funding boom of 2021 where startups raised more than \$41.4 Billion for 1,579 deals which overshadowed the combined deal value of the last three years, many of the startups gravitated to buyback of Employee Stock Options for reward sharing. Further, the employee sentiments towards cash salary took a backseat as many were negotiating substantial ESOPs and less cash payment as part of their tech package, ESOPs being the major differentiator from the average salaries in the market.

This table represents the summary statistics of the buyback value of ESOPs for FY-24

**Table 1: Startup Buyback Trends for FY2**

Particulars	Buyback Value [Amount in USD Million]
Pocket FM	8.30
Swiggy	65.00
Whatfix	4.30
Capillary Technologies	20.00

**Figure 1: A typical lifecycle of the ESOP Plan is summarised below:-**



## Valuation Nuances

The first step in valuing stock options is to determine the value of the underlying equity value of the company. The inherited value of a company's stock depends upon a number of factors inter alia, nature of the industry, product offerings, level of competition, intangibles/patents held, government regulations, and director efficiency. All of the aforesaid factors translate into turnover, margins and cash flow to the business, which will ultimately serve as inputs to the valuation exercise.

The three fundamental approaches to valuation are Cost Approach, Income Approach and Market Approach, with Income Approach being the widely used and scientific approach. A summary of the valuation approach in is depicted in figure 2.

After the identification of the stock price, the intricacies of option valuation can be explored. The employee stock options are derivative instruments whose values are contingent upon the price of the underlying stock price of the company. The option is a right but not an obligation to purchase a company's stock at a specific price for a specific period of time for a specified quantity. These enable the employees to share in the value generated by the company via an appreciation in the stock price at a minimized risk by not owing the stock directly till the time option is exercised by the employee.

The option is generally vested to a particular employee after fulfilment of certain conditions which are primarily limited to performance, company valuation, milestones,

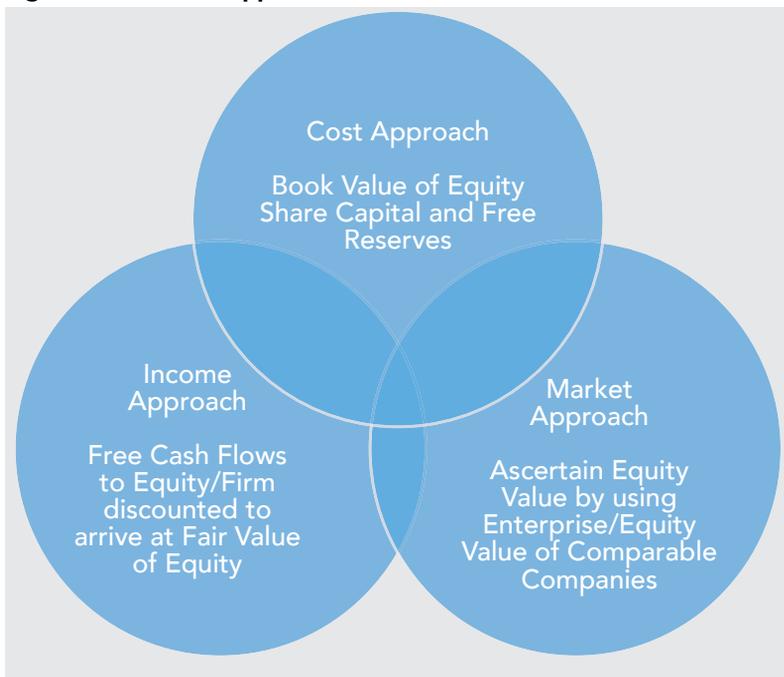
capabilities, and profitability. After the options are vested, they must be exercised within a specific period of time known as the exercise period. The exercise period is generally one to three years for a listed company and event/milestone based for private companies. Options can be exercised by payment of exercise price or strike price which is significantly cheaper than buying the stock outright by paying full price.

An employee will exercise the stock options if the price of the company's stock is greater than the exercise price. However, in the scenario where the stock price has fallen and is lower than the exercise price then the option will lapse and will expire worthlessly.

## Employee Stock Option Valuation Methodology

The Black-Scholes Option Model was formulated in 1973 by Fisher Black and Myron Scholes for the valuation of a marketable call option on non-dividend paying stocks and is used for the valuation of options that can be exercised in the event of expiry. Another option valuation model is the Binomial Lattice Method which is utilized for the valuation of options that can be exercised anytime throughout the exercise period. Employee options employed by the startups or private companies are only exercisable at specific dates like European options, linked to either revenue milestones, initial public offerings or buyouts, and the issuing companies do not declare any dividend during the exercise period making the Black-Scholes the appropriate model for use in this circumstance.

**Figure 2: Valuation Approach**



**The valuation model outputs the fair value of a call option based on inputs such as the price of the underlying share, exercise price, risk free rate, volatility, and time to expiration of the option. The model has been adjusted by experts to account for dividend paying stocks, different expiry of options, as well as for pricing warrants.**

*Formula for computation of fair value of a call option exercisable on expiry*

$$\text{Call Value} = S \times N(d_1) - E e^{-rt} \times N(d_2)$$

Where:

$S$  = Stock price

$E$  = Exercise (strike) price

$N(d_1)$  &  $N(d_2)$  = Value of cumulative distribution functions of the standard normal distribution, evaluated at  $d_1$  and  $d_2$

$$d_1 = 1/\sigma \sqrt{t} [\log(S/K) + (r + \sigma^2/2) t]$$

$$d_2 = d_1 - \sigma \sqrt{t}$$

*ln* = Natural logarithm

*r* = Short-term Risk-free rate (continuously compounded)

*t* = Time to expiration, in years

*e* = Exponential function

$\sigma$  = Annual standard deviation of return (usually referred to as volatility)

The derivation of the model is complex and has many variable components, brief explanation on the major drivers is provided below:-

- 1. Stock Price and Exercise Price:** The value of an employee option is directly proportional to the price of the underlying company's share. However, a higher exercise price will lower the value of an option since the employee will have to pay more to acquire the right to purchase shares at a discount. A typical ESOP Plan accounts for a different tier list of exercise prices depending on the employee designation and hierarchy.
- 2. Risk-Free Rate:** The risk-free rate for the purpose of the Black Scholes Option Pricing Model is the Yield to Maturity (YTM) on a sovereign government bond that has the maturity period equivalent to the term of the option. For Indian companies, 364-Day Treasury Bill (Primary) Yield is relevant and used for calculations. However, the risk free rate used is a continuously compounded rate of return, that is, the natural log of 1 + *i*, where *i* is the annual rate of interest. The higher the risk-free rate, the higher the value of an option.
- 3. Time to Expiration:** This refers to the exercise period available to the employees to exercise the option and purchase the shares. The longer the exercise period the more valuable the option becomes due to the effect of time value of money. The period is expressed in years or a fraction of a year in the computation.
- 4. Volatility:** The degree to which the price of a particular stock changes during a fixed period. Volatility is measured as the annualized standard deviation of the daily price changes of a stock if the stock is listed on a stock exchange. If the company

**An employee will exercise the stock options if the price of the company's stock is greater than the exercise price.**

stock is not listed, then the volatility of stocks of listed comparable companies can be used as a proxy. The proxy method is also relevant in cases where the stock is thinly traded and does not have sufficient reliable trading volumes during the relevant period.

- 5. Natural logarithm:** The natural logarithm, the standard normal cumulative distribution function, and the exponential function are all mathematical constants.

### Valuation Adjustments for Private Companies

The options granted by private companies are bundled with additional characteristics such as liquidity risk and volatility risk. In order to adjust for limited marketability of option discount for lack of marketability is considered appropriate and the volatility computation for private companies is subject to the greater degree of error and is inherently challenging. These are discussed in detail below:-

### Discount for Lack of Marketability

Since neither the stocks nor the options of private companies are listed on any stock exchange, we need to assign a discount for lack of marketability (DLOM) to arrive at the fair value of employee options. In the published study conducted by the members of The Put and Call Brokers and Dealers Association (PCBDA) in "The Wall Street" Journal from March 1965 to March 1973, a total of 5700 PCBDA options were compared to their derived Black Scholes Option values.

**The study concluded that the illiquidity discount for in-the-money call options was 22% from the Black-Scholes Values, and the discount for out-of-the money call options was approximately 45%. Further, for the purpose of financial reporting valuations, adjustment for lack of transferability is made by adjusting the term or exercise period of the option rather than discounting the option value.**

**Table 2: Factor Leading to Discount for Lack of Marketability**

	A	B	C	D
Factors leading to a smaller discount for lack of marketability	Publicly traded	No restrictions on the sale of the securities	Registered Securities	Active market relative to the size of the block in question
Factors leading to a larger discount for lack of marketability	Closely held	Restrictions on the sale of securities	Unregistered Securities	Thin market relative to the size of the block in question

## Adjustment for Lack of Control

Employee holdings typically do not result in a controlling stake in the company and accordingly, the employee should not be paying more than the fair price that a willing buyer will pay for non-controlling/minority interest. The employees will neither individually nor as a group will influence the dividends, listing/unlisting decisions, issuing or buying stock, directing management as well as their salaries. Accordingly, in this scenario, the company share price will be discounted for minority interest for input to the option valuation model. The adjustment for lack of control stems from the doctrine that a potential acquirer would be willing to pay extra for a controlling stake assuming all the other factors are constant. Control premium for the majority shareholder necessitates a minority discount for the minority shareholder.

However, certain companies can provide cumulative voting to minority shareholders, elect small shareholder directors representing employee claims and certain minority shareholders can form a voting block and thereby achieve a substantial position. Accordingly, such shares with cumulative voting powers will command a smaller discount for lack of control than the other shares without cumulative voting and other factors being equal.

*Control as well as its lack thereof, does not have a demarcated dividing point and constitutes a spectrum from pure minority interest position to 100% controlling interest.*

## Levels of Ownership

As per empirical studies, the control premium ranges from ~29.0% to ~53.9% and the implied minority discount is within the range of ~22.5% to ~35.0%. The discount is applied directly to the fair value of equity derived at the first step itself and not at the option value level.

Minority Discount is computed as per the following formula:-

Discount for Lack of Control =  $1 - 1/[1 + \text{Control Premium}]$

**Table 3: Levels of Ownership**

↑ <b>Control Interests</b>	1. 100% ownership 2. Ownership sufficient to liquidate, merge, etc. 3. 51% operating control	↑ <b>Control Interests</b>
<b>Minority Interests</b> ↓	1. 50%-50% ownership 2. Less than 50%, but the largest block of stock ownership 3. Less than 50%, but with swing vote powers 4. Less than 50%, but with cumulative voting powers 5. Pure minority interests	<b>Minority Interests</b> ↓

## Put Rights and Potential Buyers

A put is a contractual right but not an obligation to sell the ownership interest at one's own discretion to a third party for consideration under pre-determined events/circumstances, essentially creating a ready market for the transaction where there was none. Private companies can put provisions in the ESOP Plan that would allow the participants to sell the shares to the company in the event of retirement, disability, or death. The acquired share on the exercise of the option can either be redeemed or recirculated in the common ESOP Pool. ***Existence of Put Rights can significantly reduce the discount for lack of marketability to be applied.***

Similarly, potential buyers or acquisition interest by a major buyer can impact the discounts for lack of marketability. However, there have to be past trends or activity of acquisition by buyers for consideration in the fair value computation.

## Initial Public Offering

An upcoming public listing can provide a market for the sale of shares exercised by the option holders. A prospective IPO without any concrete plan in place would not warrant any reduction in the discount, and it is problematic to offset the discount for only director intentions or aspirations. However, if the company founders are adamant on the company being private for the foreseeable future, this would require the discount for lack of marketability to be increased and adjusted accordingly.

Further, the magnitude of discount for lack of marketability depends on historical performance, the extent of losses, high leverage, and restrictive transfer provisions in the ESOP Scheme.

## Empirical Tests and Pricing Errors

The Black Scholes Option Valuation Model is revolutionary but not without its faults. Research has been conducted to discuss the 1972 Black and Scholes Study as well as the subsequent studies to compare the price of publically traded options with its derived value based

**Table 4: Average Pricing Errors by Time to Expiration and the Degree of In or Out of the Money**

Time to Expiration	Number of Observations	Black Scholes Model	Dilution Adjusted Black Scholes	CEV Model
Out-of-the-money warrants (stock price 80% or less of exercise price)				
Less than two years	2,122	7.63%	7.23%	5.67%
More than two years	12,033	5.41%	4.98%	3.77%
At-the-money warrants (stock price more than 80% but no more than 110% of exercise price)				
Less than two years	1,344	5.20%	4.88%	4.52%
More than two years	3,551	3.68%	3.11%	2.77%
In-the-money warrants (stock price more than 110% of exercise price)				
Less than two years	687	2.78%	2.48%	2.27%
More than two years	2,163	2.37%	2.08%	1.89%

on model inputs. The initial studies discovered that there were statistically significant differences between the expected results and the actual market price, although the difference was not economically important due to trading costs. Other researchers propounded that there were significant deltas for long-term options that were significantly in or out the money. Authors like N. Gassel and J. Legras have argued that the difference can be attributed to the change in implied volatility of the underlying stock as the standard Black Scholes Model assumes constant volatility. Shmuel Hauser and Beni Lauterbach published a research paper in 1997 by observing 20,000 warrant price observations by testing five warrant pricing model.

They concluded that a dilution-based model remained the most reasonable and economic model although another model, the Constant Elasticity of Variance Model [CEV] based on constant elasticity of variance generated the lowest average pricing observation, and the degree of error is within normal valuation tolerances, as depicted in Table 4.

## Conclusion

Employee stock ownership plans are increasingly drawing the attention of founders as well as employees who prefer stock options to their cash salaries by delaying instant gratification for the sake of immense value in the foreseeable future. Evidence from the Indian Stock Buyouts suggests that the stock options are thriving and more importantly, there is a ready market for the vested

options other than the popularised dream of public listing. However, stock options are not a path to be ventured upon nonchalantly and without conviction but demand an understanding of the valuation which not only determines value creation but also its many variables which can impact the price exponentially and many times dramatically.

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Author may be reached at  
[ca.matharu@gmail.com](mailto:ca.matharu@gmail.com) and [eboard@icai.in](mailto:eboard@icai.in)



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# Socially Responsible Investing (SRI) in India



**Shelly Agarwal**  
Research Scholar

The SRI industry in India is undergoing a major transformation. The regulatory requirements are increasing, investors are incorporating non-financial information in investment decision, and companies are focusing on the needs of all the stakeholders. In India, SRI is in the early stages, and there needs to be more awareness among retail investors. While exclusionary screening is quite popular in India, impact investing and shareholder activism are also becoming popular in the country. In order to accelerate the progress of SRI in the nation, India has introduced various measures like BRSR, BRSR Core, new categories for ESG mutual funds, regulation of ESG rating providers, and legally mandated CSR.



**Dr. Nidhi Kaicker**  
Academician

**S**ocially Responsible Investing (SRI) combines investors' financial objectives with their concerns about Social, Environmental and Ethical (SEE) issues. SRI takes care of the financial risk and return along with non-financial factors that could materialise into future risk or growth opportunities (CFA Institute, n.d.). SRI has grown tremendously in the last two decades and has emerged as a global key investment trend.

Responsible Investing has been a part of the Indian knowledge system. Indian ancient scripts like the Vedas, the Upanishads, the Ramayana, and the Bhagwad Gita discuss the provision of social good, co-existence with nature, and sustainability of economic activity (Kar & Kaur, 2023). In modern India, SRI is still in the nascent stage and investors are not fully aware of the concept in comparison with developed countries (Murugaboopathy & Dogra, 2021). The last decade has

been very crucial for the growth of SRI, as India witnessed economic downturns, climate change and the COVID pandemic. ESG investing has gained momentum in India with the debut of dedicated ESG Funds and asset management companies signing up for UNPRI principles. There are 39 signatories of UNPRI from India; of these, 12 agreed in 2021, 7 signed in the year 2022, 11 nodded in 2023, and 1 joined in 2024 (UNPRI Website<sup>1</sup>). By 2051, the ESG-based assets are expected to be 34% of the total domestic AUM (Aventus Capital, 2023).

The Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) have launched various indexes to help investors identify firms that are committed to sustainable business practices. These include the BSE-Greenex, the BSE-Carbonex, the BSE ESG Index, the Nifty 100 ESG index, the Nifty 100 ESG enhanced index and the Nifty 100 ESG Sector leaders. Several Non-Banking Financial

<sup>1</sup> As on 26<sup>th</sup> March, 2024

**Table 1: ESG Mutual Funds in India**

Fund Name	Launch Year	Type	AUM (INR Billion)
SBI ESG Exclusionary Strategy Fund	2013	Active	61.12
Quantum ESG Best in Class Strategy Fund	2019	Active	0.95
Axis ESG Integration Strategy Fund	2020	Active	14.46
ICICI Prudential ESG Exclusionary Strategy Fund	2020	Active	16.52
Quant ESG Equity Fund	2020	Active	3.34
Mirae Asset Nifty 100 ESG Sector Leaders ETF	2020	Passive	1.36
Aditya Birla SL ESG Integration Strategy Fund	2020	Active	7.34
Kotak ESG Exclusionary Strategy Fund	2020	Active	10.23
Invesco India ESG Integration Strategy Fund	2021	Active	5.47

**Source:** Kaul, 2024

Companies (NBFCs) have also launched mutual funds based on an ESG Investment Strategy.

The first ESG-focused mutual fund in India was SBI ESG Exclusionary Strategy Fund catapulted in 2013. In 2019, the Quantum ESG Best in Class Strategy Fund was introduced. In 2020, a total of 6 ESG-focused mutual funds were launched, followed by 3 in the year 2021. Post 2021, no new mutual fund was launched dedicated to the ESG criteria. WhiteOak Capital ESG Best-In-Class Strategy Fund was launched in the year 2024. Table 1 summarises the name, launch year and the respective AUM of the funds. Presently, there are 10 sustainable funds in India. Of these, 9 are actively managed, one is passively managed. SBI ESG Exclusionary Strategy Fund, being the oldest fund, holds nearly 50% of the total AUM of such schemes.

The evolution of ESG reporting in India can be traced back to the first decade of the 21<sup>st</sup> century. The Indian government introduced many policy reforms to have a greater inclusion of ESG parameters in corporate practices. In the year 2009, the Ministry of Corporate Affairs (MCA) introduced the National Voluntary Guidelines (NVGs). The NVGs advised business houses to establish Corporate Social Responsibility (CSR) centres. Further, in 2012, SEBI mandated the top 100 listed companies based on market capitalisation to publish Business Responsibility Report (BRR) along with annual reports. In 2014, India became the first country in the world to legislate Corporate Social Responsibility (CSR) (Panda, 2024). The amendment in the Companies

Act, 2013 requires that “companies having a net worth of INR 5 billion or more, or an annual turnover of INR 10 billion or more, or net profit of INR 0.05 billion or more, to spend 2 per cent of their average net profits of preceding three years on CSR”.

In 2015, the Business Responsibility Reporting (BRR) was mandated for the top 500 listed companies. Further, in 2019, BRR was mandated for the top 1000 listed companies in India. In order to align with Sustainable Development Goals (SDGs)<sup>2</sup>, MCA issued National Guidelines on Responsible Business Conduct (NGRBC) in 2019. From the financial year 2019-20, the BRR requirement was extended for the top 1000 listed companies based on market capitalisation. The



<sup>2</sup> The SDGs are 17 global goals adopted by the United Nations in 2015. The SDGs address global problems like poverty, hunger, inequality, environmental degradation and climate change. The SDGs are interconnected and ensure that people enjoy peace and prosperity by 2030.

Securities and Exchange Board of India (SEBI)<sup>3</sup> has introduced mandatory filing of the Business Responsibility and Sustainability Report (BRSR) by the top 1000 listed companies (based on market capitalisation) from the financial year 2023.

BRSR replaced BRR and is likely to bring ESG reporting at par with financial reporting by sharing relevant information with public and other stakeholders. The BRSR contains three sections related to general disclosures, processes and management disclosures, and principle-wise performance indicators. Further, in 2023, SEBI announced "BRSR Core", a subset of BRSR. It is a collection of Key Performance Indicators (KPIs)/ metrics across nine ESG aspects. It includes KPIs such as gross wages paid to women, job creation in rural areas, Greenhouse Gas (GHG) emissions, water consumption, and waste generation. It also contains cross-reference to the disclosures made in BRSR (SEBI, 2023). BRSR Core is initially mandatory for the top listed 150 companies for the financial year 2024 and would gradually be mandatory for the top listed 1000 companies by 2027.

In addition, SEBI has also unveiled six new strategies in the ESG scheme/theme under which mutual funds can offer investment avenues to the public. Prior to this, mutual funds were allowed to offer only one fund under the ESG scheme. The six new strategies are exclusion, integration, best-in-class & positive screening, impact investing, sustainable objectives and transition or transition-related investment.<sup>4</sup> The mutual fund schemes would have to invest minimum 80% of the total AUM of ESG scheme in equity and related instruments aligning with the outlined strategy of the scheme. The balance shall not be invested in contrast to the scheme. Further, SEBI has also put in place an ESG disclosure and compliance framework.

The framework encourages mutual funds to divulge sustainability practices and ESG investments. SEBI also provides guidelines to mutual fund managers for selection of ESG investments. Now, the funds are also supposed to disclose the ESG scores of the invested companies. India is also the first nation in the world to regulate ESG rating providers and define the qualifications for ESG rating providers. Regulators across the globe have remained mute spectators regarding the quality of ESG ratings.

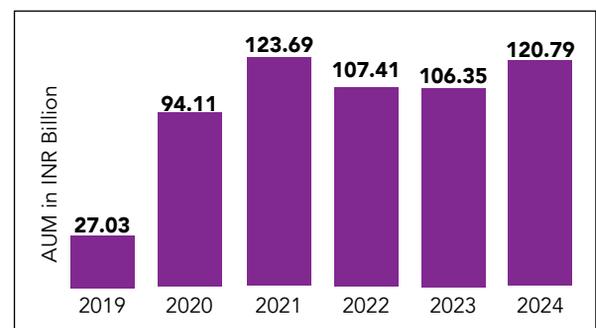
Figure 1 elaborates the total AUM of all ESG funds in India. The fund size of ESG mutual funds was INR

### Socially Responsible Investing (SRI) combines investors' financial objectives with their concerns about Social, Environmental and Ethical (SEE) issues.

27.03 billion in 2019 and then quadrupled in 2020. In 2021, the total fund rose to INR 123.69 billion; thereafter, the fund size started falling. In 2022, the total assets under sustainability fell to INR 107.41 billion, then to INR 106.35 billion in 2023. However, the total funds stand at INR 120.79 billion

in 2024. According to Morningstar analysis, a similar trend is also present in the cash flow of sustainable funds in India. Starting from 2019, the ESG funds have seen cash inflows, and inflows peaked in 2021 when 6 new schemes were launched. However, 2022 and 2023 have witnessed cash outflows. The reason for the same could be profit booking. On the other hand, the Russia - Ukraine conflict has surged the prices of defence, oil and gas stocks. This resulted in distraction from ESG funds as these funds do not have defence and energy stocks in the portfolio. Globally too, sustainable funds performed well during the Covid time but faced challenges afterwards (Sultana, 2023). In India, this could be due to lack of awareness among retail investors and early stage of ESG investing. However, it is expected that ESG-based investing will pick up in the coming years as India's eyes are set on being carbon-neutral by 2070. Short-term variations in AUM do not depict the long-term potential of ESG funds (Belapurkar, 2023, as cited in Economic Times, 2023).

**Figure 1: Total AUM of ESG Funds in India**



**Note:** Data for 2019 is July onwards and data for 2024 is up to October.

**Source:** Morningstar, 2023 & Kaul, 2024

India has moved a step ahead in the journey towards sustainability and introduced the concept of Carbon Trading. Under carbon credit trading scheme, the central government or any authorised authority would issue "carbon credit certificates to entities

<sup>3</sup> Statutory market regulator for securities and commodity exchange in India

<sup>4</sup> This refers to investment in entities that supports environment transition and just transition. The main motive is to generate positive social and environment transition

**Table 2: Impact Investment in India for 2021-2023**

Particulars	2021	2022	2023
Equity Investment in USD Billion	6.929	6.043	2.907
No. of transactions	377	431	290
Number of unique Enterprises	316	396	275

**Source:** Pinge and Reddy, 2023

that are consuming less energy in comparison to the threshold allotted to them". On the other hand, these certificates can be purchased by entities that consume more energy than the limit. This step will encourage companies to invest in low-carbon projects. In addition, India stresses utilisation of non-fossil energy sources and promotes the use of clean energy with the Energy Conservation (Amendment) Act, 2022.

In addition to ESG integration, shareholder activism is another popular SRI strategy in India. Shareholders commonly resort to exercising voting rights in meetings, publicity campaigns, litigation, and direct negotiation to pursue management to bring the desired changes. The rise of shareholder activism in India can be attributed to various reasons. Firstly, various legislative and regulatory changes in the last decade, like enhanced minority shareholders' rights, new shareholders remedies, and improved corporate governance standards have made this possible. Secondly, there is a greater institutional ownership in Indian corporates than before, including foreign investors, and many of these investors have successfully challenged the management on corporate governance issues. Thirdly, several landmark judgments have witnessed the judiciary supporting the rights of shareholders, thus encouraging more investors to use this strategy. Fourthly, the introduction of e-voting after the adoption of Companies Act, 2013 has also contributed to the rise of shareholder activism in India as shareholders can now exercise their voting rights in a convenient fashion.

Interest in impact investing, another SRI strategy, has expanded substantially in recent years in India. In the last five years, the number of deals with more than USD 0.01 billion has more than doubled; on the other hand, the number of deals with USD 0.02 billion has surged by 66.67% (Pai et al., 2022). However, these figures are small in comparison to the global scenario, where the impact investing market is around USD 1164 billion (Hand et al., 2022). Impact investing has generally taken

**The framework encourages mutual funds to divulge sustainability practices and ESG investments. SEBI also provides guidelines to mutual fund managers for selection of ESG investments.**

the form of venture capital in India. Table 2 shows the impact investment volume, no. of transactions, and unique enterprises from 2021 to 2023. In 2021, India witnessed the highest equity investment in impact investing and the amount raised is more than double of the 2020 figure. The year 2022 observed fewer big-ticket (greater than USD

0.1 billion) transactions. Around 400 impact-focused enterprises successfully raised USD 6 billion across 431 transactions. However, there was a decline in the total investment amount by about USD 1 billion. In 2023, 275 Indian impact companies have received USD 2.9 billion in equity investment with a total of 290 transactions, a significant decline from USD 6 billion in 2022. In 2023, the deals volume as well as the volume of investment has declined.

Further, there is a decline of nearly 50% in the seed stage and series A funding in 2023 and a decline in the later stage of funding as well<sup>5</sup>. However, the slowdown in India's Impact Investing aligns with the slowdown in the venture capital market globally. Overall, India showcases attractive opportunities for asset managers and a healthy transaction flow in proven business



<sup>5</sup> Impact Investment funding is classified as – Seed Stage, Series A, Series B and Later Stages.



models. Further, investors backed promising tech-driven models, e.g. Climate-tech. Moreover, the Indian impact ecosystem remains resilient to the global slowdown, and there is strong growth in early-stage investment. However, there is a need for more financing in the later stages of funding, not just the early stages.

In this article, we have explored the progress of SRI in India. Though adopting global SRI initiatives and measures can be considered a milestone, it is equally important to value SRI locally. India is a developing nation and faces several environmental and societal challenges. In comparison to the developed world, SRI is still in the early stages in India and faces teething problems. However, the popularity and awareness about SRI is rising. The Government along with market regulators and central bank have initiated several measures to promote responsible investing and to protect investor's interest. The new measures envisage embedding sustainability in a company's vision, mission, ethos, principles, culture and across all levels.

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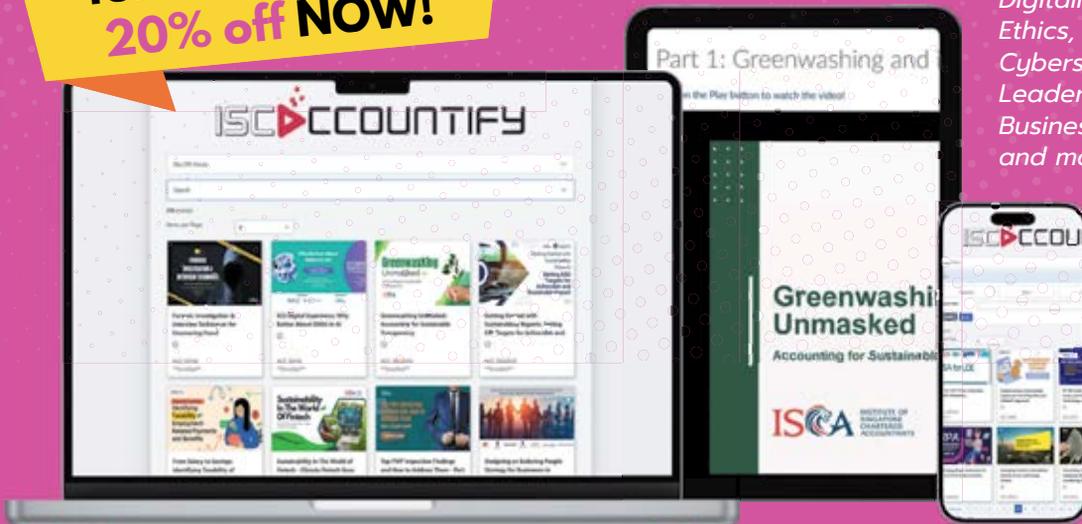
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# Digital Currents: Navigating the FinTech Revolution in Traditional Banking Waters



**Soumendra Roy**  
Academician

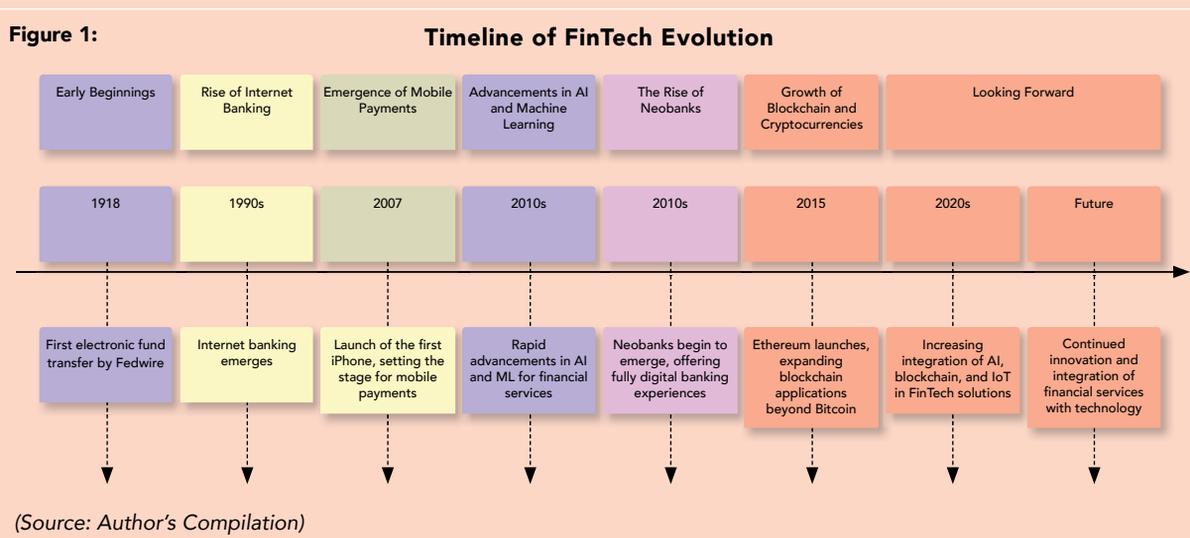
Transform your life by traveling with us in the financial technology ecosystem of Fintech where one can witness how modern banking has left the historical landscape. We tear apart the fabric upon which this quilt of modern finance is embroidered to guide accountants and businesses (chartered accountants) on a perfect track and lead them through choppy channels.

