



THE CHARTERED ACCOUNTANT

JOURNAL OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

ICAI in 2025-26: Advancing Standards, Strengthening Trust





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 and eboard@icai.in

For detailed guidelines and formats of declaration of originality and assignment of copyright, visit: https://www.icai.org/post.html?post_id=2557



India's Economic Momentum: Strength, Stability, and the Road Ahead

It is rightly said that “Great nations are not built by chance, but by the collective will of people who believe, persist, and act together.” India today is advancing at a breathtaking pace, emerging as the world’s fastest-growing major economy and setting a compelling benchmark for developing nations across the globe. The vision of becoming a *Vishwaguru* is no longer confined to aspiration alone; it is being translated into action through daily progress, anchored in the determination, discipline, and consistency of every Indian. This remarkable economic momentum is driven by domestic demand, far-reaching structural reforms, and a policy framework that has demonstrated resilience even amid global uncertainties. When a billion empowered minds work relentlessly toward a shared national objective, strengthened by forward-looking government initiatives, the probability of achievement transforms into an inevitability.

The numbers themselves narrate the story of India’s ascent, reflecting what can aptly be described as a Goldilocks phase of growth, neither overheated nor underwhelming, but balanced and sustainable. Recent quarters have witnessed steady GDP expansion, with consumption, manufacturing, and services jointly fueling economic activity and reinforcing confidence across sectors. Significantly, this growth trajectory has been accompanied by benign inflation and steadily improving labour market indicators, underscoring the quality and inclusiveness of progress. Working diligently behind the curtain, Chartered Accountants have played a silent yet pivotal role in strengthening financial discipline, governance, and compliance across the ecosystem. Simultaneously, India has demonstrated commendable fiscal prudence by deploying capital expenditure as a strategic growth catalyst while adhering to a disciplined path of deficit management. This calibrated approach ensures that economic expansion remains resilient, credible, and free from the risks of unsustainable public debt or macroeconomic imbalances.

All eyes are now on the upcoming Union Budget, which will help shape a credible roadmap for sustaining India’s growth momentum. For the accounting and taxation fraternity, the Budget is not merely a fiscal statement but a policy compass that can reinforce confidence, unlock investments, and strengthen the foundations of a resilient economy.

A foremost expectation is the pursuit of tax certainty and ease of compliance. Greater clarity in tax administration, particularly in the domains of direct and indirect tax and international taxation, can significantly enhance predictability for businesses. Simplified procedures, rationalised compliance requirements, effective dispute

resolution mechanisms, and stable tax provisions are essential to reduce friction, improve voluntary compliance, and elevate investor sentiment in both domestic and global markets. ICAI, in this journey, plays a critical facilitative role by providing technical guidance, issuing practice advisories, and acting as a vital bridge between policymakers and stakeholders to ensure smooth implementation of reforms on the ground.

Equally important is the emphasis on sector-led incentives aimed at future-ready industries. Targeted policy support for sunrise sectors such as artificial intelligence, space technology, fintech, and green and sustainable solutions can act as a powerful magnet for capital inflows. The Institute, through its research, capacity-building initiatives, and specialised certification programmes, can equip professionals with the requisite skills to support these emerging sectors, thereby strengthening governance, financial reporting, and investor confidence.

At the same time, strengthening agriculture and rural finance remains central to inclusive and balanced development. With a substantial portion of the workforce dependent on agriculture, enhancing access to institutional credit, modernising supply-chain infrastructure, and introducing robust risk mitigation tools are imperative. The Institute shall help in this by enabling financial literacy, supporting transparent accounting frameworks for agri-enterprises and cooperatives, and assisting in the efficient deployment and monitoring of schemes. Through its nationwide reach and professional expertise, the Institute can help ensure that policy intent translates into measurable, inclusive outcomes across the economy.

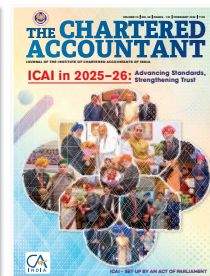
The road ahead for India calls for a harmonious blend of vision, discipline, and collective responsibility. Sustaining high-quality growth will require continued policy stability, innovation-led investments, and our commitment to inclusivity. The coming years offer an opportunity to deepen reforms, strengthen institutions, and ensure that economic progress translates into widespread prosperity. Professionals, policymakers, and citizens alike must align their efforts toward building a transparent, resilient, and future-ready economy. India is well positioned to convert its demographic and economic potential into enduring global leadership. The journey from momentum to maturity has begun, and with consistent resolve and collaborative action, the nation can confidently advance toward its aspiration of becoming a trusted, self-reliant, and globally respected *Vishwaguru*.

-Editorial Board ICAI

Partner in Nation Building

CONTENT

FEBRUARY 2026 IN THIS ISSUE...



VOICE

- 991 **Editorial**
India's Economic Momentum: Strength, Stability, and the Road Ahead
- 994 **From the President**
- 999 **ICAI In Action**
- 1003 **Report**
World Forum of Accountants - 2026
- 1011 **Highlights 2025-26**
- 1023 **Significant Achievements 2025-26**
- 1063 **Rack the Brain**
- 1115 **Benevolence**

MEMBERS

- 1098 **Know Your Ethics**
- 1100 **Opinion**



DIRECT TAX

- 1041 **Indexation- Restored or Redesigned?**
CA. Ramya Rao



AUDIT

- 1046 **Understanding the Risk and Its Impact on Audit**
CA. Praveen Daga

ACCOUNTING STANDARDS

- 1052 **Proposed Ind AS 118: A Milestone in Strengthening Presentation and Disclosure in Financial Reporting**
CA. (Dr.) Sanjeev Kumar Singhal & CA. Vishal Doshi
- 1057 **The Consolidation Conundrum: Real-World Battles with Ind AS 110 That Every CA Must Win**
CA. Nekzad Bajan



INTERNATIONAL TAXATION

- 1064 **Permanent Establishment: Understanding its Nuances from Leading Judicial Decisions**
CA. (Dr.) Prajakta Mondhe



MSME

- 1069 **The MSME Evolution: From Credit-Constrained Units to Equity-Funded Corporations**
CA. Manoj Lamba



VALUATION

- 1073 **Valuation of Distressed Real Estate Assets in India: Challenges, Evolving Practices and Methodology**
Arohan Maggo



MANAGEMENT

- 1080 **Unlocking Kaizen Costing: Methods, Classifications, and AI-Driven Strategies for Sustainable Cost Reduction**
CA. Baijul Anand Mehta