## Introduction

In the realm of finance, FinTech is highly innovative and perpetually evolving traditional banking to what seems like an era bygone. Technological advancement and digitalization have revolutionized wealth management, financial services, as well as currency transactions. It would not be an exaggeration to say that FinTech is the place where people like innovators and disruptors melt down the traditional banking model and make it reborn as something new—a system that is based on universally agreed principles, totally transparent, and without any room for corruption

at all levels from account opening to credit approval for households and SMEs.

The development of FinTech started after the 2008 crisis, which resulted from social and political consciousness in most western public people’s dissatisfaction with the financial system that had become obscure, inefficient, and exclusionary. This dissatisfaction led to a revolution that aimed to overthrow traditional norms on how a banking system should function, down to what it could potentially be. Driven by various game-changing technologies such as mobile payment platforms



and blockchain security, this revolution is centered on introducing fundamental changes in the global financial markets landscape toward greater transparency, security, speed, and, most importantly, inclusiveness in the provision of financial services.

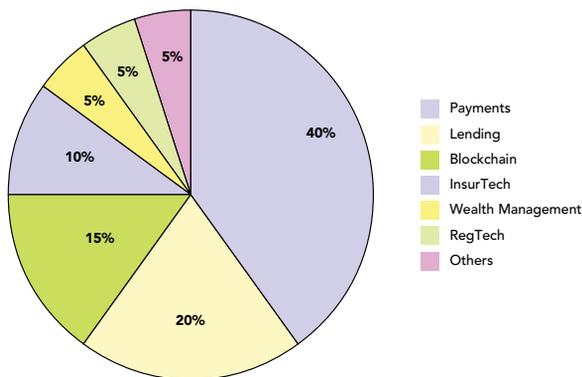
■ **Objective and Scope**

Through the constantly shifting landscapes where FinTech intersects with banking, this piece shows in what way Chartered Accountants and financial experts are being most affected by one of the biggest shifts. FinTech steers clear of the technology hype and represents a paradigm shift in the financial services sector, reflecting agility, innovation, and adaptability. It is an era that equips finance professionals with tools and enhancements rather than just the competitive edge of leading in the charge of transformations with foresight, not adapting, for client value and streamlined operations. Welcome to the age of FinTech, the innovative change that lets finance professionals be the ones at the driving wheel. It is this pursuit of embracing the future that makes every finance professional the light of a guiding star that charts away toward a creative future.

**The FinTech Vanguard: Architects of Financial Evolution**

Leading-edge AI and innovative algorithms are redefining financial forecasting in the finance sector, and doing so at a rate many never saw coming. Digital tools like algorithms and blockchain technology redefine traditional means of investing and financial transactions. Such evolution is reshaping the financial space and bringing the transformation to everyone from investors to end consumers.

**Figure 2: The Spectrum of FinTech Innovation**



(Source: <https://www.statista.com/statistics/1372780/India-fintech-market-size-by-segment>)

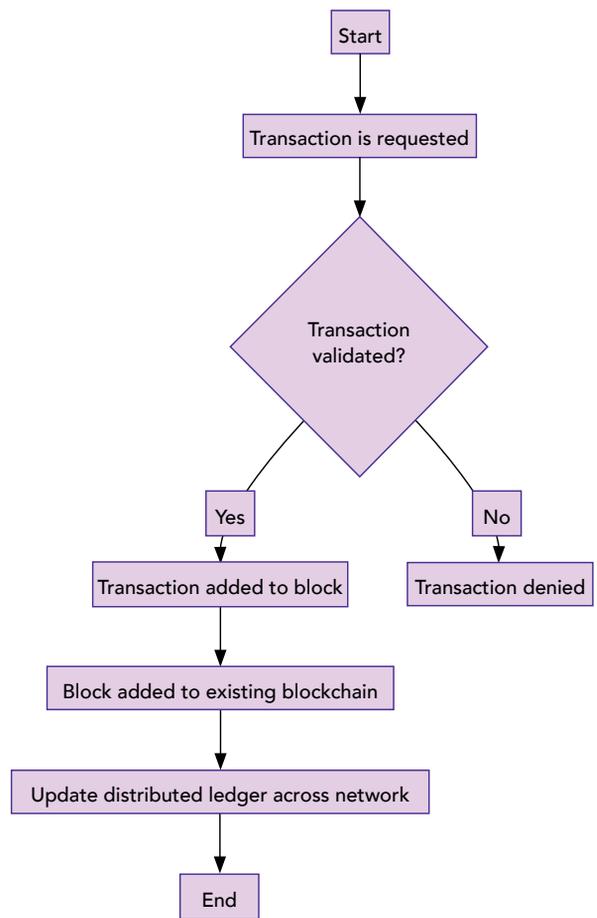
■ **The Spectrum of Innovation**

It sums up the diversity in innovation that drives the FinTech revolution and epitomizes a range of the next big steps for a digitized financial future.

**Leading-edge AI and innovative algorithms are redefining financial forecasting in the finance sector, and doing so at a rate many never saw coming.**

- a. **Blockchain:** It forms the apex technology of trust and transparency in the redefinition of transactions in finance, with a decentralized immutable ledger accentuating processes while enhancing security against fraud.

**Figure 3: Basic Mechanics of Blockchain Technology**



(Source: <https://www.fool.com/terms/b/blockchain>)

- b. **Artificial Intelligence (AI) and Machine Learning (ML):** They have collectively started a revolution in the entire paradigm of financial services by specializing their offerings, from predicting market trends to tailor-made advice and risk assessment automation for accurate and efficient customer service.
- c. **Mobile Payments:** This was made much easier with the arrival of smartphones, as it counts as one of the sum essentials in the world of digital commerce that

can be dimensioned in terms of financial inclusivity and ease across the globe.

**d. Peer-to-Peer (P2P) Lending:** In tune with the FinTech ethos, it is synonymous with enabling disintermediated, direct lending between persons, unlocking capital before which lay idling, and in this process makes the act of borrowing even more efficient and flexible.

■ **From Traditional to Digital: A Paradigm Shift**

The shift from traditional-first to the above digital paradigm entails a symbolic and profound significance—there is a transformation basic in the consuming and delivering manner of financial services.

**a. Digital Banks:** The entry of digital banks in the market has changed the traditional approach that banks follow; most of them now have more digital than physical presence and offer paperless online services with new-age financial products, leaving traditional ones to scramble for digital adaptation.

**b. Empowered Consumers:** The twenty-first-century consumer, enabled as he is by technology and based on it, demands transparency, speed, and customization. All these factors predispose the financial sector to move towards full integration of FinTech innovations in mainstream services.

**c. Regulatory Evolution:** The paradigm shift towards digitization calls for advanced regimes in regulation. RegTech is coming up intending to aid institutions in effectively pursuing compliance to ensure the stability and integrity of the financial system through digital evolution.

**The Ripple Effect: FinTech’s Impact on Traditional Banking**

The emergence of fintech is certainly the biggest change in the financial industry since, probably, a revolution. The next wave of digital innovation does not only make things unsettled but reforms the landscapes. In this transformational odyssey, fintech is set to be the challenge and augmentation of the established fortresses of banking.

■ **Disruption in the Citadel**

The FinTech wave rolling over traditional banking today is imperiled by swift, disruptive innovators who use digital tools to reshape customer service with greater efficiency and heightened security. From mobile banking, and P2P lending, to the use of blockchain technology, all have a projection of how easily banking can be done from whichever place on the earth in the not-so-distant future, transcending the physical walls of banks to the wide dimensions. This transition is not confrontational but a call for evolution, where traditional banks see more and more the indispensable need for FinTechs in defining the adapted banking model needed for the digital era. Together, they blend digital speed with seasoned financial insight, navigating the future of finance.

■ **A Synergy of Sorts**

FinTech is the marriage between traditional banks at a time with this new dawn of banking that aims at enhanced inclusivity, efficiency, and security through technological synergy. Secure transactions powered by blockchain, and customer service equipped with AI are just parts of the partnership that’s going to promise new innovative and customer-focused ecosystems to redefine the financial landscape. Far from displacing the traditional banking system, FinTech companies are instead forcing the traditional banking system into the future full of potential, which would mark a very conducive phase for financial services that are modernized and optimistic.

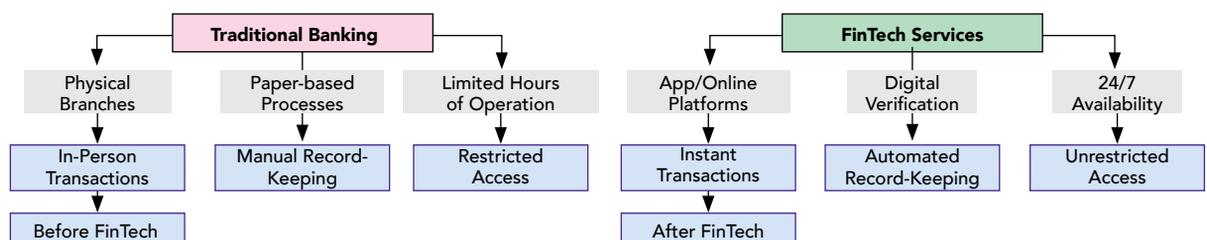
**The Digital Ledger: FinTech’s Influence on Accounting and Audit Practices**

FinTech is the new ray of innovation planning to change the key traditional activities of accounting and auditing in the fast-moving arena of finance. While the latter innovations redefine these practices under FinTech, they also set new benchmarks in efficiency, accuracy, and strategic foresight within the financial domain.

■ **Automation and Efficiency**

FinTech has taken the accounting workflows into a whole new paradigm wherein automation and digital

**Figure 4: Transition from Traditional Banking processes to FinTech Services**



(Source: <https://htecgroup.com/the-before-and-after-of-the-fintech-and-banking-industry>)

precision are game-changers for increasing productivity. Classical accounting works that are open to always be criticized due to their laboriousness and susceptibility to human error stand on the verge of transformational change. Smart tools and applications in FinTech will streamline critical processes, from making transaction records to financial reporting, turning them into smooth error-free operations.

It is through this invention that a revolution has been held in the creation of digital ledgers forming an infallible reference for every transaction and therefore giving both integrity and transparency to every form of financial documentation, falling under this purview. Such reorganization facilitated by FinTech leads not only to speeding up various workflow procedures but also remarkably enhancing audit precision, ensuring compliance as well as financial health.

#### ■ Data-Driven Decisions

Big Data and analytics have, through FinTech, revolutionized how financial forecasting and strategic planning are carried out. Such recent advances now allow finance professionals to use predictive models so that decisions are made on transformed data into a strategic asset. It is this difference in data-driven strategies that has increased accuracy for professionals not to be on the losing.

### The Regulatory Conundrum: Navigating Compliance in the FinTech Era

The FinTech innovations in this dynamic tapestry of the financial sector embroider complex patterns, which pose an exclusive regulatory conundrum. But for that, it is digital progress that compels these contours of finance, and jugglers must foster innovation while maintaining steadiness and taking care of the consumers.

#### ■ A Balancing Act

The regulatory landscape is fast changing to be accommodative of the disruptive nature of the FinTech industry yet tempering the high risk likely to flow from the new technologies. The challenge is to design a framework that is flexible enough for all the constant innovations yet sturdy enough to protect the financial system from any integrity breaches.

Thus, regulators are crafting a new paradigm—one in which the collaboration of FinTech firms with traditional financial firms is encouraged. This symbiosis aims to merge the agility and innovation of FinTech with the stability and monitoring of established banking

### The regulatory landscape is fast changing to be accommodative of the disruptive nature of the FinTech industry yet tempering the high risk likely to flow from the new technologies.

systems. But creating them is not a piece of cake. Regulators must tread a fine line between stifling innovation with overly strict regulations and leaving the financial system vulnerable to new forms of risk.

#### ■ Comparative Perspective:

From Open Banking Standards increasing competitiveness and consumer protection under European Union regulations to Open API standards that help protect customer data and promote competition in financial services in the USA.

### Ensuring a Secure Future: Why Strong Security Measures are Essential, in the FinTech Industry

#### ■ Facing Challenges and Risks

The finance world harbors so many hopes, but in the same measure, it also faces a lot of risks; among them is cybersecurity that breaches sensitive data. Therefore, FinTech companies need to improve their security conditions through encryption, provision of authenticating systems, and putting in place continuous monitoring to protect user information in matters of finance transactions.

#### ■ The Quagmire of Risk and Compliance

In today's technology-driven world, the risks and compliance challenges are quite daunting. Adherence to industry standards for credibility is very crucial because no man is an island, and sustainability can only be ensured through long-term adherence. The recent security breaches should be a stark reminder that strong cybersecurity protocols must be followed for full compliance. The basic commonality in the cases revolves around financial misconduct and irregularities, therefore there is the need for mandatory regulatory oversight and best practice risk management strategies that are critical to the integrity and confidence of the financial ecosystem.

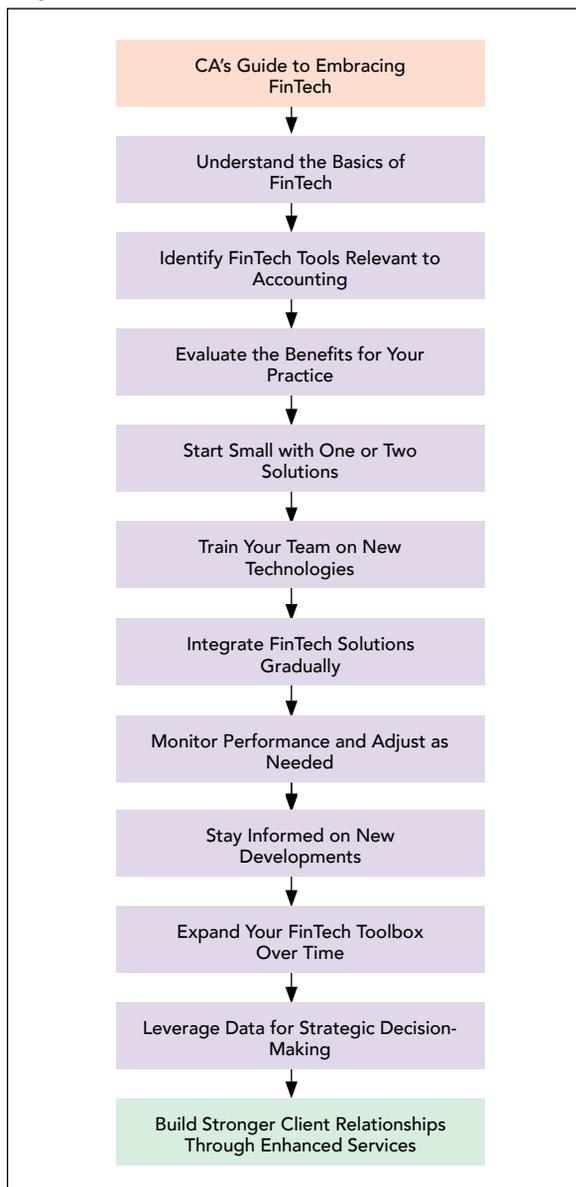
#### ■ Ensuring the Integrity of FinTech through Effective Controls

Solid control in security, compliance, and operations is very crucial in FinTech. The adoption of advanced cyber strategies, like the best encryption and authentication, safeguards sensitive data. Looking through the viewfinder of RegTech tools in an ever-environment will have to focus on the ever-changing legal environment. Apart from disaster recovery and scalable systems, operational resilience would mean service delivery without interruption. These build up a strong, secure, compliant, indispensable resilient FinTech ecosystem that is indispensable in accomplishing long-run goals to gain belief retained.

## Charting Uncharted Waters: Strategies for CAs in the FinTech Domain

As the FinTech wave thunders towards the summit top, Chartered Accountants (CAs) are leading from the front in a profession fundamentally shifting. It is abundant with lots of challenges but also has brought with it many opportunities. Thus, CAs must test these unknown waters with a lot of caution and a little bit of daring. The philosophy that could be guiding success in the changed landscape would be strategic adaptation and commitment to innovation.