DIGITAL TECHNOLOGY

1087 Cloud-Based Accounting: Transforming Financial Management In The Digital Era
Om Prakash Prasad



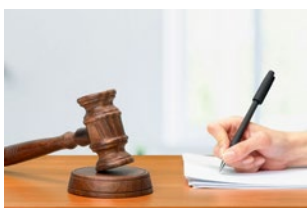
WORK-LIFE BALANCE

1093 Navigating the Complexities of Work-Life Balance
CA. Rajesh Chaplot



UPDATES

- 1107** Accountant's Browser
- 1108** Legal Updates
- 1113** ICAI NEWS
- 1116** ICAI In Media



- EDITOR-IN-CHIEF** CA. CHARANJOT SINGH NANDA
President
- JOINT EDITOR** CA. PRASANNA KUMAR D
Vice-President
- MEMBERS**
- CA. VISHNU KUMAR AGARWAL
 - CA. CHANDRASHEKHAR VASANT CHITALE
 - CA. VISHAL DOSHI
 - CA. MANGESH PANDURANG KINARE
 - CA. PRITI SAVLA
 - CA. BABU ABRAHAM KALLIVAYALIL
 - CA. DAYANIVAS SHARMA
 - CA. MADHUKAR NARAYAN HIREGANGE
 - CA. SRIPRIYA KUMAR
 - CA. SANJIB SANGHI
 - CA. SATISH KUMAR GUPTA
 - CA. GYAN CHANDRA MISRA
 - CA. PANKAJ SHAH
 - CA. HANS RAJ CHUGH
 - CA. (DR.) SANJEEV KUMAR SINGHAL
 - SHRI VINOD KUMAR JINDAL
- CO-OPTED MEMBERS**
- CA. SEKAR M
 - CA. LALIT KUMAR GUPTA
 - CA. KONDA BABU GADI
 - CA. RAJESHWARI S.
- SPECIAL INVITEE**
- CA. BASANT KUMAR MEHTA
 - CA. HIMANSHI CHUGH
 - CA. FAZEEL ZAIDI
- ICAI EDITORIAL TEAM:** KUNAL SHARMA,
SECRETARY, EDITORIAL BOARD
DR. NEETU SINGH, ASSISTANT SECRETARY
MS. SHIKHA SHARMA BHARDWAJ,
ASSISTANT SECRETARY

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, Website: www.icai.org

SUBSCRIPTION RATES

Inland subscribers : ₹ 1,000 per annum
Overseas : \$170 per annum
(subscribers by air mail)

For Overseas Members/Subscribers

- Air Mail Surcharge : ₹ 5,400 per annum
- CA Students : ₹ 1,400 for 3.5 years
- : ₹ 400 per annum

Other students & faculties : ₹ 600 per annum

CLASSIFIEDS:

Minimum ₹ 2,000/- for the first twenty five words or part thereof and ₹ 500/- for five words or part thereof over and above first twenty five words. Please contact: The Journal Section at ICAI Bhawan, Indraprastha Marg, New Delhi 110 002 or call at +91-11-30110472 or e-mail at eboard@icai.in

EDITORIAL SUPPORT & DESIGN

Druck Media Private Limited
Plot No. 8 Udyog Vihar, Greater Noida, Uttar Pradesh, India- 201306

ICAI RESERVES THE RIGHT TO REJECT ADVERTISEMENTS.

Printed and published by Jai Kumar Batra on behalf of
The Institute of Chartered Accountants of India (ICAI)

Editor – CA. Charanjot Singh Nanda

Published at The Institute of Chartered Accountants of India,
I. P. Marg, New Delhi - 110002 and printed at Druck Media Private
Limited, Plot No.8, Udyog Vihar, Greater Noida, Uttar Pradesh,
India- 201306

The views and opinions expressed or implied in THE CHARTERED ACCOUNTANT are those of the authors and do not necessarily reflect those of ICAI. Unsolicited articles and transparencies are sent in at the owner's risk and the publisher accepts no liability for loss or damage. Material in this publication may not be reproduced, whether in part or in whole, without the consent of ICAI.

DISCLAIMER: The ICAI is not in any way responsible for the result of any action taken on the basis of the advertisements published in the Journal. The members, however, may bear in mind the provisions of the Code of Ethics while responding to the advertisements.

Total Circulation: 66,229
Total No. of Pages: 132 including Covers
E-Journal circulation (Soft copy): 4,42,454

From the President



CA. Charanjot Singh Nanda
President, ICAI

Dear Professional Colleagues,

February ushers in a season of transformation for our beloved Institute. Just as nature awakens from winter's slumber, shedding the old to embrace the new, so too does our Institute experience its annual rejuvenation. Fresh winds of change sweep through, carrying with them innovative ideas and renewed vigour, breathing life into our collective aspirations. This transformation visits the Institute unfailingly each February. When the 12th of February arrives, amidst the crisp winter air of Delhi, a sacred transition unfolds within the hallowed Council Chambers. A new President assumes the mantle of responsibility, carrying forward the torch that has been passed down through seventy-three distinguished predecessors. Though faces change and personalities differ, the essence remains eternal: our firm dedication to the profession, our commitment to excellence, and our sacred trust to the nation. This seamless continuity in change is the very hallmark of our institutional maturity. It is a testament that we serve something far greater than ourselves - the Institution and the ideals it embodies.

As I pen these words, having completed my tenure as the 73rd President of this venerable Institute, I

am overwhelmed with profound gratitude. This extraordinary journey has been made possible only through the boundless affection of countless members across the nation, the steadfast confidence of my esteemed Council colleagues, the tireless dedication of our institution staff, the quiet understanding of my professional associates, and most significantly, the loving patience and countless sacrifices of my beloved family.

I must specially acknowledge the pillar of strength who has stood beside me through every challenge and triumph, CA. Prasanna Kumar D., our Vice-President, whose wisdom, grace, and exemplary leadership have been a constant source of inspiration throughout our collaboration.

The poet reminds us, "*Ruk jana nahin tu kahin haar ke, kaanton pe chal ke milenge saaye bahaar ke.*" Progress belongs not to one, but to many

persevering together. I am, but a drop in this infinite ocean, yet every drop bears a responsibility. The trust reposed in me by my family, the Council, and thousands of members of this great Institute has been my greatest strength. I sincerely hope that my tenure has honoured it with sincerity and integrity.

The past year was a roller-coaster ride full of challenges and triumphs, from fortifying audit standards to harmonising our Code of Ethics with global benchmarks and empowering CA Firms through domestic and global networking guidelines. Yet, one truth shone through: we are ascending, with a clear roadmap and unyielding purpose. We will not slow down, not until India fulfils the dream of billions, the dream of a truly *Viksit Bharat*.