**Figure 5: CA's Guide to Embracing FinTech - Visual steps**



(Source: Author's Compilation)

### ■ Adaptation and Advancement

This, therefore, brings to CAs an opportunity for them to become more competitive through the democratization of data and process automation that comes with the digital finance revolution. This shift has enabled CAs to provide insights and services with unprecedented velocity and accuracy that require a transition from traditional accountancy to a holistic advisory role. The knowledge of these FinTech tools helps CAs to advise their customers on the integration of these technologies to achieve increased efficiency and compliance, laying a platform for their transformation of such vast data into strategic insight. This working knowledge in FinTech is necessary for the CAs looking at leveraging the transformational potential arising from digital finance.

### ■ Innovation as a Service

Innovation, which was synonymous with high-decibel tech start-ups, is now part of the Chartered Accountancy (CA) profession. The CAs are broadening their roles to extend traditional boundaries, adopting FinTech for real-time financial analysis and predictive modeling for their businesses along with the customized financial planning of customers. This evolution allows a much more collaborative, customer-focused model that fosters a continuous dialog rather than historical, episodic reporting. The aim is to allow chartered accountants to automate the more routine work so that their focus can be on strategic advice designed to assist their clients through the financial complications of modern times. As finance becomes increasingly digital, CAs equipped with FinTech, and innovation capabilities will increasingly establish the competitive advantage and shape this future for the profession. The journey into the FinTech space may seem long for anyone

## The Horizon Beckons: The Future of FinTech and Banking

The future of FinTech and banking is a vista of promise and potential now opening to a new epoch in financial services with hyper-inclusion, efficiency, sustainability, and social good.

### ■ Predictive Currents

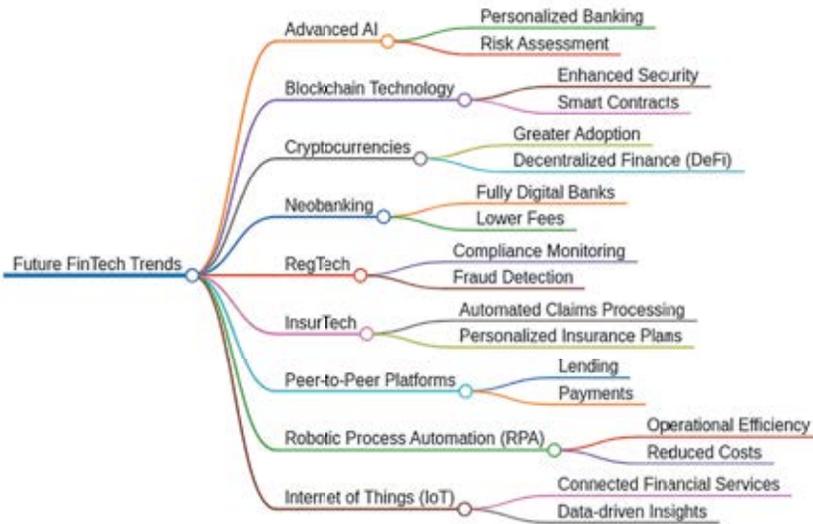
The future success of FinTech lies in its analytic and AI capabilities that will unlock an unheralded level of predictive accuracy in all aspects of financial forecasting and assessment of risk, matched with personal customer service, bordering on the ability to achieve personal needs with almost predictive precision. Financial institutions and FinTech firms will be able to tap into such insights not only to anticipate customer needs but also to maneuver skillfully within the changing regulatory and economic environments. This predictive ability is set to improve profitability, security,

and consumer suitability in such a manner that the future is marked by finance making a very significant contribution to personal and societal well-being.

■ **Sustainability and Social Good:**

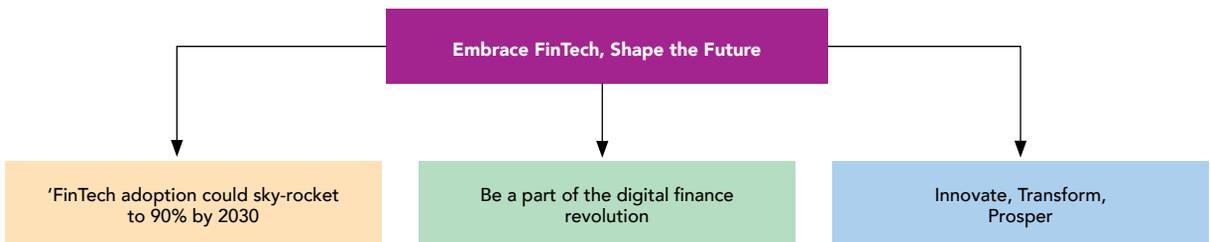
Far beyond economic efficiency, FinTech is an equal player in driving sustainability and reaching out to the world's under-banked or unbanked community. They seek to promote social justice, giving access to the means of gaining both resilience and opportunities. Even as the financing catches up with the growth in the wave of eco-consciousness, green finance is, for the most part, being paved by fintech to align capital with goals for a healthier planet. When predictive innovation with social responsibility heralds changes in the FinTech and Banking sectors, it prompts the financial domain but also makes and grounds sustainability and inclusivity for the advanced and fair system.

**Figure 6: Future FinTech Trends - An illustrative diagram predicting future FinTech trends and their potential impacts.**



(Source: Author's Compilation)

**Figure 7: Proactive engagement with FinTech.**



(Source: statista.com)

**Conclusion: Embracing the Digital Deluge**

Consolidating and merging technology with the domain of finances (refer fig. 7), moving into ages wherein there is, in fact, such integration of digital spheres which will be adding to transparency, efficiency, and inclusivity. They invite us to the innovations in FinTech that are taking place today. The digitizing present era asks the guardians of finance to action and to create a more equal and inclusive environment.

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Author may be reached at  
[soumendra.roy@gmail.com](mailto:soumendra.roy@gmail.com) and  
[eboard@icai.in](mailto:eboard@icai.in)



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[nia.830000@newindia.co.in](mailto:nia.830000@newindia.co.in)

# From Ledger to Algorithm: The Transformative Role of AI in Accounting Profession



**CA. Sanjeev Singh Thakur**  
Member of the Institute

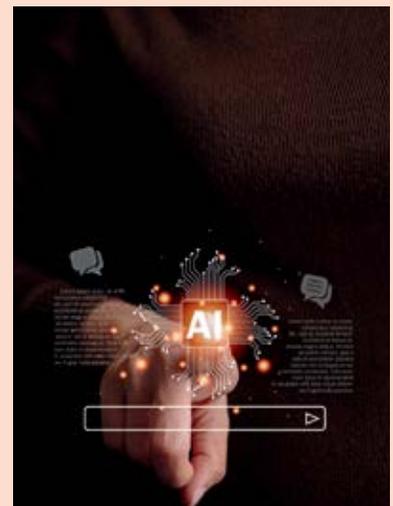
Artificial Intelligence (AI) has significantly impacted the accounting profession in recent years by creating opportunities and challenges for Chartered Accountants (CAs). It is the need of the hour to assess the effect and impact of the advantages and disadvantages of AI on the professional services offered by the CAs. To harness these advantages and overcome these challenges due to advancements in AI, CAs are required to foster human-AI collaboration with increased AI literacy and a focus on ethical issues with confidentiality and transparency. AI can shape future CA practices by ensuring more trusted, inclusive, and sustainable professional services.

## Introduction

The advancement of Artificial Intelligence (AI) technology has considerably impacted various professions and industries. Due rise of AI like ChatGPT, in the finance and accounting field has considerably impacted the traditional practices of accounting professionals. Recent advancements in AI technology rooted in deep learning and vast text data processing have raised the debate about its impact on the professionals' work. The most alarming aspect of artificial intelligence is that people conclude too early that they understand all its effects and impacts very well.

Since long, Chartered Accountants are regarded as a wealth of expertise from auditing financial statements to providing strategic financial consultancy, making their contribution significant to the smooth functioning of business worldwide.

AI technologies, especially ChatGPT, are rapidly getting more powerful and reactive with increasing capabilities conventionally associated with human intelligence, so evaluating its potential implications for the accounting profession is desirable. ChatGPT is just the beginning of the AI revolution in the coming years.



## AI Tools Useful for CAs

The following AI tools are useful to CAs in discharging their routine professional tasks:

**Table 1: Useful AI Tools for CAs**

AI Tools	Description
<b>ChatGPT</b>	Utilizes Natural Language Processing (NLP) to generate human-like text and assist with communication and analysis tasks in accounting and finance. ( <a href="https://chat.openai.com/">https://chat.openai.com/</a> )
<b>MindBridge Ai</b>	Detects anomalies and potential errors in financial data to aid in auditing processes. ( <a href="https://www.mindbridge.ai/">https://www.mindbridge.ai/</a> )
<b>IBM Watson</b>	Provides AI-powered analytics and insights for financial data analysis and decision-making. ( <a href="https://www.ibm.com/watson">https://www.ibm.com/watson</a> )
<b>UiPath</b>	Offers robotic process automation (RPA) solutions for automating repetitive accounting tasks. ( <a href="https://www.uipath.com/">https://www.uipath.com/</a> )
<b>Xero AI</b>	Integrates AI features into accounting software for tasks like categorizing transactions and budgeting. ( <a href="https://www.xero.com/">https://www.xero.com/</a> )
<b>AuditBoard</b>	Provides AI-driven audit management software to enhance efficiency and accuracy in auditing processes. ( <a href="https://www.auditboard.com/">https://www.auditboard.com/</a> )
<b>Databricks</b>	Offers AI-powered data analytics and machine learning solutions for financial data analysis. ( <a href="https://www.databricks.com/">https://www.databricks.com/</a> )
<b>Anaplan</b>	Utilizes AI for predictive analytics, forecasting, and financial planning and analysis (FP&A). ( <a href="https://www.anaplan.com/">https://www.anaplan.com/</a> )
<b>Qlik</b>	Provides AI-driven data visualization and analytics tools for financial reporting and analysis. ( <a href="https://www.qlik.com/us">https://www.qlik.com/us</a> )
<b>CaseWare IDEA</b>	Offers data analysis software with AI-powered features for audit automation, fraud detection, and risk assessment. ( <a href="https://www.caseware.com/products/idea/">https://www.caseware.com/products/idea/</a> )
<b>Galvanize HighBond</b>	Combines AI and analytics capabilities for risk assessment, compliance monitoring, and audit management. ( <a href="https://www.wegalvanize.com/">https://www.wegalvanize.com/</a> )
<b>Checkmate</b>	Utilizes AI algorithms to analyze financial transactions and identify potential anomalies or irregularities. ( <a href="https://checkmate.ai/">https://checkmate.ai/</a> )
<b>Onspring</b>	Offers AI-powered audit management software for streamlining audit processes, risk assessment, and compliance monitoring. ( <a href="https://onspring.com/">https://onspring.com/</a> )
<b>Ideagen Pentana</b>	Provides AI-driven audit automation and risk management solutions for improving audit efficiency and effectiveness. ( <a href="https://www.ideagen.com/solutions/audit-and-risk/internal-audit">https://www.ideagen.com/solutions/audit-and-risk/internal-audit</a> )
<b>AuditNet</b>	Provides AI-powered audit planning, documentation, and workflow management tools for auditors. ( <a href="https://www.auditnet.org/home">https://www.auditnet.org/home</a> )

These AI tools automate audit processes, analyze financial data, detect variances, and improve risk assessment, enhancing efficiency and effectiveness in audit engagements.

### Capabilities of AI models

Latest AI models like ChatGPT can automate decision-making by interacting in a user-friendly manner using natural language. Users are not required to learn any coding skills. Broadly they can perform the following tasks:



- 1. Data Analysis:** With AI models like ChatGPT large databases can be analyzed to identify trends, standards, and variances. This technique helps accountants to track performance metrics and risk assessment tasks.
- 2. Natural Language Processing:** It is an area of AI that focuses on, teaching computers to understand and manipulate human language, using techniques mostly based on machine learning. It's particularly beneficial for CAs when automating text analysis tasks.
- 3. Financial Reporting:** Complex financial information such as quarterly reports and annual statements can easily be converted into interactive dashboards and textual descriptions with the help of AI models.
- 4. Compliance Check:** AI tools can help professionals closely monitor legal compliances by analyzing transactions, identifying potential violations, and highlighting irregularities.
- 5. Fraud Detection:** AI-powered algorithms can trace indicative patterns of fraudulent activities like unauthorized access, manipulation of source code, irregular transactions, unusual spending patterns, anomalies, and suspicious connections.
- 6. Predictions:** AI models can analyze historical financial data to forecast future performance, market trends, and associated risk.

### Expertise of CAs compared to AI

AI models can effectively process data and generate useful reports whereas CAs possess expert domain knowledge, critical thinking, and the capability of

**AI models can effectively process data and generate useful reports whereas CAs possess expert domain knowledge, critical thinking, and the capability of professional judgment.**

professional judgment. Hence AI models can complement, but not replace, the unique skills and expertise of CAs.

CAs bring expert knowledge of accounting and auditing principles. They work under a strict regulatory framework including rules, regulations, standards, and guidelines. This enables them to interpret financial data in context to make their professional judgment. They also have strong interpersonal skills and ethical judgment capability for building trust with the client and other stakeholders.

Although AI can increase accountants' capabilities, it can not replace their human judgment and ethical reasoning integral to the accounting profession. Integrating AI with the accounting profession requires a balanced approach, leveraging AI's potential while preserving the unique qualities of CAs as trusted advisors and strategic partners.

## Advantages and Disadvantages of AI

### Advantages of AI

The following are a few advantages of AI for CAs:

- 1. Increased Efficiency:** AI-powered tools can automate routine tasks like verification, reconciliation, and report generation allowing auditors to give more attention to advanced strategic activities.
- 2. Improved Accuracy:** Advanced AI algorithm processes data with full accuracy and detects irregularities and anomalies more efficiently than traditional spreadsheets which can eliminate the risk of errors in financial reporting.
- 3. Fast Decision-Making:** Advancements in AI models can easily solve complex accounting problems, and identify trends that may not be immediately apparent to human analysts giving more space to CAs for making fast and informed decisions.
- 4. Risk Management:** AI software can predict the likelihood of financial irregularities and frauds so that CAs can focus more on the weak areas in internal control. This helps CAs to proactively mitigate the risk and safeguard the financial health of their clients.
- 5. Scalability:** AI algorithms can increase or decrease their complexity, speed, and size as per the requirement to handle small as well as complex databases without additional resources. This



enables CAs to manage the growing volume of financial information efficiently.

- 6. Client Service:** AI solutions such as virtual assistance, chatbots or automated sentiment assistance can help CAs to offer better client services such as real-time financial reporting, personalized recommendations, and predictive forecasting, thereby adding greater value to their client's businesses.
- 7. Avoid the Possibility of Financial Fraud**

AI enables CAs to detect financial fraud during audit functions by rapidly analyzing data for anomalies, automating complex tasks like transaction reconciliation, and continuously monitoring financial activities.

For example, Anti-Fraud AI for Banking and Fintech companies can detect fraud using machine learning for data-driven fraud detection, push notification for unusual account activities, conversational AI for transaction Verification, and voice AI to prevent voice phishing (or vishing) scams.

These advantages highlight the huge potential of AI in the accounting profession, to streamline routine tasks, improve accuracy in decision-making, and deliver more strategic insights.

## Disadvantages of AI

Some potential disadvantages of AI are as follows:

- 1. Loss of Human Judgment:** AI systems may lack the precise understanding and judgment that human accountants bring to complex financial situations. Over-reliance on AI may potentially lead to oversights or errors in decision-making.



**The use of AI algorithms in accounting introduces concerns about the privacy and security of sensitive financial data, as these systems may be vulnerable to hacking or misuse.**

- 2. Data Privacy and Security Risks:** The use of AI algorithms in accounting introduces concerns about the privacy and security of sensitive financial data, as these systems may be vulnerable to hacking or misuse.
- 3. Dependency on Technology:** CAs who rely heavily on AI-powered tools may become extremely dependent on this technology which may reduce their ability to critically evaluate financial information and the need for their independent judgment.
- 4. Training and Adaptation Costs:** Implementing AI in accounting needs substantial investment in training, infrastructure development, and maintenance which is challenging for smaller firms and individual practitioners.
- 5. Ethical Considerations:** The use of AI in accounting raises ethical concerns, such as algorithmic bias, lack of transparency, and accountability in decision-making, which could compromise public trust in financial reporting.
- 6. Loss of Client Relationships:** Overreliance on AI-driven processes may diminish the personal touch and rapport with clients essential for CA's practice. This may adversely impact the level of client satisfaction and retention.

## Opportunities and Challenges for CAs

### Opportunities

With the rapid advancement of AI technology, CAs have numerous opportunities to leverage it. Here are given some key opportunities:

- 1. Data Analysis and Interpretation:** As business data is growing more complicated day by day, advanced methods for understanding it are required. CAs can use the following AI-powered data analytical tools to process large volumes of audit data: RapidMiner, Tableau, Microsoft Azure Machine Learning, Google Cloud AutoML, PyTorch, DataRobot, and IBM Watson Analytics. This can identify trends, patterns, and anomalies and extract actionable insights to inform strategic decision-making.
- 2. Process Automation:** AI-driven automation tools can easily streamline routine accounting and audit processes, such as data verification, reconciliation, and compliance checks, allowing CAs to focus on higher-value activities, such as analyzing and interpreting audit data.

3. **Improved Consultancy:** CAs can harness AI technology to offer personalized and value-added consultancy to their clients including legal compliance, tax planning, portfolio management, and business strategy development.
4. **Audit and Assurance:** The quality of audit services has been greatly improved by AI technologies for both auditors & organizations. They help CAs in various ways like Fraud Detection, Risk Assessment, Continuous Monitoring, Compliance Assurance, Predictive Analytics and Enhanced Reporting.
5. **Legal Compliance:** AI technologies can help CAs to ensure compliance with law, standards, guidelines, rules, regulations, and accounting principles by automating compliance checks, monitoring regulatory changes, and facilitating legal reporting and disclosure requirements.
6. **Continuous Learning:** Integration of AI in audit practice creates plenty of opportunities for CAs to enhance their knowledge and expertise through continuous learning and professional development in areas like Robotic Process Automation (RPA), Natural Language Processing (NLP), Data Mining, Machine Learning, Data Analytics and Visualization, Anomaly Detection, Chatbots and Virtual Assistants, Automated Financial Reporting System, AI-Powered Audit Tools and Financial Health Monitoring Tools.

**AI-driven automation tools can easily streamline routine accounting and audit processes, such as data verification, reconciliation, and compliance checks, allowing CAs to focus on higher-value activities, such as analyzing and interpreting audit data.**

### 7. Knowledge Management:

Knowledge Management when integrated with AI tools like ChatGPT, provides CAs with an invaluable opportunity to acquire and manage tacit and explicit knowledge.

By embracing these AI-based opportunities, CAs can position themselves as trusted advisors and strategic partners to drive innovation, enhance efficiency, and deliver value-added services in the increasingly digitized and data-driven world of auditing.

### Challenges

Here are some challenges that AI presents to the CAs in their auditing, certification, and consultancy functions:

1. **Accuracy and Reliability:** The AI algorithm gives results according to the objectives for which data is trained. If the data is biased or incomplete, the algorithm will mirror those biases leading to inaccurate results. CAs must carefully validate and interpret AI-generated outputs to ensure that they are aligned with the requirements.
2. **Regulatory Compliance:** In an increasingly complex and data-driven digital world, regulatory compliance has evolved into a multifaceted challenge for businesses across diverse industries. AI-driven practitioners are no exception to this for compliance requirements of various applicable laws, standards, and guidelines.
3. **Data Privacy and Security:** AI systems rely on large databases for training and decision-making purposes. It raises concerns about data privacy and security. CAs must address privacy risks associated with sensitive financial information and ensure AI systems' security to prevent unauthorized access or data breaches.
4. **Human-AI Collaboration:** Integrating AI into auditing and consultancy workflows requires effective collaboration between CAs and AI systems in trust and transparency, communication and coordination, bias and fairness, and system integration. Lack of collaboration in these areas poses challenges in real practice.
5. **Rapidly Growing AI Technology:** AI technologies are growing rapidly and exponentially. Within a month a new technology becomes obsolete because AI is developing itself through machine learning. CAs are facing challenges in grasping advanced natural language processing, AI-driven



personalization, explainable AI (XAI), quantum computing AI, and generative AI technologies.

## 6. Unintentional Adoption Resistance:

Unintentional adoption resistance of AI occurs when individuals or organizations hesitate to integrate AI due to fear of job loss, lack of understanding, or concerns about ethical implications and data security.

Addressing these challenges requires a proactive approach from CAs regarding ongoing education, collaboration with AI experts, and the development of robust governance frameworks to ensure the responsible and ethical use of AI in auditing, certification, and consultancy work.

## Road Ahead

The intersection of AI and the accounting profession provides both unprecedented opportunities and complex challenges to CAs. The advancement of AI technologies, exemplified by models like ChatGPT, has the potential to revolutionize accounting practices by offering CAs powerful tools to enhance efficiency, accuracy, and value creation in their roles. From data analysis and interpretation to predictive analytics and process automation to client advisory services, AI opens new horizons for CAs to deliver innovative solutions and strategic insights to their clients.

However, the integration of AI in accounting has also raised ethical, regulatory, and societal concerns. Issues such as algorithmic bias, data privacy, and regulatory compliance underscore the importance of ethical standards and the need for continuous professional development amid evolving technological disruptions. It's not rational to view AI-enabled tools like ChatGPT, which can neither be called evil nor a panacea at this stage.



## The intersection of AI and the accounting profession provides both unprecedented opportunities and complex challenges to CAs.

## Conclusion

The emergence of AI is an opportunity and not a challenge for the CAs. In the journey towards realizing the full potential of AI, CAs require collaboration, innovation, and a steadfast commitment to

ethical values and professional integrity. By embracing these principles and harnessing the transformative power of AI technologies responsibly, CAs can continue to play a vital role in driving organizational success, fostering financial integrity, and creating value in the ever-evolving landscape of their audit and certification functions. The future will witness a synergy between AI and human expertise, leading to more efficient, insightful, and proactive roles of CAs in the accounting profession as 'partner in nation-building'.

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Author may be reached at [sanjeevkrnsn@gmail.com](mailto:sanjeevkrnsn@gmail.com) and [eboard@icai.in](mailto:eboard@icai.in)



# Artificial Intelligence in Accounting: Balancing Sustainability and Ethical Considerations



**Nishant Sharma**  
Academician

In an era where sustainability is increasingly becoming a cornerstone of business strategy, the integration of Artificial Intelligence (AI) for accounting, audit, and governance purposes offers transformative potential. AI's ability to analyze vast amounts of data, optimize processes, and forecast trends presents unprecedented opportunities for businesses to drive sustainable practices. However, this technological advancement is not void of ethical concerns that must be addressed to ensure responsible and equitable use. As AI reshapes industries, understanding its integration into accounting, auditing, and control processes to promote sustainability, exploring the impact it creates, and navigating the ethical challenges it presents, are crucial steps toward building a future where technology, governance, and sustainability go hand in hand. Undoubtedly, AI has evolved into a powerful instrument capable of addressing a wide range of challenges, but the question of whether it truly possesses intelligence remains open for discussion.

## Introduction

**A**rtificial Intelligence, more popularly known as AI, has been a topic of discussion since John McCarthy introduced it in the 1950s and has been credited at times as the fourth industrial revolution. However, the idea of "machine intelligence" or "artificial intelligence (AI)" was already being explored as early as the mid-1940s by Alan Turing (Khakurel et al., 2018). Today, AI can be defined as "machines that are capable of intelligent behaviour and are programmed to perform tasks that normally require human intelligence, such as pattern recognition, learning from experience, decision-making, and problem-solving" (Krauss, 2024)

and are capable of transforming practices and processes, opening up new frontiers for businesses, practitioners, professionals, and governments to address major societal issues, including the issue of sustainability. By leveraging AI, organizations can analyze complex data sets, optimize resource use, anticipate future trends, and reduce waste. It is vital for business owners and top management to comprehend the impact of AI on their operations. They need to understand how AI can boost sales, reduce costs, and enhance efficiency across various departments. Additionally, they must account for the potential challenges and ethical implications associated with investing in and advancing AI technologies.

The use of AI in decision-making processes, particularly those affecting governance and business sustainability, raises questions about transparency, accountability, and fairness. For example, the effectiveness of AI systems is directly dependent on the quality of the data used for their training. If the data is incomplete or biased, the decisions made by AI can perpetuate or even exacerbate existing inequalities. Furthermore, the environmental impact of AI itself cannot be ignored; the energy consumption required to power AI systems, particularly in data centres, is substantial. Nevertheless, AI is already significantly impacting the accounting, auditing, and governance processes, and this influence is only expected to grow further. As a result, these fields are on the brink of a transformation, where regulators will likely introduce revolutionary policies to keep pace with technological advancements. In tandem, professional bodies will need to redesign, update, and upgrade education and training programs to ensure that professionals are fully equipped to navigate the integration of AI with conventional techniques.

## Transformational Impact of AI on Business and Society

The impact that AI has on business and society is profound and multifaceted, influencing everything from daily operations to global competitiveness. As AI continues to evolve, it is reforming industries, creating new prospects, and presenting unique challenges. Below are key areas where AI is making a significant difference, highlighting both its transformative potential and the ethical considerations it brings.

### Transformation of Business Operations

AI is transforming business operations by automating tasks and enhancing efficiency. Many companies use AI to streamline supply chains, optimize delivery routes, and manage inventory, enabling them to adapt to a wide range of disruptions, including global challenges and unforeseen events such as pandemics, wars, etc. This also promotes sustainability by reducing fuel consumption and waste. AI's predictive analytics improve trend forecasting and customer behaviour insights, enabling agile decision-making. For instance, retailers and airlines are leveraging AI to adjust prices in real-time and personalize services, helping them stay competitive. In finance also, automation tools like Robotic Process Automation (RPA) are being utilized to cut costs and minimize errors, while robo-advisors streamline portfolio management and provide investment recommendations. These innovations are transforming business operations and promoting more

**AI's impact on jobs is twofold: It displaces some roles while creating new ones in AI and data science.**

sustainable and efficient practices. These novelties are not only reshaping business operations but also fostering more sustainable and efficient practices.

### Creation of New Business Models

AI is driving innovation, transforming industries, and promoting sustainability. Many renowned companies offer AI-as-a-Service (AIaaS), enabling businesses to leverage advanced AI tools without developing them in-house. This supports data-driven decisions that reduce waste and resource use. Many Start-ups utilize AI for on-demand medical imaging, improving diagnostic efficiency and sustainability (Flores, 2018, December 18). Many E-commerce platforms also use AI to personalize shopping experiences, optimize supply chains, and minimize overproduction. These advancements open new markets and encourage more sustainable business practices.

### Impact on Employment

AI's impact on jobs is twofold: It displaces some roles while creating new ones in AI and data science. The increasing integration of AI into various industries is significantly transforming the labor market. AI's growing capabilities are leading to a reduction in traditional labor-intensive roles while simultaneously creating demand for specialized positions requiring advanced skills. This shift underscores the importance of reskilling and upskilling initiatives to address job displacement and equip the workforce with the necessary competencies for AI-driven roles. Collaborative efforts among organizations and industry leaders aim to identify the impacts of AI on employment, provide relevant training opportunities, and facilitate connections between skilled workers and potential employers, fostering a more adaptable and future-ready workforce.



## Impact on Global Competitiveness

AI is rapidly becoming a key driver of national and global competitiveness, influencing areas from defence to economic growth while raising sustainability concerns. Currently, the USA and China lead this AI race, each investing billions in AI research to gain strategic advantages. China's 'New Generation AI Development Plan aims to make it the global leader in AI by 2030, while the U.S. seeks to maintain its technological edge through the National AI Initiative Act. This focus on AI by leading nations is reshaping global trade dynamics and impacting sustainable practices in developing and underdeveloped countries. AI-powered supply chains and automated trading systems offer significant competitive advantages by optimizing resource use and reducing waste, contributing to more sustainable economic growth. However, the rapid advancement of AI risks widening the economic divide between developed and developing countries. Nations with advanced AI infrastructure are set to dominate global markets, while those without may struggle to compete, exacerbating global inequality and limiting their ability to adopt sustainable practices.

## Customization and Privacy Concerns

AI is rapidly advancing in healthcare and education, but its extensive usage raises ethical and sustainability concerns. For example, advanced medical data analysis platforms are revolutionizing healthcare by personalizing treatment plans and promoting sustainability. However, they raise privacy concerns due to the handling of sensitive patient information. Similarly, there are AI-driven platforms that are transforming education through customization but also face challenges such as data security, access inequality, and the diminishing role of human educators. Also, AI's capacity to process vast amounts of personal data has also fuelled the growth of surveillance systems in smart cities. While these systems can optimize resource management and contribute to sustainable urban living, they risk compromising privacy and civil liberties. Despite these challenges, AI's potential to address social issues, like improving healthcare diagnostics and enhancing the quality of education, remains significant.

## Shaping Future Societal Norms and Values

AI is reshaping human-machine interaction, influencing trust, dependency, and human agency. As AI integrates

**Nations with advanced AI infrastructure are set to dominate global markets, while those without may struggle to compete, exacerbating global inequality and limiting their ability to adopt sustainable practices.**

into daily life, especially in creative industries, it challenges traditional concepts of authorship and prompts a re-evaluation of what it means to be human in an automated world. Tools like OpenAI's DALL-E, which co-create art and music, are altering perceptions of creativity and trust in AI systems. There is also a growing push to align AI development with human values, ethics, and sustainability. Google's

AI Principles, for instance, emphasize the necessity for AI to be fair, transparent, and beneficial to society. Ensuring AI operates sustainably and responsibly is crucial for building public reliance and fostering effective human-AI collaboration.

## Long-Term Implications and Speculations

The rise of AI super intelligence raises deep concerns about future power dynamics between humans and machines. If AI surpasses human intelligence, it could either greatly benefit or harm humanity, necessitating a rethink of our economic systems. AI's ability to automate large portions of the economy could displace human labour on an unprecedented scale; therefore, concepts like universal basic income (UBI) are gaining traction as potential solutions. Several countries, including the USA, Canada, and Finland, have tested UBI pilots to explore how to support citizens in an AI-driven economy, though results have been mixed. In countries like India, discussions around UBI have sparked debate, particularly as AI's integration into daily life challenges traditional notions of human identity by taking over tasks once considered uniquely human, such as creative writing and decision-making (Biswas, 2024, May 1). Additionally, while AI significantly contributes to sustainability by optimizing energy use and resource management, the energy demands of AI systems themselves present challenges. This necessitates innovations to enhance energy efficiency and a shift toward more environmentally sustainable AI practices.

## Accounting Education Must Adapt to Advancements in AI

Artificial Intelligence, Machine Learning, and Cloud Computing are transforming the accounting industry by automating tasks like data analysis, complex calculations, and financial forecasting, which earlier required major human intervention. The advent of these systems represents more than just a technological advancement; it signifies a complete reimagining of how accounting and governance processes are designed, executed, and overseen. Future accountants

must be armed not only with technical expertise but also with a deep understanding of AI's impact on financial decision-making, risk management, and regulatory compliance as previous research have revealed that integration of AI does indeed improve the audit and financial reporting quality but can also result in reduction of the need of accounting employees (Fedyk et al., 2022). As a result, accounting education must undergo a significant transformation to keep pace with advancements in AI.

Educators need to integrate AI-related coursework into curriculums, emphasizing data analytics, machine learning, and ethical AI usage as AI reshapes traditional practices. Global audit firms have already recognized the significance of AI integration. In fact, if global reports are to be believed, 30% of auditing firms are in the contemplation phase of using AI, with 8% already implementing it and 13% planning to do so (Thomson Reuters, 2024, August 14). Additionally, nearly 75% of tax professionals in the USA, UK, and Canada acknowledged that generative AI could be used for tax, accounting, and audit work, though only about 50% believed it actually should be (Stewart, 2024, February 20). Nevertheless, this paradigm shift towards integration of AI into audit and accounting work will enable accountants to take on more strategic roles provided the technological, educational and training lacunae are addressed sufficiently and timely which bodies of national importance like the ICAI are continuously working on.