When I entered this profession as a Chartered Accountant, our call was clear, guide organizations with accurate numbers and uphold the highest standards of ethics and integrity in financial reporting. But the time has advanced. Technology has reshaped our profession, redefined expectations, and expanded responsibilities. Relevance today demands not the resistance but the bold embrace of change, with courage, foresight, and adaptability. Our profession now demands far more

than routine tasks that software can perform with ease. We must think strategically, interpret data insightfully, and forge value on the bedrock of law and ethics. Our nation needs Chartered Accountants who are technologically empowered, professionals who can strengthen the economy through informed decisions and responsible financial stewardship. The world looks to us to embed sustainability into reporting, to balance growth with conscience, and to align profit with purpose. This is our duty, our chance and our legacy.

That is why I firmly believe, *“An era thrives on transformation, not by inertia. Tomorrow belongs to those who advance with purpose and momentum, not those who remain still.”* India is not in the mood to pause, and neither is ICAI. Our nation is steadily moving forward towards the stature of being a global superpower it truly deserves, and the profession must move in step with that aspiration. The Council Year 2025–26 was both privilege and responsibility driving change to elevate our profession’s relevance and higher standards. ICAI entered a transformative era: strategically aligned with national priorities, seamlessly integrated globally, and anchored in stakeholder trust.

Our roadmap shifted from vision to tangible impact. Looking back, this wasn’t a year of mere time, but a journey of being *Vishwasniya* measured in trust, courage, and countless moments of shared belief. Across India and beyond, ICAI touched institutions, industries, and individuals at a scale that reflects both purpose and performance. I take pride in milestones like mentoring 19,355 MSMEs in a single day, recognised by multiple international record bodies, or guiding over 7,400 students in a Guinness World Record–setting career lesson every triumph stands as a testament to our dedication of being a *Partner in Nation Building*.

We strengthened India’s governance and financial ecosystem through strategic collaborations with national institutions, including the office of CAG of India, SCOPE, NIUA, MGSIPA, RRU, NFSU, NPCL, IVCA, NSE IX, and multiple State Governments, focusing on capacity building and knowledge sharing. Further, the institute entered partnership with the Army Purchase Organisation (APO), Directorate General of Supply and Transport, Indian Army, Ministry of Defence (MoD) to strengthen the procurement process in the army, enabled by real-time UDIN verification. Also, I take immense pride in sharing that the UDIN crossed the historic milestone of 10 crore documents, emerging as the globally admired model of trust and authenticity.

The Institute equipped members with cutting edge skills through new Certificate courses on Independent Directors, Mediation, Labour Laws, Estate & Succession Planning, Investment Banking, Non-Banking Financial Companies and on Overseas Outsourcing Services for Australia, Canada and the UK - preparing professionals for global markets with specialised, practical expertise.

We marked strategic entry into dispute resolution with the launch of the ICAI International ADR Centre on 31 July 2025, as a section 8 company, reinforcing trust, efficiency, and investor confidence.

ICAI’s commitment to sustainability and holistic well-being was reflected through the celebration of International Yoga Day with over 2,000 members gathering at Bharat Mandapam under the theme *“Yoga for One Earth, One Health.”* Furthermore, our biodiversity initiative with UN GCNI on 24 May 2025 brought together 200+ stakeholders to integrate nature into business strategy. It is a matter of great pride that the ICAI has been recorded in the Asia Book of Records for organising Yoga sessions simultaneously on International Yoga Day, 2025. Similarly, nationwide, skill enrichment and online wellness programmes earned recognition from both the Asia Book of Records and the India Book of Records. These remarkable achievements reflect ICAI’s spirit of promoting professional excellence anchored in holistic wellbeing.

We powered India’s growth engines through MSME and Startup conclaves, launching the MSME Clinic Programme, and hosting a GCC Summit Series in collaboration with MEA, MeitY, IFSCA, SEPC, Invest India, NSDC, and IIM Sambalpur. Our outreach extended to tribal and rural communities through financial literacy programmes in Meghalaya, championing inclusive growth at the grassroots.

Beyond the extensive capacity-building initiatives, investor and financial literacy programmes, focused MSME empowerment, student-centric reforms, we rolled out technology-led solutions such as the Carbon Emission Calculator embedding sustainability at every level.

ICAI, under the aegis of the Ministry of External Affairs, Government of India, successfully organized two Indian Technical and Economic Cooperation (ITEC) Professional Training Programs during the Council Year 2025–26, further strengthening India’s commitment to global capacity building in the accounting profession.

The sky is no longer the limit—it's just the beginning. With visionary leaders, ICAI will soar- aligning seamlessly with government goals to position India as a global powerhouse.

Let's have a look at the recent developments of the Institute:

World Forum of Accountants (WOFA 2.0)

World Forum of Accountants (WOFA 2.0) will always remain etched in my heart, not as an event but as shared belief in action. We have witnessed professionals from across the world come together, bringing with them diverse experiences, ideas, and hopes for the future of our profession. As Hon'ble Prime Minister has quoted in goodwill message, *"Chartered Accountants are respected for their financial expertise and professional competence across the globe. They have long been the custodians of financial discipline and institutional trust"*. In those moments of dialogue and connection, I felt the quiet reassurance that our dream of taking the profession global has truly begun to take shape. This three-day odyssey sparked beginnings, planting seeds in the young minds, fostering introspection, and charting paths to shared excellence. I hope that the seeds sown through WOFA will continue to grow, guiding the profession far beyond boundaries and into a future of shared excellence.

WOFA 2.0 was inaugurated by CA. Piyush Goyal, Hon'ble Minister of Commerce and Industry, as the Chief Guest and Shri Kumar Mangalam Birla, Chairman, Aditya Birla Group, as the Guest of Honour, in the august presence of Mr. Jean Bouquot, President, IFAC, and Ms. Jennifer Lopez, CEO, CAPA. The event was graced by Hon'ble Members of Parliament Shri Arun Singh, Shri P. P. Chaudhary, Shri Vivek Tankha, Shri Kartikeya Sharma and Shri Tejasvi Surya. Concluding on a resounding note, WOFA 2.0 brought together over 10,000 delegates and 250+ speakers, including policymakers, regulators, global standard setters, industry leaders and senior professionals, who deliberated across 21 plenary sessions and 42 concurrent sessions, firmly establishing the Forum as a powerful global platform showcasing India's professional excellence and reinforcing the nation's position as a trusted hub of competence, credibility and thought leadership in the accounting and finance profession.