## Ethical Implications of AI Utilization by Professionals, including Chartered Accountants and Board Members in:

### Corporate Governance

AI systems in corporate governance must prioritize transparency and explainability, offering clear insights into their decision-making processes. For instance, when AI tools evaluate executive performance, they should produce detailed reports that can be easily understood and scrutinized by stakeholders, ensuring trust and accountability. Such transparency integrates ethical oversight into governance, promoting sustainability. Additionally, addressing bias and ensuring fairness is critical, as AI systems can inherit biases from historical data or design flaws. Regular audits and fairness-enhancing interventions, like re-weighting data or applying fairness constraints, are essential to prevent discriminatory outcomes and support a more equitable workplace. Moreover, AI should enhance human judgment rather than replace it in governance decisions.

**The AI tools to be used in compliance must maintain high accuracy and reliability to avoid errors like false positives or overlooked violations.**

Organizations can establish clear oversight protocols to ensure that AI tools assist rather than dominate decision-making so that human expertise and ethical considerations are preserved to establish a responsible and sustainable governance environment.

### Compliance

The AI tools to be used in compliance must maintain high accuracy and reliability to avoid errors like false positives or overlooked violations. Robust validation mechanisms, such as cross-referencing the AI outputs with manual audits or peer reviews, are essential to ensure that compliance efforts are both effective and resource-efficient, thereby supporting sustainable practices. Additionally, compliance AI systems must strictly adhere to data privacy regulations employing encryption and anonymization techniques to protect sensitive information. Also, regular security assessments and updates must be ensured as these are crucial to prevent breaches and misuse, and in preserving stakeholder trust and further ensure long-term business sustainability. Compliance officers should oversee all AI-driven processes to ensure that automated systems meet ethical standards and regulatory requirements as stipulated and desired.

### Statutory Audit

Leveraging AI in statutory audits can provide significant advantages, including enhanced accuracy and efficiency in analyzing large and complex financial data as AI tools can swiftly detect anomalies and trends which can improve the reliability of audits. However, auditing professionals must ensure that these tools adhere to stringent data privacy standards. Transparency in AI tools, through detailed documentation and clear explanations of decision-making processes, can help the auditors integrate AI results effectively. Also, a balance between technological capabilities and professional oversight will ensure that AI supports accurate, reliable, and sustainable audit practices.

### Accounting

AI systems need to be crafted to prevent biases that could distort financial reports. Regular audits to detect and correct biases, alongside the usage of diverse data sets and fairness algorithms, are essential to ensuring impartial and accurate financial analyses. While AI can streamline routine accounting tasks, it is crucial that automation does not compromise the transparency of financial processes. Human oversight remains vital to verify and review AI outputs, preserving accuracy and ethical standards in financial reporting. Additionally, AI-driven accounting

systems must comply with established accounting standards like Ind AS, IFRS, or GAAP.

## Business Sustainability

AI's most significant contribution lies in advancing sustainability by optimizing resource utilization, minimizing waste, and enhancing operational efficiency. For instance, AI can enhance supply chains through accurate demand forecasting, which leads to more efficient resource management and minimized environmental impact. To further support sustainability, AI systems are required to be developed with energy efficiency in mind, employing innovations like energy-efficient algorithms and hardware optimizations to reduce their carbon footprint. By integrating AI-driven approaches, companies can surely achieve their environmental goals and embed sustainability into their core operations as well.

## Conclusion

In conclusion, Artificial Intelligence is profoundly reshaping the accounting industry, transforming how tasks such as data analysis, complex calculations, and financial forecasting are performed. This shift signifies not just a technological advancement but a fundamental reimagining of accounting and governance processes. Undoubtedly, AI's integration is driving significant improvements in efficiency, innovation, and sustainability within these fields. However, these advancements also present challenges. The potential displacement of traditional jobs highlights the necessity for reskilling and upskilling the workforce to adapt to emerging roles in AI and data science. Moreover, ethical considerations, including data privacy, algorithmic bias, and the necessity for human oversight, are crucial factors to be considered. Future accountants must be adept not only in technical skills but also in understanding AI's impact on financial decision-making, risk management, and regulatory compliance. While AI can enhance audit and financial reporting quality, it may also reduce the demand for traditional accounting roles. Consequently, accounting education must evolve to include AI-related coursework, focusing on data analytics, machine learning, and ethical AI use.

Needless to say, AI's influence extends beyond business, affecting global competitiveness and societal norms and therefore, leading nations are investing heavily in AI to gain strategic advantages to reshape global trade and economic landscapes. Ultimately, while AI presents transformative potential, it is crucial to effectively manage its ethical, environmental, and socio-economic implications. Striking the right balance between technological progress and social responsibility is crucial for making sure that AI benefits are achieved in a way that fosters a sustainable and equitable future.

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Author may be reached at  
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**Q What is the status of a Chartered Accountant who is a salaried employee of a Chartered Accountant in practice or a firm of such Chartered Accountants?**

An associate or a fellow of the Institute who is a salaried employee of a Chartered Accountant in practice or a firm of such Chartered Accountants shall, notwithstanding such employment, be deemed to be in practice for the limited purpose of the training of articled assistants. He may hold Certificate of Practice, but he is not entitled to do attest functions w.e.f. 1.4.2005.

**Q Can a member in practice be Promoter/Promoter Director of the Company?**

Yes, there is no bar for a member to be a promoter/signatory to the Memorandum and Articles of Association of any company. There is also no bar for such a promoter/signatory to be a Director Simplificior of that company irrespective of whether the objects of the company include areas, which fall within the scope of the profession of Chartered Accountants. Therefore, members are not required to obtain specific permission of the Council in such cases. There is also no bar on holding any number/percentage of shares in the company.

**Q Can a member in practice be a sleeping partner in family business concern?**

Yes, a member in practice can be a sleeping partner in a family business concern provided he takes prior and specific permission from the Council in terms of Regulation 190A of Chartered Accountants Regulations, 1988. He will, however, not be entitled to do attest functions.

**Q What should be the size of signboard for the office?**

With regard to the size of the signboard for his office that a member can put up, it is a matter in which the members should exercise their own discretion and

good taste while keeping in mind the appropriate visibility and illumination (limited to the sake of visibility). Use of glow signs or lights on large-sized boards as is used by traders or shopkeepers would not be proper. A member can have a name board at the place of his residence with the designation of a Chartered Accountant, provided it is a name plate or name board of an individual member and not of the firm.

**Q Can a member publish a change in partnership or change in the address of practice and telephone numbers?**

Yes, a member can publish a change in partnership or change in the address of practice and telephone numbers. Such announcements should be limited to a bare statement of facts and consideration given to the appropriateness of the area of distribution of the newspaper or magazine and number of insertions.

**Q Can a member act as an Insurance Surveyor?**

As per Appendix (9) of Chartered Accountants Regulations, 1988, a member of the Institute in practice is generally permitted to act as a Surveyor and Loss Assessor under the Insurance Act, 1938, provided he is otherwise eligible. Such a member can perform attest functions.

**Q Whether the members are required to intimate his website address to the Institute?**

No, members are not required to intimate the Website address to the Institute. However, the Website has to comply with the Guidelines issued by the Institute.

**Q Whether a member in practice can engage as GST practitioner?**

Yes, a member in practice can engage as GST practitioner, as the activities to be performed by GST practitioner mentioned in CGST Act, 2017 read with

CGST Rules, 2017 are within the purview of a member in practice as per the provisions of Act and Chartered Accountants Regulations, 1988 framed thereunder.

**Q Whether a member holding CoP on part time basis, working as an employee in an entity other than a CA Firm, can be enrolled as GST practitioner?**

A member holding CoP on part time basis and working as an employee in an entity other than a CA Firm can enrol as GST practitioner, subject to contractual obligations, if any, with the employer.

**Q Whether it is permissible for a Firm of Chartered Accountants to sponsor an event?**

It is not permissible for a member in practice or a Firm of Chartered Accountants to sponsor an event. However, such member or Firm may sponsor an event conducted by a Programme Organizing Unit (PoU) of the ICAI, provided such event has the prior approval of Continuing Professional Education (CPE) Directorate of the ICAI.

**Q Whether a member in service is permitted to take ERI (E-Return Registration) in his/her name?**

A member in service may take E-Return registration if it does not conflict with employment obligations. However, a return cannot be certified by the member.

**Q Whether partner of a Firm of Chartered Accountants doing audit of an insurance company can accept the assignment of surveyor of the said Company?**

No, it is not permissible for a partner of a Firm of Chartered Accountants doing audit of an insurance company to accept the assignment of surveyor of the said Company, as it is likely to impact independence as auditor.

**Q Whether a member in practice can act as a mediator?**

Yes, a member in practice can act as a mediator since acting as a 'mediator' would be deemed to

be covered within the meaning of 'arbitrator', which is inter alia permitted to members in practice as per Regulation 191 of the Chartered Accountants Regulations, 1988.

**Q Whether a member in practice who is the statutory auditor of a bank can accept Stock audit/Inspection Audit of the same bank?**

No, it is not permissible since stock audit/inspection audit is kind of management function, which cannot be done simultaneously with the statutory audit.

**Q Whether a member in service can represent before the Income Tax Authorities on behalf of other employees /colleagues of the company?**

A member in service can appear as tax representative before tax authorities on behalf of employer, but not on behalf of employees/colleagues.

**Q Whether a member in practice can hold Customs Brokers Licence under section 146 of the Customs Act, 1962?**

No, in terms of the provisions of Code of Ethics, it is not permissible for the member in practice to hold Customs Brokers License under Section 146 of the Customs Act, 1962 read with Customs Brokers Licensing Regulations, 2013.

**Q Can a Chartered Accountants firm give advertisement in relation to Silver, Diamond, Platinum or Centenary celebration of the firm?**

Yes, as per Paragraph 2.14.1.6(iv)F under Clause (6) of Part-I of First Schedule to the Chartered Accountants Act, 1949, appearing in Volume-II of Code of Ethics, considering the need of interpersonal socialization/relationship of the members through such get-together occasions, the advertisement for Silver, Diamond, Platinum and Centenary celebrations of the firms has been permitted to be published in any newspaper or in the newsletters.

**Q Whether a Chartered Accountant in practice can give public interviews and also whether he can furnish details about himself or his firm in such interviews?**

As per paragraph 2.14.1.6(iv)O under Clause (6) of Part I of the First Schedule to the Chartered Accountants Act, 1949, appearing in Volume-II of Code of Ethics, a Chartered Accountant in practice can give public interviews. While doing so, due care should be taken to ensure that such interviews or details about the members or their firms are not given in a manner highlighting their professional attainments, any detail which is given must, in addition to meeting above requirements, be given only as a response to specific question, and of factual nature only.

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# Opinion

## Classification and Presentation of accrued wages and salaries to employees under Trade Payables or Provisions (Current).

### A. Facts of the Case

1. A company (hereinafter referred to as 'the Company') is a Miniratna Category-I company incorporated under the erstwhile Companies Act, 1956 (now Companies Act, 2013). Pursuant to Initial Public Offer, equity shares of the Company are listed and traded on both Bombay Stock Exchange (BSE) Limited and National Stock Exchange (NSE) of India Limited w.e.f. March 29, 2019. The core activity of the Company has been divided into two operational divisions, i.e. e-commerce and trading. The Company undertakes trading activities, disposal of ferrous and non-ferrous scrap, surplus stores, minerals, agri and forest produces, etc. mostly from public sector undertakings, government departments and leading private sector entities and other e-commerce services. The mode of disposal includes e-auction, e-tender, e-reverse auction, etc. Besides, the Company also e-auctions

coal from coal mining entities. Apart from these, the Company also provides e-procurement and other platform development and maintenance solution. The trading division handles domestic trade of mainly bulk industrial raw material. It looks after sourcing, purchase and sales of industrial raw materials like heavy melting scrap, low ash metallurgical coke, HR coil, crude oil, naphtha, coking coal, steam coal, etc. for supply to Indian industries in steel, infrastructure, power sector, etc.

2. The source of revenue is currently the service charges income from its customers. Although operating in trading and e-commerce segment, currently the Company is predominantly an e-commerce service provider.

3. The financial performance of last three years and nine months ending 31.12.2023 is appended below:

Figures in Rs. crores

Particulars	2020-21	2021-22	2022-23	2023-24 (Nine months)
Revenue From Operations	427.75	470.64	324.72	234.32
Profit Before Tax	114.68	220.04	313.48	216.63
Profit after Tax	101.07	200.05	239.23	152.41

*Comments of Comptroller and Auditor General of India (CAG):*

4. Balance Sheet: Current Liabilities: Trade Payables (Note-19): ₹142.03 crore and Provisions (Current) (Note-22): ₹2.97 crore.

Trade Payables under 'Current Liabilities' includes accrued wages and salaries of employees amounting to ₹21.71 crore. The same should have been shown under 'Provisions (Current)' instead of 'Trade Payables'.

*Management Reply:*

5. It may be appreciated that the accrued obligations for payment to employees on account of pay and perquisites arise for services rendered by employees to the Company, which is why such amounts have so long been classified under trade payables, consistently. In this context, a reference is made to paragraph 11(b) of Ind AS 37, 'Provisions, Contingent Liabilities and Contingent Assets', which reads as under:

"accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees (for example, amounts related to accrued vacation pay). Although it is sometimes necessary to estimate the amount or timing of accruals, the uncertainty is generally much less than the provisions.

Accruals are often reported as part of trade and other payables, whereas provisions are reported separately."

In the instant case, the obligations for payment to employees have accrued upon execution of wage agreement with the non-executives as well as respective employees for services already rendered. Insofar as arrear payments to non-executive employees are concerned, the amount considered has accrued upon execution of related wage agreement, and the sum is expected to be paid within financial year (F.Y.) 2023-24. Such accrued amount has also been estimated on a conservative computation basis. Other accrued employee payments are also ascertained conservatively and the estimated amounts are expected to be paid within F.Y. 2023-24. Hence, the disclosure of the cited amount under 'Trade payables' is considered appropriate.

Further, it was submitted that the Company will review the matter in the financial year 2023-24, including obtaining an opinion from the Institute of Chartered Accountants of India (ICAI) and if required, will do the needful.

## B. Query

6. The Company requests the Expert Advisory Committee to opine on whether accrued wages and

salaries to employees can be classified under 'Trade Payables' or 'Provisions (Current)'.

## C. Points considered by the Committee

7. The Committee notes that the basic issue raised in the query relates to classification and presentation of accrued wages and salaries of employees under trade payables or provisions (current). The Committee has, therefore, considered only this issue and has not examined any other issue that may arise from the Facts of the Case, such as, accounting for income received in the form of service charges, accounting for transactions with other companies, accounting for e-auction, e-commerce, trading and e-tender activities, purchase and sales of raw materials, appropriateness of determination of amount due to employees on account of wages and salaries, timing of accrual of wages and salaries, etc. The Committee wishes to mention that the opinion expressed hereinafter is in the context of Indian Accounting Standards, notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time and is purely from accounting perspective.

8. The Committee notes that the Division II of Schedule III to the Companies Act, 2013 (Revised January, 2022 Edition) requires to classify and present the 'Current Liabilities' as follows:

### "Current Liabilities

- (a) Financial Liabilities
  - (i) Borrowings
  - (ia) Lease liabilities
  - (ii) Trade payables
    - (A) Total outstanding dues of micro enterprise and small enterprises
    - (B) Total outstanding dues of creditors other than micro enterprises and small enterprises
  - (iii) Other financial liabilities (other than those specified in item (c))
- (b) Other current liabilities
- (c) Provisions
- (d) Current Tax Liabilities (Net)"

Further, Note below Note 9 of the General Instructions for Preparation of Financial Statements, under Division II of Schedule III to the Companies Act, 2013 provides as follows:

"Note: This Schedule sets out the minimum requirements for disclosure on the face of

the Financial Statements, i.e., Balance Sheet, Statement of Changes in Equity for the period, the Statement of Profit and Loss for the period (The term 'Statement of Profit and Loss' has the same meaning as 'profit and loss Account') and Notes. Cash flow statement shall be prepared, where applicable, in accordance with the requirement of the relevant Indian Accounting Standard.

Line items, sub-line items and sub-totals shall be presented as an addition or substitution on the face of the Financial Statements when such presentation is relevant to an understanding of the company's financial position or performance to cater to industry or sector-specific disclosure requirements or when required for compliance with the amendments to the Companies Act, 2013 or under the Indian Accounting Standards."

The Committee further notes the following paragraphs of Indian Accounting Standard (Ind AS) 19, 'Employee Benefits', and Ind AS 37, 'Provisions, Contingent Liabilities and Contingent Assets', issued by the ICAI:

*Ind AS 19*

**"11 When an employee has rendered service to an entity during an accounting period, the entity shall recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:**

- (a) **as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, an entity shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.**

..."

*Ind AS 37*

"11 Provisions can be distinguished from other liabilities such as trade payables and accruals because there is uncertainty about the timing or amount of the future expenditure required in settlement. By contrast:

- (a) trade payables are liabilities to pay for goods or services that have been received or supplied and have been

invoiced or formally agreed with the supplier; and

- (b) accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees (for example, amounts relating to accrued vacation pay). Although it is sometimes necessary to estimate the amount of timing of accruals, the uncertainty is generally much less than for provisions.

Accruals are often reported as part of trade and other payables, whereas provisions are reported separately."

From the above, the Committee notes that when an employee has rendered service during a period, the employee benefits which are expected to be paid in exchange for the employees' service are required to be provided for as 'liability' or 'accrued expense' and not as 'provisions'. This is so, because provision is a liability of uncertain timing or amount of the future expenditure whereas accruals arise due to services already received for which amounts or timing are not uncertain.

9. Further, the Committee also notes the requirements of Guidance Note on Division II - Ind AS Schedule III to the Companies Act, 2013 (Revised January, 2022 Edition) as follows:

**"7.4.** Similarly, current liabilities would include items such as trade payables, employee salaries payable and other operating costs that are expected to be settled in the company's normal operating cycle or due to be settled within twelve months from the reporting date. It is pertinent to note that such operating liabilities are normally part of the working capital of the company used in the company's normal operating cycle and hence, should be classified as current even if they are due to be settled in more than twelve months after the end of the reporting date."

From the above, the Committee notes that paragraph 7.4 of the Guidance Note acknowledges trade payables and employee salaries payable as two separate items under current liabilities. Further, paragraphs 54 (k) and (l) of Ind AS 1, 'Presentation of Financial Statements' read with paragraph 70 thereof also indicate that accruals or payables for employee are to be presented separately from 'provisions' and 'trade payables'.

Accordingly, the Committee is of the view that in the extant case, wages and salaries, which have accrued under respective wage agreement with the non-executives as well as other employees for services already rendered and are payable within F.Y. 2023-24 should not be included under 'Trade Payables'. The Company should present accrued wages and salaries of employees under the head 'other current liabilities' or any other appropriate separate head created for this purpose (when such presentation is relevant to an understanding of the Company's financial position) under 'Current Liabilities' in the balance sheet of the Company, as per the requirements of Division II - Ind AS Schedule III to the Companies Act, 2013.

## D. Opinion

10. On the basis of the above, the Committee is of the opinion on the issue raised in paragraph 6 above that accrued wages and salaries should not be classified and presented under 'Trade Payables' or under 'Provisions'. The Company should present accrued wages and salaries of employees under the head 'other current liabilities' or any other appropriate separate head created for this purpose (when such presentation is relevant to an understanding of the Company's financial position) under 'Current Liabilities' in the balance sheet of the Company, as per the requirements of Division II - Ind AS Schedule III to the Companies Act, 2013, as stated in paragraphs 8 and 9 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 3rd June, 2024. 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-two volumes. These volumes are available for sale and can be procured online through CDS Portal at <a href="https://icai-cds.org/">https://icai-cds.org/</a> .
4.	Opinions of the Committee may be accessed at the following link: <a href="http://115.248.235.50/eacicai/">http://115.248.235.50/eacicai/</a> .
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 <a href="mailto:eac@icai.in">eac@icai.in</a> .

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# Accountant's Browser

## PROFESSIONAL NEWS & VIEWS PUBLISHED ELSEWHERE

**Index of some useful articles taken from Periodicals received during  
December 2024 – January 2025 for the reference of Faculty/Students & Members of the Institute.**

### 1. Accountancy

**Segment Disclosures Under Ind AS 108** by Dolphy D'Souza. *BCAJ, December 2024, pp. 78-80.*

### 2. Audit

**Audit Trail Compliance in Accounting Software** by Anand Paurana. *BCAJ, December 2024, pp. 11-16 & 23.*

### 3. Economics

**Composite Insurance Companies – Opportunities and Challenges** by Pranita Soni. *The Journal of Insurance Institute of India, October – December 2024, pp. 17-26.*

**Daily Reserves Maintenance Behaviour of Banks** by Sujeesh Kumar, Manjusha Senapti and Praggya Das. *RBI Bulletin, December 2024, pp. 131-143.*

**Social Mobility and Opportunity in India – a review of the Academic Literature** by Anirudh Krishna and Sujeet Kumar. *Economic & Political Weekly, December 21, 2024, pp. 42-49.*

### 4. Management

**How Generative AI Improves Supply Chain Management – It can cut decision-making time from days to minutes and dramatically improve results** by Ishai Menache, Jeeyan Pathuri, David Simchi-Levi and Tom Linton. *Harvard Business Review, January – February 2025, pp. 86-95.*

**Six-Sigma Methodologies in Airlines Operations** by Ramesh Bollapragada and Vivian Chan. *Vikalpa the Journal for Decision Makers, October – December 2024, pp. 302-326*

### 5. Taxation and Finance

**Do Foreign Direct Investment Inflows Affect Tax Revenue in Developed and developing Countries?** by Faris ALshubiri. *Asian Review of Accounting, vol. 32, no. 5, pp. 781-810.*

**Framework Convention of the United Nations** by Radhakishan Rawal. *BCAJ, December 2024, pp. 29-34.*

**Recent Developments in GST** by G.G. Goyal and C.B Thakar. *BCAJ, December 2024, pp. 95-100.*

**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](mailto:library@icai.in).**

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- 6083 Kolkata based CA firm requires practising CA only as a full time Partner for its Kolkata office. Write: [hoaps1980@gmail.com](mailto:hoaps1980@gmail.com)
- 6084 45 years old CA firm requires practising CAs only as a full time Partner purely on revenue sharing basis (No fixed remuneration) for Mumbai, Bhopal, Chennai, Hyderabad, Indore, Ahmedabad, Gandhinagar, Surat, Siliguri, Darjeeling, Guwahati, Agartala, Chandigarh and Portblair. Write: [hoaps1980@gmail.com](mailto:hoaps1980@gmail.com)
- 6085 Kolkata based CA Firm in Dalhousie requires Full Time Partner and invites Partnership / Merger Proposal from Sole Proprietorship or Partnership Firm. Mail: [esjay6667@gmail.com](mailto:esjay6667@gmail.com)
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### IFAC Releases 2024 Global Adoption Status Snapshot (International Standards)

The International Standards: 2024 Global Adoption Status Snapshot highlights how widely international standards are embraced across IFAC member jurisdictions. Since the inaugural 2019 report, we continue to see notable progress in adoption of the international standards as well as enhancing quality assurance and investigation & discipline systems. The 2024 update highlights a selection of success stories from IFAC members. It also identifies the conditions that help advance adoption and implementation, as well as more opportunities for further collaboration and connected learning.

This progress is made possible by the steadfast commitment of IFAC member organizations to the requirements outlined in the Statements of Membership Obligations (SMOs). By proudly carrying their IFAC membership as a badge of international recognition and working with IFAC to publish their adoption & implementation actions on IFAC's International Standards Adoption Map, these organizations reinforce their dedication to integrity and professional quality, and to shape the future of the profession through their commitment to the public interest.



### OECD employment and labour force participation rates stable at record highs in the third quarter of 2024

OECD employment and labour force participation (LFP) rates remained broadly stable at 70.3% and 74% in the third quarter of 2024, marking the highest levels recorded since the start of the series in 2005 and 2008 respectively. Both indicators were at or near their record highs in 13 of the 38 OECD countries, including France, Germany, Japan, and Türkiye.

The employment rate exceeded the OECD average of 70.3% in about two-thirds of OECD countries in Q3 2024, with the notable exceptions of Italy and France among G7 countries. Türkiye remained the OECD country with the lowest employment rate, at 55.2%. In contrast, employment rates were above 80% in Switzerland, the Netherlands, and Iceland. Employment rates were stable in 15 OECD countries compared with the previous quarter. They fell in 12, with the largest declines observed in Luxembourg and Chile, and rose in 11, with the largest increase in Costa Rica.



### AICPA Significantly Updates Digital Assets Practice Aid

The American Institute of CPA (AICPA) has updated its practice aid, Accounting for and Auditing of Digital Assets, in response to the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2023-08, *Intangibles - Goodwill and Other - Crypto Assets*

(Subtopic 350-60): Accounting for and Disclosure Of Crypto Assets. The practice aid offers a new definition for digital assets, new and amended accounting questions, and the introduction of new terms.

The Digital Assets Practice Aid includes vital information on how to account for and audit digital assets. It is essential guidance for those currently in the digital asset ecosystem or considering entering it especially as a financial statement preparer or an auditor. The document is written for those with a fundamental knowledge of blockchain technology, is based on existing professional literature and the experience of members of the Digital Assets Working Group and is specific to U.S. GAAP (for non-governmental entities) and GAAS.



### FASB Stakeholders Invited to Share Their Views on Future Agenda Priorities

The Financial Accounting Standards Board (FASB) today published an Invitation to Comment (ITC) that gives stakeholders the opportunity to provide feedback on its future standard-setting agenda. Stakeholders are asked to review and provide comment on the ITC by June 30, 2025.

The Board will consider the feedback received in response to this ITC when making decisions about potential changes to its agenda. Those decisions include which topics, if any, should be added to the FASB's agenda and order of priority.

The FASB staff began the current agenda consultation in 2024, performing outreach with a cross-section of over 200 stakeholders, including investors, practitioners, preparers, and academics. This included outreach with numerous stakeholder groups and FASB advisory groups.



### Draft Programme for Government aims to secure Ireland's future

Recently, the draft Programme for Government was released setting out what can be expected once the programme is officially agreed. Most readers' attention will be drawn to the measures aimed at growing our economy and delivering on infrastructure.

The document is ambitious in its scope with a commitment to create 300,000 extra jobs by 2030 as well as build over 300,000 homes by 2030 in line with the revised Housing Targets. There is also a commitment to rigorously implement the SME test when designing each new piece of legislation and regulation to determine the impact on SMEs.





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# Legal Decisions



## Income Tax

**LD/73/29**  
**ITAT Bangalore: ITA No.1606/Bang/2024**  
**Shri Vivek Singhal**  
**Vs.**  
**The Dy. Commissioner of Income**  
**06<sup>th</sup> January 2025**

ITAT directed Revenue to allow Foreign Tax Credit (FTC) for AY 2017-18, which was disallowed on the ground that Form 67 was not filed within the due date along with the return of income; Even though, the form 67 was filed later on, assessee had claimed the foreign tax credit in his return of income; Relied on co-ordinate bench order in 42 Hertz Software India wherein it was held that one of the requirements of Rule 128 for claiming FTC was filing of Form 67 before filing of the returns, however this requirement cannot be treated as mandatory, rather it is directory in nature; Rule 128(9) does not provide for disallowance of FTC in case of delay in filing Form No.67.

**LD/73/30**  
**Delhi High Court: ITA No.468/2024**  
**The Prin. Commissioner of Income Tax**  
**Vs.**  
**Hespera Realty Pvt Ltd**  
**24<sup>th</sup> December 2024**

High Court (HC) held that assessee is entitled to exemption under Section 10(38) of Rs. 247.52 Cr in respect of long term capital gain earned on sale of shares which were not taken into account for computing book profits u/s 115JB; Proviso to Section 10(38) abundantly clarifies that the income from capital gains, which are excluded from the income under Section 10(38) would nonetheless, be included in computing book profits for the purposes of Section 115JB, however the proviso cannot be read in the reverse.

**LD/73/31**  
**ITAT Raipur: ITA No.410/RPR/2024**  
**Keshri Rice Industries**  
**Vs.**  
**The Dy. Commissioner of Income Tax**  
**23<sup>rd</sup> December 2024**

ITAT quashed assessment order u/s 147 r.w.s. 144 & 144B being invalid on account of sanction u/s 151 given by an authority that was not vested with jurisdiction to grant such approval; Issue of sanctioning authority is no more *res integra* in view of SC decision in Rajeev Bansal and categorically held that the sanctioning authority shall be decided as prescribed amended Section 151(new regime); The sanctioning authority that granted approval u/s 151(ii) (new regime) was the PCIT that did not have jurisdiction in the present case; Revenue is misplaced and misconstrued in its submission that the prescribed authority is PCIT-1, Raipur, as the directions rendered by

SC are clear and clarify that the provisions of amended Section 151 are applicable in cases where the Revenue has availed the benefit of extended time limit under TOLA and proceeded to reopen assessment under the provisions of new regime.

The reassessment was based on alleged unexplained income of ₹1.22 crores under Section 69A, citing transactions with a shell entity. The sanction for reopening u/s 151 was granted by the PCIT-1, Raipur.

**LD/73/32**  
**ITAT Cochin: ITA No.30/Coch/2024**  
**Palakkad Service Cooperative Bank Limited**  
**Vs.**  
**The Income Tax Officer**  
**20<sup>th</sup> December 2024**

ITAT allowed deduction u/s 80P on account of interest income from fixed deposits maintained in a commercial bank (ICICI) by Assessee (a cooperative society) out of its own funds; Distinguishes Revenue's reliance on SC judgment in Totgars Co-operative Sales and observes that in the said case deals with the deposits of the amount due to its members and therefore, deduction under Section 80P(2) could not be granted, wherein the present case, the Assessee has established that the amounts invested are the surplus of the Assessee and does not belong to the members.

**LD/73/33**  
**ITAT Mumbai: ITA No.1690/Mum/2020**  
**UTI Asset Management Company Limited**  
**Vs.**  
**The Dy. Commissioner of Income Tax**  
**20<sup>th</sup> December 2024**

Reassessment u/s 148 quashed by the ITAT over non-disposal of assessee's objection against reopening of assessment by the AO, in gross violation of Supreme Court ruling GKN Driveshafts; The AO has passed the assessment order without disposing of the objections filed by the Assessee for the reopening, which is not valid as per the Bombay HC judgment in KSS Petron case wherein the reassessment was held to be without jurisdiction and in gross violation of SC judgment in GKN Driveshaft and the Revenue's contention of *de novo* adjudication was also rejected.

**LD/73/34**  
**Madras High Court: W.P.Nos.25223 of 2024**  
**Mark Studio India Pvt. Limited**  
**Vs.**  
**The Income Tax Officer**  
**20<sup>th</sup> December 2024**

Madras HC held that as far as the assessment, re-assessment or re-computation in terms of the provisions of Section 147 of the IT Act are concerned, both the FAO as well as the JAO will have concurrent jurisdiction; However, as far as the issuance of notice u/s 148 of the IT

is concerned, only the JAO will have exclusive jurisdiction; NaFAC will have no role to play in issuance of Section 148 notice and to get prior approval from higher Authorities in terms of Section 151; HC acknowledged assessee's submission that the name of the Officer ought not to have been mentioned in the notice, which as per the HC was a mere procedural error.