The impactful second day concluded with the presentation of the prestigious second edition of

the ICAI Awards under two categories - Excellence in Financial Reporting 2024-25 and Promotion of Accounting Reforms in Local Bodies 2025-26. The awards were presented by CA. Satish Golchha, IPS, Commissioner of Police, Delhi, is the Chief Guest of the ceremony.

On the 3rd day second part of prestigious ICAI Awards ceremony celebrating professional excellence and leadership across multiple domains was held i.e.- 19th ICAI Awards for Members in Industry recognised outstanding contributions by Chartered Accountants in the corporate and industrial sectors, along with 3rd CA Women Excellence Awards honouring exemplary achievements by women CAs and 4th ICAI Sustainability Reporting Awards 2024-25, acknowledging organisations demonstrating excellence in sustainability disclosures and responsible reporting. The awards recognise and honour outstanding contributions of chartered accountants and institutions towards strengthening India's financial ecosystem. The awards ceremony was graced by Shri Raj Bhushan Chaudhary, Hon'ble MoS for Jal Shakti, as the Chief Guest.

The Institute magnificently celebrated its 76th Annual Function, a momentous occasion graced by the esteemed presence of Shri Arjun Ram Meghwal, Hon'ble Minister of State (Independent Charge), Law and Justice, as the Chief Guest. The event provided a distinguished platform to celebrate excellence, recognising meritorious CA students, Regional Councils, Branches, and Overseas Chapters for their outstanding achievements and contributions during the year.

Local Governance Synergy Conclave 2.0

ICAI organised Local Governance Synergy Conclave 2.0 on the theme, reinforcing its commitment to strengthening local financial governance in alignment with the vision of Viksit Bharat. The conclave was graced by Shri. K. Sanjay Murthy, Hon'ble Comptroller & Auditor General of India, as the Chief Guest, along with Shri. Manish Kumar, Deputy C&AG (Local Governance Audit) and Chairperson, BLoAC. The event witnessed active participation from approximately 160 stakeholders across India, including officials from the Office of the C&AG, MoHUA, MoPR, MoRD, State Governments, Panchayati Raj Institutions, Local Fund Auditors, State Accountant Generals, and representatives of Urban and Rural Local Bodies, and deliberations focussed on financial reporting,

management, auditing, and the role of digital tools in enhancing transparency and accountability in Local Self-Governments.

Cooperative Chintan Shivir - Strengthen India's Cooperative Ecosystem

The Institute organised the Cooperative Chintan Shivir under the theme “*Transforming India's Economic Future through the Expanding Role of Chartered Accountants*”, providing a platform for in-depth deliberations on the growing role of Chartered Accountants in strengthening the cooperative sector and reinforcing its contribution to India's economic development. The event was inaugurated by Shri Bhupender Yadav, Hon'ble Union Minister for Environment, Forest & Climate Change, along with Shri Krishan Pal Gurjar, Hon'ble Union Minister of State for Cooperation and Shri Suresh Prabhu, Founding Chancellor of Rishihood University. During the event, a Concept Paper on strengthening India's cooperative ecosystem was also launched, outlining the strategic role of Chartered Accountants in enhancing governance, financial transparency, audit quality and capacity building within cooperative institutions. The Chintan Shivir concluded with actionable insights and policy-oriented suggestions focused on strengthening India's cooperative ecosystem, in alignment with national development priorities and the vision of a resilient, transparent, and professionally governed cooperative sector.

ITEC Training -Supporting Global Capacity Building

The Institute, under the aegis of the Ministry of External Affairs, Government of India, successfully organized two Indian Technical and Economic Cooperation (ITEC) Professional Training Programs during the Council Year 2025–26, further strengthening India's commitment to global capacity building in the accounting profession.

Building on the success of the inaugural initiative, ICAI conducted the Second ITEC Training Program on the theme ‘Frontiers of Global Accounting: Mastering Digital Transformation’ from 15th to 26th September, 2025, at the Centre of Excellence (CoE), Hyderabad. The program witnessed participation from 29 delegates representing 17 countries. Further expanding its global outreach, ICAI organized the Third ITEC Training Program at COE, Hyderabad on the theme “Engaging

the Public Accountants in the 21st Century” from 12th to 23rd January, 2026. The program was attended by 18 participants from 11 countries.

GES-CA 2026: Transform Commerce Education into Future Leadership

The Institute organised a two-day Global Education Summit in Commerce and Accountancy (GES-CA) 2026 on the theme “*Rising Together - Transforming Commerce Learning into Leadership*” in New Delhi, aimed at strengthening the ecosystem for commerce education in the country, towards positioning India as the Global Talent Hub. The summit was inaugurated by Shri Suresh Prabhu, Founding Chancellor of Rishihood University, the second day featured a special address by Shri Arun Singh, Hon'ble Member of Parliament. The summit brought together Vice Chancellors, Policy makers, Industry Leaders, Directors, Principals, Deans, Professors and distinguished professionals from 24 States and 2 Union Territories across the country specializing in Commerce and Accountancy.

During the summit, Memoranda of Understanding (MoUs) were signed with 15 universities/colleges. Further, to bridge the gap between academic curricula and professional requirements, ICAI launched the ‘ICAI Model Curriculum for Commerce and Accountancy Education in alignment with the transformative vision of the National Education Policy 2020.

Advancing GST Thought Leadership and Cooperative Governance

The ICAI successfully convened the 4th National GST Symposium on 8–9 January 2026 at Kovalam, Thiruvananthapuram, reinforcing the Institute's role as a catalyst for dialogue and development in the GST ecosystem. The Symposium brought together 97 senior officers from 24 States and key institutions, including GSTN, CAG, the GST Council Secretariat, and GSTAT, fostering meaningful exchange on policy, administration, and implementation challenges. Eminent former CBIC leaders shared valuable insights, while focused technical sessions addressed critical areas such as the GST Appellate Tribunal, next-generation audits, adjudication quality, GST–Customs interface, data analytics, and inter-tax coordination, collectively advancing the vision of GST as a “good and simple tax”.

Expanding the National Footprint of Financial and Tax Literacy

I am happy to share that ICAI achieved a historic milestone by creating a World Record for conducting more than 190 financial and tax literacy programmes across the country within a short span of nine months, from March to November 2025. This remarkable outreach initiative, recognised by the World Book of Records, London, reflects the Institute's unwavering commitment to enhancing financial awareness, promoting informed citizenship, and strengthening economic literacy at the grassroots level across India.

Strengthening Audit Quality through Peer Review Continuity

The Council of the ICAI has decided to extend the applicability of Phase IV of the Peer Review Mandate to 31.12.2026. Accordingly, For Practice Units that propose to undertake a statutory audit of branches of Public Sector Banks or Practice Units rendering attestation services and having 3 Partners, will be required to undergo peer review mandatorily from December 31, 2026.

Tribute to CA. Jaydeep N. Shah, Past President

It is with profound sorrow and a deep sense of loss that the accountancy profession mourns the sad demise of our esteemed Past President (2012-13), CA. Jaydeep Narendra Shah, whose life and service stand as a shining example of leadership, integrity, and unwavering commitment to the profession. Beyond his professional excellence, he was a mentor, an inspiration, and a source of wisdom to generations of members and students. Very recently, I had the opportunity to meet him, and it is unbelievable that he is no more with us. His humility and ethical values will continue to guide us in the years ahead. We extend our heartfelt condolences to the bereaved family and pray that his noble soul rests in eternal peace.

Conclusion

As I step down as President, I do not leave this Institute, or the bond we share. My title changes, but my devotion to our profession, this great institution, and our nation endures. I carry every handshake, dialogue, challenge we conquered together, and above all, the Vishwas you all placed in me.

I will never forget the words echoed by my Late Mother that this is not just an Institute but 'Gurudwara' for us and as said by my mother this institute will always remain my temple and my service to the nation and this great institute will continue until my last breath, because this calling is not a role, it is a responsibility etched in my heart.

To the next generation of Chartered Accountants and aspiring CAs, my message is: Believe in your potential, Uphold integrity, Embrace innovation and walk with courage. The world watches, and you have the power to show how India excels through excellence, ethics, and empathy.

Rise not only professionally, but as nation builders, torchbearers of trust, and architects of a stronger tomorrow.

I depart with hope, with pride, and with unshakeable faith that you will carry this legacy even further.

Friends, this is not a goodbye; it is simply a promise that wherever I stand, I will always stand with you.

ये सिलसिला—ए—ख़िदमत रुकता नहीं, बस दौर बदल जाते हैं, वतन से जो वादा है, वो साँस तक निभाए जाते हैं।



CA. Charanjot Singh Nanda
President, ICAI
New Delhi, 1st February, 2026

1. Meeting with Hon'ble Minister for Road Transport & Highways



CA. Charanjot Singh Nanda, President, ICAI met Shri Nitin Gadkari, Hon'ble Union Minister for Road Transport & Highways on January 8, 2026, and discussed nation-building through infrastructure, governance & professional excellence.

2. Meeting with Hon'ble MoS (I/C), Law & Justice & Parliamentary Affairs



CA. Charanjot Singh Nanda, President, ICAI along with CA. Prasanna Kumar D., Vice-President, ICAI & Central Council Member met Shri Arjun Ram Meghwal, Hon'ble MoS (I/C), Law & Justice & Parliamentary Affairs on January 20, 2026. A meaningful interaction towards nation-building, while thanking him for graciously accepting the invite to ICAI WOFA 2.0.

3. Corporate Chintan Shivir



CA. Charanjot Singh Nanda, President, ICAI & CA. Prasanna Kumar D., Vice-President, ICAI along with Shri Bhopendra Yadav, Hon'ble Union Minister, Shri Krishna P. Gurjar, Hon'ble Minister of State & Central Council Members graced the Corporate Chintan Shivir in New Delhi on January 12, 2026 advancing dialogue on nation building.

4. 45th CIRC Regional Conference



CA. Charanjot Singh Nanda, President, ICAI & CA. Prasanna Kumar D., Vice-President, ICAI along with Shri Tokhan Sahu, Hon'ble Union Minister, Past Presidents, Central Council Members, CIRC & Branch Management Committee Members graced the 45th CIRC Regional Conference held in Bilaspur on December 24, 2025, reinforcing ICAI's role in growth, governance & a Viksit Bharat.

5. Meeting with Hon'ble Chief Minister of Uttar Pradesh



CA. Charanjot Singh Nanda, President, ICAI met Shri Yogi Adityanath, Hon'ble Chief Minister of Uttar Pradesh in Lucknow on January 2, 2026, along with Central Council Member. The interaction focused on Professional Excellence & Nation Building.

6. Meeting with Hon'ble Chief Minister of Delhi



CA. Charanjot Singh Nanda, President, ICAI & CA. Prasanna Kumar D., Vice-President, ICAI along with Central Council Member, met Smt. Rekha Gupta, Hon'ble Chief Minister of Delhi on December 29, 2025, to discuss strengthening professional excellence, governance & nation-building through a future-ready accountancy ecosystem.

7. Meeting with Hon'ble C&AG and Deputy C&AG



CA. Charanjot Singh Nanda, President, ICAI along with CA. Prasanna Kumar D., Vice-President, ICAI met Shri Sanjay K. Murthy, Hon'ble C & AG of India & Shri Anand Mohan Bajaj, Hon'ble Deputy C&AG on January 6, 2026, to deepen dialogue on governance & nation building.

8. Local Governance Synergy Conclave 2.0



CA. Charanjot Singh Nanda, President, ICAI along with CA. Prasanna Kumar D., Vice-President, ICAI, Shri Sanjay K. Murthy, Hon'ble C&AG & Shri Manish Kumar, Hon'ble Deputy C&AG, Central Council Members & Secretary, ICAI graced Local Governance Synergy Conclave 2.0 -Strengthening Accountability & Public Financial Governance organized in New Delhi on January 12, 2026.

9. Interactive Meet



CA. Charanjot Singh Nanda, President, ICAI with Shri Satish Marathe, Director-RBI & NABARD, Past President & Central Council Members interacted with CFOs, CA Directors and Audit Committee Chairmen of Banking Sector of India during an Interactive Meet organized on January 9, 2026 in Mumbai.

10. Meeting with Secretary, Dept. of Public Enterprises, Ministry of Finance



CA. Charanjot Singh Nanda, President, ICAI & CA. Prasanna Kumar D., Vice-President, ICAI along with Central Council Members & NIRC Reginal Council Member met Shri K. Moses Chalai, IAS-Secretary, Dept. of Public Enterprises, Ministry of Finance on January 7, 2026, to discuss governance, reforms & nation-building.

11. Global Education Summit in Commerce & Accountancy (GES-CA)



CA. Charanjot Singh Nanda, President, ICAI along with CA. Arun Singh, Hon'ble Member of Parliament, Central Council Members and Secretary, ICAI graced the Global Education Summit in Commerce & Accountancy (GES-CA) held in New Delhi on January 17, 2026, strengthening dialogue on professional excellence.