**LD/73/35**  
**ITAT Delhi: ITA No. 2238/Del/2024**  
**Tungsten Network Ltd**  
**Vs.**  
**The Dy. Commissioner of Income Tax**  
**18<sup>th</sup> December 2024**  
**Income Tax (International Tax)**

ITAT observed that since the assessee provided technical services and received payments having source in India, the income was liable to be taxed u/s 9(1)(vii); Assessee company a resident for tax purposes in UK, received Rs. 2.93 Cr. for services provided for converting raw data into e-form and ITR was not filed; Assessee had granted the right to use this cloud-based services facility to Genpact India who in turn made payment of Rs. 3.31 Cr. to the Assessee; Assessee is a non-resident having income arising from India and is liable to tax in India if the source is in India which is dealt by provisions of Section 5(2) r.w. Section 9.

**LD/73/36**  
**ITAT Mumbai: ITA No.1449/MUM/2024**  
**Orion India Systems Private Limited**  
**Vs.**  
**The Prin. Commissioner of Income Tax**  
**17<sup>th</sup> December 2024**

ITAT held that PCIT had rightly initiated revisionary proceedings u/s 263 as the claim of depreciation on Goodwill was not examined by the AO during assessment; Assessee acquired a business on a slump sale basis & payment in excess of the assets acquired was treated as goodwill; Once the assessment order passed u/s 143 r.w.s. 144B is set aside for de novo adjudication on limited issue, the observations pertaining to PCIT finding

on merits on depreciation on Goodwill become irrelevant and AO is required to adjudicate the issue as per law.

**LD/73/37**  
**ITAT Mumbai: ITA No.4182/Mum/2023**  
**Shaha Finlease Private Limited**  
**Vs.**  
**The Dy. Commissioner of Income Tax**  
**17<sup>th</sup> December 2024**

ITAT held that AO cannot reject the DCF method without giving any substantial reasons, and thus accepted assessee's valuation; AO made primary addition under the deeming provisions of Section 56(1)(viib) and simultaneously made the same addition u/s 68; DCF method is well recognized and accepted method for valuation of shares even prior to Rule 11UA and therefore cannot be rejected merely on ground that the variables taken by the valuer cannot be accepted; AO cannot tinker with the method adopted by the Assessee and simply apply the NAV method; AO is not an expert to carry out such valuation without pointing out what factors should be applied in projections or what is the error formula.

**LD/73/38**  
**ITAT Ahmedabad: ITA No. No.518/Ahd/2019**  
**Flourish Purefoods Pvt Ltd**  
**Vs.**  
**The Dy. Commissioner of Income Tax**  
**16<sup>th</sup> December 2024**

Addition u/s 68 on account of capital advance refund received through banking channel cannot be sustained solely on the ground that the parties who refunded the advance are different from those to whom the advances were given; Assessee discharged its primary onus and gave PAN, address, confirmation, etc. and the Revenue failed to verify the same by issuing summons u/s 131; Further, on the issue of disallowance of depreciation, ITAT notes that Assessee had invited the Revenue to conduct physical verification of assets which was denied by the AO, and disallowance of depreciation was unjustified.

**FEMA**


## FEMA Updates

### **Amendments to Foreign Exchange Management (Deposit) Regulations and Foreign Exchange Management (Foreign Currency Account by a person resident in India) Regulations**

In order to promote cross border transactions in INR and local / national currencies, a further review of the existing regulations issued under FEMA, 1999 has been undertaken by the Reserve Bank in consultation with the

Central Government. Accordingly, the following changes have been made in the extant FEMA regulations:

- a. Overseas branches of Authorized Dealer banks will be able to open INR accounts for a person resident outside India for settlement of all permissible current account and capital account transactions with a person resident in India.
- b. Persons resident outside India will be able to settle bona fide transactions with other persons resident

outside India using the balances in their repatriable INR accounts such as Special Non-resident Rupee account and SRVA.

- c. Persons resident outside India will be able to use their balances held in repatriable INR accounts for foreign investment, including FDI, in non-debt instruments.
- d. Indian exporters will be able to open accounts in any foreign currency overseas for settlement of trade transactions, including receiving export proceeds and using these proceeds to pay for imports.

Amendments to Foreign Exchange Management (Non-Debt Instruments) Rules, 2019

1. For the purpose of FDI or FI funds under Schedule I and VI can be received in any repatriable foreign currency or repatriable rupee.
2. Previously SNRR accounts by FPIs or FVCIs were only used for transactions of Schedule II and VII respectively of NDI Rules. There is no longer any restriction on FPIs for using the same SNRR account for purposes of putting through permissible capital / current account transactions apart from making investments into India.

*Contributed by CA. Sahil Garud, Disciplinary Directorate. Matter on FEMA has been contributed by CA Manoj Shah, Mumbai, CA Hinesh Doshi, Mumbai, CA Sudha Bhushan, Mumbai and CA Viral Satra, Mumbai.*

## Disciplinary Case

**Failure to quantify and report TDS defaults and misclassification of foreign remittance – Non-compliance with Companies (Auditor’s Report) Order, 2003 and FEMA Regulations – Gross negligence in conducting audit and reporting material misstatements – Respondent is guilty under Clause (6) and (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949.**

### Held:

The allegations in the present case are against the Respondent, who was the statutory auditor of a company, pertaining to failure to report TDS defaults and non-compliance with FEMA regulations. The Committee noted that the Respondent had failed to disclose the non-payment of TDS on several occasions, as required by Companies (Auditor’s Report) Order, 2003 (CARO 2003), particularly under clause vii(a), which mandates the reporting of arrears of statutory dues. Further, the Respondent was accused of failing to properly classify Rs. 12.90 lakhs received from the parent company as an External Commercial Borrowing (ECB) under FEMA, instead, misclassified it as a loan from directors in the financial statements. The Committee found that the Respondent’s actions were negligent, as he failed to carry out his professional duties with due diligence and report material misstatements in the financial statements. Thus, the Committee held that the Respondent is guilty of professional misconduct under Items (6) and (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

**[PR 216/17/DD/214/2017/DC/1418/2021]**

**Failure to Report Irregularities in Loan Sanctioning Process – Non-Exercise of Due Diligence by Concurrent Auditor – Guilty of Professional Misconduct under Clause (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949.**

### Held:

In the present matter, the Respondent, while acting as the Concurrent Auditor of a Bank failed to report the irregularities committed in the loan sanctioning process and several loans were sanctioned based on fake ITRs, forged challan receipts without BSR codes or serial numbers and without necessary documentation such as sale deeds and approved building plans. The Respondent argued that checking the genuineness of such documents was beyond his scope and it was not practically possible to check the genuineness of ITRs where login credentials are required. The Committee observed that when a statutory auditor could get the first thread of unscrupulous practices of sanctioning of loans by simply checking the challans on OLTAS, the same was also possible for the concurrent auditors whose scope of work is much wider as far as checking the population of routine banking transactions are concerned. The Respondent’s role required him to independently verify loan documentation as per the terms of his appointment, which he failed to do, thus allowing fraudulent practices to go undetected. The Committee held that the Respondent is guilty of professional misconduct under Clause (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

**[PR 142/17/DD/146/2017/DC-1428/2021]**



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# ANNOUNCEMENT

## Extension of last date of CPE hours' compliance for the Calendar year 2024 - From 31<sup>st</sup> December 2024 to 28<sup>th</sup> February 2025

As you are already aware that "**Statement on Continuing Professional Education, 2023**" (available at link <https://www.icaai.org/post/issuance-of-cpe-statement-2023>) has been made effective from Calendar year 2024 onwards, which introduced consequential provisions for non-compliance with CPE hours' requirements applicable to various categories of members on yearly basis. These consequential provisions are applicable w.e.f. 1<sup>st</sup> January 2025 for non-compliance arising from the Calendar Year 2024 with regard to CPE hours requirements.

As consequential provisions arising due to non-compliance with CPE requirements are coming into effect for the first time from Calendar year 2024, it has been decided to extend **the last date for complying with the CPE hours requirements for the Calendar year 2024 from 31<sup>st</sup> December 2024 to 28<sup>th</sup> February 2025** for the benefit of Members at large and to avoid any hardship due to non-compliance.

On similar grounds, the last date of compliance and filing **Unstructured Learning Activities (ULA)** is also extended **till 28<sup>th</sup> February 2025** for the Calendar year 2024.

Further, it may please be noted that the duration of consequential provisions at **Level I (from January 1<sup>st</sup> to June 30<sup>th</sup>)** would be changed to **March 1<sup>st</sup> to June 30<sup>th</sup>** for Calendar year 2024 and the subsequent levels (II, III and IV) under the consequential provisions for non-compliance with CPE hours will remain unchanged.

For ready reference, consequential provisions for non-compliance with CPE hours requirement on yearly basis from calendar year 2024 onwards are available at <https://resource.cdn.icaai.org/79152cpe63323.pdf>

It may be noted that due to the extension of last date for compliance of CPE hours' requirements for the Calendar year 2024 till 28<sup>th</sup> February 2025, the CPE hours earned up to 28<sup>th</sup> February 2025 will be counted for the calendar year 2024 - for only those Members who have shortfall of CPE credits for the Calendar year 2024. Further it is to be clarified that CPE Hours completed in extended period (01.01.2025 till 28.02.2025) will be credited/counted for Calendar year 2025 for those Members who have already complied with CPE Hours requirements as required for Calendar year 2024 till 31<sup>st</sup> December 2024.

Kindly note that no further extension would be granted to Members for completing their CPE Hours requirements for the Calendar year 2024. Hence, the above may be noted by the Members for timely compliance of CPE Hours requirements for Calendar year 2024 **latest by 28<sup>th</sup> February 2025**.

### Continuing Professional Education Committee

The Institute of Chartered Accountants of India  
(Set up by an Act of Parliament)  
'ICAI BHAWAN', A-29, Sector 62, Noida 201309  
Website: <http://www.icaai.org>, [www.cpeicaai.org](http://www.cpeicaai.org)  
E-mail : [cpeadmin@icaai.in](mailto:cpeadmin@icaai.in)

## 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	
Paper - 1	Accounting
Paper - 2	Business Laws

Intermediate Examination	
Paper - 3	Taxation 3A : Income Tax Law 3B : Goods and Services Tax (GST)
Paper - 5	Auditing and Ethics
Paper - 6A	Financial Management

Final Examination	
Paper - 2	Advanced Financial Management
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, Lawyers, IT Professionals, 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 on-line. However, requisite training will be provided, before on-line 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

**Joint Secretary (Exams.)**

## The Institute of Chartered Accountants of India (Set up by an Act of Parliament)

Peer Review Board

The Institute of Chartered Accountants of India

22<sup>nd</sup> January 2025

### ANNOUNCEMENT

#### Deferment of Phase III and IV of Peer Review Mandate

The Council has decided to extend Phase III and Phase IV of Peer Review Mandate by 6 months and 9 months respectively. Accordingly, their revised dates of implementation are as under:-

Phase	Category of Practice Units covered for Mandatory Peer Review	Date from which Peer Review is Mandatory
III	Practice Units which propose to undertake the Statutory Audit of entities which have raised funds from public or banks or financial institutions of over Fifty Crores rupees during the period under review or of any body corporate including trusts which are covered under public interest entities: For these Practice Units, there is a pre-requisite of having Peer Review Certificate. OR Practice Units rendering attestation services and having 4 or more partners: For these Practice Units, there is a pre-requisite of having Peer Review Certificate before accepting any Statutory audit.	01.07.2025
IV	Practice Units which propose to undertake audits of branches of Public Sector banks: For these Practice Units, there is a pre-requisite of having Peer Review Certificate. OR Practice Units rendering attestation services and having 3 or more partners: For these Practice Units, there is a pre-requisite of having Peer Review Certificate before accepting any Statutory audit.	01.01.2026

## Rack the Brain!

01

I guide companies to act with care; for people, the planet, and all who share. With self-regulation, I help them see; their impact on society and sustainability. Which responsibility am I?

02

I am a fuel that's chilled to flow; clean and efficient, as energies go. Compressed for transport, I travel with ease; powering homes and industries. What am I?

03

I use waves unseen to identify; objects I track as I silently fly. A tiny tag, with data I share; to help you monitor goods everywhere. What am I?

04

I'm a pattern of lines, simple yet smart; I hold the info that plays a vital part. Scan me quickly, I'll tell you more; from prices to products, I open the door. What am I?

05

I'm not a bank, but I still lend; offering services that help you spend. From insurance to loans, I bridge the gap; but no full banking license on my lap. Which company am I?

### Answers of January 2025 Edition:

1. IGST
2. SEZ
3. High Sea Sales
4. OIDAR Services
5. Input Tax Credit



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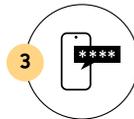
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**CHARTERED ACCOUNTANTS'  
BENEVOLENT FUND [CABF]**  
The Institute of Chartered  
Accountants of India  
(Set up by an Act of Parliament)

## JOIN HANDS TO STRENGTHEN CABF : SPECIAL DRIVE

The Chartered Accountants' Benevolent Fund (CABF) was established in December, 1962 with the main objective to provide financial assistance for maintenance, and other similar purposes to needy members of the Institute, their wives, widows, children and dependent parent(s).

A dedicated CABF Portal ([cabf.icaai.org](https://cabf.icaai.org)) is functioning as One Stop solution for making CABF Contribution and grant of Financial Assistance.

During Covid pandemic, hundreds of ICAI members had lost their battle and many others were struggling hard to pass through that difficult time. The impact was deep and had certainly shattered their dreams. The Institute through the CABF had tried to help the members or their dependents in distress.

With an objective to augment funds to provide requisite support to members, it has been decided to launch special drive and to recognise the contributors. Details of the same are given below.

The Financial Assistance disbursed along with number of beneficiaries during the last five financial years has been produced below:-

S No.	Particulars (Years)	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
1.	Number of beneficiaries	111	88	280	877	221
2.	Financial assistance disbursed (in ₹)	1.12 Crore	0.94 Crore	3.97 Crore	11.92 Crore	3.67 Crore

The Contribution is eligible for tax exemption under Section 80G of the Income Tax Act

**Link for Contribution as Life Member:**  
<https://cabf.icaai.org/lifeMember>

**Link for Voluntary Contribution:**  
<https://cabf.icaai.org/voluntaryMember>

Contribution can also be made by scanning the QR code or directly through NEFT/RTGS



**Name of A/C :** Chartered Accountants Benevolent Fund

**Name of Bank & Branch :** Axis Bank Ltd., Swasthya Vihar Branch

**A/C No. :** 913010046844303  
**IFS code :** UTIB0000055

### SPECIAL DRIVE FOR CONTRIBUTION TO THE CHARTERED ACCOUNTANTS BENEVOLENT FUND (CABF)

The contributions/donations are accepted from the following:



**Members of ICAI**



**CA Firms**

The donors will be recognized as under: (All contributors exceeding ₹10,000 to receive congratulatory letter from the President, ICAI)

Category of Contribution	Amount Not Less Than	Acknowledgement/Recognition
<b>CABF-Bronze</b>	<b>₹ 1 Lakh</b>	Special Bronze Shield – Along with Congratulatory Letter from the President to be sent by Post/Courier
<b>CABF-Silver</b>	<b>₹ 5 Lakh</b>	Special Silver plated Shield – Along with Congratulatory Letter from the President to be handed over by Regional Chairman in Regional Council Meeting (Acknowledgement to be published in Regional Newsletter and quarterly list to be published in ICAI Journal)
<b>CABF-Gold</b>	<b>₹ 11 Lakh</b>	Special Gold plated Shield – Along with Congratulatory Letter from the President to be handed over at ICAI Head Office. (Acknowledgement to be published in ICAI Journal)
<b>CABF-Platinum</b>	<b>₹ 51 Lakh</b>	Special Platinum plated Shield – Along with Congratulatory Letter from the President to be handed over by President & Vice President at ICAI Council Meeting. (Acknowledgement to be published in ICAI Journal with photograph taken during Council Meeting)

LET'S BE A PART OF THIS NOBLE MISSION FOR EXTENDING HELPING HAND TO MORE AND MORE PROFESSIONAL COLLEAGUES DURING UNFORTUNATE CIRCUMSTANCES



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- Undertake Assessments to assess one's subject knowledge
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