12. Meeting with Hon'ble Member of Parliament



CA Charanjot Singh Nanda, President, ICAI met Shri Karthikeya Sharma, Hon'ble Member of Parliament in New Delhi on January 23, 2026, and discussed the role of Chartered Accountants in nation-building, policy support, and strengthening India's economic and governance framework.

16. National Conference, Jaipur



CA. Charanjot Singh Nanda, President, ICAI & CA. Prasanna Kumar D., Vice-President, ICAI along with Shri Vasudev Devnani, Hon'ble Speaker of Rajasthan Legislative Assembly, CA. Dharmender S. Shekhawat, Ind. Director-SBI, Central Council Members & Branch Management Committee Team graced Inaugural Ceremony of National Conference held in Jaipur on December 30, 2025.

Branch Management Committee Team graced Inaugural Ceremony of National Conference held in Jaipur on December 30, 2025.

15. Residential Meet, Amritsar



CA. Charanjot Singh Nanda, President, ICAI & CA. Prasanna Kumar D., Vice-President, ICAI along with Secretary, ICAI addressed CA members in Public service, in a Residential Meet held in Amritsar on January 4, 2026, deliberating on the pivotal role of Chartered Accountants in realising the vision of Viksit Bharat.

13. Meeting with Gurudev Sri Sri Ravi Shankar



CA. Charanjot Singh Nanda, President, ICAI met Gurudev Sri Sri Ravi Shankar on January 9, 2026 in Bengaluru, exchanging thoughts on leadership, ethics and nation-building. President, ICAI also extended an invitation to Gurudev to grace ICAI World Forum of Accountants – WOFA 2.0.

14. National GST Symposium



CA. Charanjot Singh Nanda, President, ICAI along with Central Council Members, Secretary, ICAI & Branch Management Committee Members, graced the National GST Symposium organized in Thiruvananthapuram on January 8, 2026, advancing thought leadership on GST reforms, trust-based compliance and Nation-Building.

17. National Conference, Ghaziabad



CA. Charanjot Singh Nanda, President, ICAI along with Central Council Members and Branch Management Committee Members, graced the CA Members' National Conference PRAVAH held in Ghaziabad on December 27, 2025, sharing inspiring insights on professional excellence, leadership, and future readiness.

18. Leadership Connect under Special Forum 2026



CA. Charanjot Singh Nanda, President, ICAI & CA. Prasanna Kumar D., Vice-President, ICAI along with Central Council Members & Secretary, ICAI graced Leadership Connect under Special Forum 2026, where ICAI launched the E-Diary* for students and members, leveraging technology to redefine articulated training for a future-ready profession.

19. Inauguration of ICAI Branch Building, Chengalpattu



CA. Charanjot Singh Nanda, President, ICAI along with CA. Prasanna Kumar D., Vice- President, ICAI, Central Council Member and SIRC Regional Council Member & Branch Management Committee Members, inaugurated the new ICAI Branch Building in Chengalpattu on January 24, 2026, strengthening professional infrastructure and member services.

20. Inauguration of New ICAI Bhawan, Jalandhar



CA. Charanjot Singh Nanda, President, ICAI along with Central Council Members, NIRC Regional Council Members & Branch Management Committee Members, graced the inauguration of new ICAI Bhawan in Jalandhar on January 16, 2026, strengthening the institutional foundation of the profession & advancing nation-building through professional excellence.

21. ICAI-Dubai (UAE) Chapter Conference



CA. Charanjot Singh Nanda, President, ICAI along with Dubai Chapter Team graced the ICAI-Dubai (UAE) Chapter Conference on "Wealth Protection & Inheritance Planning" held on January 11, 2026 in Dubai, reinforcing ICAI's global commitment to robust governance, succession planning & cross-border wealth stewardship.

22. 2nd ICAI GCC Annual Seminar & 37th Annual Seminar of ICAI- Abu Dhabi Chapter



CA. Charanjot Singh Nanda, President, ICAI along with dignitaries & ICAI Abu Dhabi Chapter Team graced the 2nd ICAI GCC Annual Seminar & 37th Annual Seminar of ICAI-Abu Dhabi Chapter held on January 10, 2026, strengthening ICAI's global footprint and enhancing global professional excellence.

WOFA 2.0: Nation Building to Global Collaboration: Strengthening Trust, Enabling Growth

“The profession has the ability and the confidence to take this country in the Amrit Kal to greater heights to make this a developed nation and make us an international superpower.”

– Shri Piyush Goyal, Hon'ble Union Minister of Commerce and Industry



The World Forum of Accountants 2.0 (WOFA 2.0) organised by the Institute of Chartered Accountants of India (ICAI) from 30 January to 1 February 2026, at the India Expo Centre & Mart, Greater Noida is a premier global congregation of Chartered Accountants. A dynamic rendezvous of the global accounting fraternity, WOFA 2.0 serves as a strategic platform to deliberate on the evolving role of the profession in shaping a progressive, resilient and globally competitive India. The forum brings together thought leaders, policymakers, industry stalwarts and professionals to chart a roadmap for future-ready accountancy, while empowering young members with insights, opportunities and global perspectives. Anchored in the theme *“Nation Building to Global Collaboration: Strengthening Trust, Enabling Growth,”* the event reflects upon the transformative journey of the profession, from being the backbone of national financial systems to becoming a key driver of global economic governance.

WOFA 2.0 commenced with an inaugural session of traditional invocation, seeking the blessings of Goddess Saraswati, symbolising the pursuit of knowledge and enlightened progress. The ceremonial lighting of the lamp was graced by **Shri Piyush Goyal**, Honourable Union Minister of Commerce and Industry; **Shri Kumar Mangalam Birla**, Chairman, Aditya Birla Group; **Mr. Jean Bouquot**, President, IFAC; **Ms. Jennifer Lopez**, CEO, CAPA; **CA. Charanjot Singh Nanda**, President, ICAI; **CA. Prasanna Kumar D.,**

Vice President, ICAI; **CA. (Dr.) Jai Kumar Batra**, Secretary, ICAI; **CA. Jagjeet Singh Jags**, Chairman, NIRC; and **CA. Ankur Kumar Gupta**, Chairman, CIRC, setting a powerful tone for a forum dedicated to shaping a trusted and sustainable global future.

The three day event will feature insightful, solution-oriented sessions on key themes including Ethics and Global Trust in the Digital Era; Sustainability and Social Impact; Digital Transformation, AI and Innovation; Resilient Leadership and Wellness; Global Collaboration; Youth and Women-led Development; Public Financial Management; Entrepreneurship through MSMEs and Startups; and Next-Gen Skills for a Future-Ready Profession.

Planery Session 1: Shaping the Future Together: Vision for a Global Profession





The session commenced with opening remarks by **CA. G. Ramaswamy, Past President, ICAI**, who highlighted the forum as a vital platform for advancing the globalisation of the profession. He emphasised that technological disruption, automation and artificial intelligence have increased

both the opportunities and responsibilities of accountants, making trust, integrity, cybersecurity and transparency more critical than ever. He further outlined ICAI's initiatives to strengthen the Code of Ethics, expand global networks and enhance international presence through overseas chapters and professional collaborations.

Keynote Address by CA. Prasanna Kumar D., Vice-President, ICAI



CA. Prasanna Kumar D., Vice-President, ICAI, highlighted that the future of the global economy will be shaped not by isolated excellence but by collective responsibility, ethical leadership and trusted institutions. He underlined that the role of Chartered Accountants has moved far beyond compliance into

strategic advisory, sustainability assurance and governance leadership. He emphasised that trust has become the new global currency and must be built through strong institutions and ethical professionals. Emphasizing sustainability, he stated that accountants are central to credible ESG reporting and responsible capital allocation, while technology, guided by ethics, will define the profession's future. He reaffirmed ICAI's commitment to IFAC standards and global harmonisation.

Mr. David Franklin, CFO, ICAEW



Mr. David Franklin, CFO, ICAEW, shared his thoughts that the global economy is being reshaped by significant economic, social and geopolitical turbulence, within which India has emerged as a key global player driven by strong growth, digital advancement and innovation. He noted that the accounting

profession enjoys high and rising levels of public trust and is increasingly recognised as a strategic voice for business and society. The profession's role has expanded beyond traditional compliance to include long-term value creation, strategic leadership and nation-building. He highlighted the transformative impact of technology, particularly artificial intelligence, which is redefining how accountants analyse data, manage risk and deliver insights. While AI offers significant opportunities, he stressed the importance of ethical use,

transparency and data protection. He reaffirmed ICAEW's commitment to supporting professionals through training, sustainability initiatives and global collaboration to navigate ongoing transformation in the public interest.

Professor Dale Pinto, President, CPA Australia



The session was proceeded with the thoughts of **Professor Dale Pinto, President, CPA Australia**, who shares a deep personal and professional connection with India, acknowledging his South Indian roots and highlighting India's distinctive blend of ancient wisdom and modern ambition. He described

India as an ideal **मंच** for global dialogue, reflecting resilience, innovation and immense potential. He emphasised that sustainability, climate action and social impact have become core professional responsibilities, transforming accountants from traditional stewards of compliance into strategic "*Partners for Progress*" influencing market integrity and long-term value creation. Stressing the importance of intergenerational thinking, he advocated a shift from short-term financial outcomes to sustainable economic and societal well-being. He highlighted the strong collaborative potential between India and Australia, particularly in renewable energy and integrated reporting. He further noted that technology and artificial intelligence are reshaping the profession, enabling higher-value judgment while reinforcing the need for ethical leadership, human oversight and sustainability-driven professional competence.

Mr. Jean Bouquot, President, IFAC



The session was ascended by **Mr. Jean Bouquot, President, IFAC** who expressed appreciation to the Institute for organizing WOFA and highlighted IFAC's role as the global voice of the accountancy profession, representing millions of professionals across 143 jurisdictions. He emphasised IFAC's

commitment to connecting members, championing integrity and shaping a future-ready profession, while acknowledging ICAI as a founding and valued member. He noted ICAI's significant contribution to India's economic development and to international standard-setting through active global engagement. Outlining IFAC's strategic priorities, he stressed the critical importance of sustainability, high-quality assurance, technology and artificial intelligence, and talent development. He cautioned that the profession must adapt rapidly to remain relevant, while reaffirming that ethics, independence and professional judgment remain the foundation of trust in an increasingly complex global environment.



The session concluded with closing remarks by **CA (Dr.) Debashis Mitra, Past President, ICAI**, who reiterated ICAI's leadership in sustainability and artificial intelligence, reaffirming the profession's role as a trusted partner in nation-building and global development.

Planery Session 2: From Vision to Vikas: Shaping India's Inclusive Growth Story



The session explored the evolving role of Chartered Accountants in shaping India's Viksit Bharat @2047 vision, highlighting the profession's transition from compliance-driven functions to strategic leadership in national development. The discussion underscored the critical contributions of CAs in economic reforms, governance strengthening and crisis management, while emphasising their growing role in policy execution, institution building and value creation across emerging sectors.

Shri P. P. Chaudhary, Member of Parliament



Shri P. P. Chaudhary, Hon'ble Member of Parliament, shared his thoughts on vision to Vikas of India and highlighted ICAI's legacy as one of India's oldest professional institutions, underscoring its enduring role as a trusted pillar in the nation's economic and developmental journey. He

noted with pride the increasing representation of women in the profession, reflecting their growing leadership and contribution to nation-building. He further observed that India has emerged as the world's fourth-largest economy and is well positioned to become the third-largest by the end of the decade, signalling strong prospects for sustained growth and global influence.

Shri Arun Singh, Member of Parliament



Shri Arun Singh, Hon'ble Member of Parliament, proceeded the session and stated that the objective of the WOFA programme was to deepen the understanding of India's democratic framework and the role of professionals in building a capable, self-reliant

nation aligned with the vision of Viksit Bharat @2047. He then emphasised that Chartered Accountants form the backbone of the Indian economy and that inclusive growth, centred on welfare, equity and empowerment, remains the Government's core development philosophy.

Further, he highlighted the key initiatives that have been the catalyst in making India a developed country like Jan Dhan Accounts, Direct Benefit Transfers, housing, clean drinking water and Mudra credit. He shared that 25 crore citizens have been lifted out of poverty over the past decade. He further underscored youth power as India's greatest strength and urged pride in indigenous culture, languages and Swadeshi products as vital to achieving a developed India.

Shri Vivek Tankha, Member of Parliament



Shri Vivek Tankha, Hon'ble Member of Parliament, Rajya Sabha proceeded the session and shared his thoughts on geopolitical challenges impacting the global financial ecosystem and underscored the critical role of Chartered Accountants as the true gatekeepers of the economy. While policy

announcements often receive public attention, he observed that it is the CA community that acts as the real crisis managers, ensuring stability during regulatory changes, taxation reforms and economic disruptions. Drawing a parallel with the legal profession, he emphasized the need for statutory recognition of professional confidentiality and privacy for Chartered Accountants, similar to the protections accorded to lawyers. He highlighted that Chartered Accountants will be a pillar in building Viksit India.

Dr. Anurag Batra, Chairman and Editor-in-Chief, Business World



Serving as the moderator of the session, **Dr. Anurag Batra, Chairman and Editor-in-Chief, Business World**, offered a contemporary perspective on the evolving role of Chartered Accountants, describing them metaphorically as "creators, preservers and destroyers" who actively shape mergers, succession planning and institutional growth. He highlighted the Government's development approach as being driven by scale, long-term vision and global impact, under the leadership of Hon'ble Prime Minister Shri Narendra Modi. Referring to the recently signed India-EU trade agreement, he underscored its strategic significance for economic transformation. Drawing from global research, he further emphasized that future growth across sectors will be critically dependent on energy security, data infrastructure and access to critical minerals.

Planery Session 3: Wellness@ Work: Building Balance, Strength & Resilience



CA. M. Devaraja Reddy, Past President, ICAI, welcomed Yog Guru Ramdev and extended his greetings to the Hon'ble President and Vice-President of ICAI, CA. (Dr.) Girish Ahuja, Council Members and the distinguished gathering. He commenced the session with a Shanti Mantra, setting a reflective tone. He observed that while technology has significantly enhanced efficiency, flexibility and global connectivity, it has also blurred the boundaries between professional and personal life. He emphasized the importance of workplace wellness for sustained productivity and clarity, and, referring to the Bhagavad Gita, highlighted the principle of balance as the key to holistic well-being.

CA. Charanjot Singh Nanda, President, ICAI, further graced the stage and extended a warm welcome to Swami Ramdev and remarked that Yoga is closely associated with him, whose name naturally comes to mind whenever yoga is cited. He emphasised that Swami Ramdev has played a pivotal role in bringing yoga from the traditional and secluded practices of India to the global mainstream. It was him who brought yoga from the sheltered caves of India into every households of the nation and across the world.



The session then proceeded with the thoughts of **CA. (Dr.) Girish Ahuja** who warmly welcomed Swami Ramdev and acknowledged the transformative impact of his teachings on yoga and disciplined living in improving health and well-being. He highlighted Swami Ramdev role in promoting

yoga globally and emphasized the importance of natural remedies strengthening immunity and supporting holistic wellness.

Keynote Speaker: Swami Ramdev, Yoga Guru



Swami Ramdev addressed the gathering with warmth, conviction and practical insight. Emphasising that true health originates within the human body, he stated that yoga is the key to unlocking this inherent potential. He explained that the regular practice of yoga helps regulate weight, control

blood sugar levels, enhance energy and improve overall well-being. He highlighted yoga as an effective solution for

managing lifestyle-related disorders such as obesity, diabetes, thyroid conditions, arthritis and asthma, while significantly strengthening immunity.

He outlined five simple yogic practices that professionals can seamlessly integrate into their daily routines and stressed the importance of pranayama and meditation for physical, mental and emotional balance. He noted that proper breathing ensures optimal oxygen supply, reduces stress and helps prevent lifestyle diseases. In particular, he highlighted the benefits of Anulom Vilom, Kapalbhathi, Bhramari and meditation in improving clarity of thought, emotional stability and self-discipline.

Swami Ramdev further described yoga as a strategic tool for professional excellence, stating that consistent practice sustains energy levels, enhances concentration and promotes inner calm. Sharing insights from his own disciplined lifestyle, he explained how a yogic routine has enabled him to maintain high levels of physical fitness and mental vitality, despite demanding schedules and advancing age.

He reminded the audience that yoga is not merely a physical activity but a comprehensive science of life. While professionals manage enterprises of immense value, he urged them to recognise the priceless importance of their own health. He encouraged Chartered Accountants to adopt yoga for sharper decision-making, ethical resilience, sustained productivity and long-term professional effectiveness. Concluding his address, he affirmed that healthy professionals form the foundation of strong institutions, a robust profession and a prosperous nation.

CA. Prasanna Kumar D., Vice-President, ICAI, concluded the session by expressing his sincere gratitude to the President of ICAI, CA. M. Devaraja Reddy, and the distinguished guru present at the occasion, Swami Ramdev, for his invaluable guidance and training. He also acknowledged CA. (Dr.) Girish Ahuja, the esteemed tax guru, for his presence and contributions.



Inaugural Session

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



CA. (Dr.) Jai Kumar Batra, Secretary, ICAI, initiated the event with warm and gracious welcome to the leadership of ICAI, national and international dignitaries, delegates and participants attending from all over the world to WOFA 2.0, invoking the spirit of “*Atithi Devo Bhava.*” Emphasizing on

the theme “*Nation Building through Global Collaboration: Strengthening Trust, Enabling Growth,*” he underscored that in an interconnected world, collaboration among nations and professional institutions is essential to build trust, ensure transparency and foster sustainable development. He highlighted that the accounting profession plays a pivotal role in strengthening governance, enabling ethical decision-making and supporting economic resilience. He expressed confidence that WOFA 2.0 would serve as a powerful platform for collective learning, innovation and global partnership, contributing meaningfully to nation-building and long-term global progress.

CA. Charanjot Singh Nanda, President, ICAI



“Every member and every student of the Chartered Accountant fraternity is a custodian of the ICAI brand. Through your integrity, competence, and commitment, you carry the responsibility of strengthening India’s economic foundations and elevating our Institute to global eminence.”

In his address at the WOFA 2.0, CA. Charanjot Singh Nanda, President, ICAI, delivered an inspiring and forward-looking speech highlighting the pivotal role of the profession in nation building and global leadership. Expressing his pride in presiding over a historic gathering of nearly 10,000 Chartered Accountants, he welcomed the distinguished dignitaries, including the Hon’ble Union Minister of Commerce and Industry, CA. Piyush Goyal, Guest of Honour, CA. Kumar Mangalam Birla, Chairman, Aditya Birla Group and global leaders from IFAC and CAPA. He remarked that the presence of an entirely Chartered Accountant-led diaspora on the dais symbolises the collective strength and unity of the profession. Reflecting on ICAI’s journey since its establishment under an Act of Parliament in 1949, he noted that the Institute has evolved into the world’s largest professional accounting body, with over 5.3 lakh members and 12 lakh students, serving as a powerful pillar of India’s economic and governance framework.

Speaking on the theme of nation building, the President emphasised a deep sense of social responsibility embedded within the profession. He recalled ICAI’s swift and massive engagement during “Operation Sindoor,” wherein over 14 lakh members and students participated in interactions aimed at supporting governmental initiatives, showcasing the profession’s readiness to contribute in times of national need. He underlined that Chartered Accountants today are not merely compliance professionals but strategic partners in policy implementation, economic resilience and institutional strengthening.

Highlighting India’s global professional leadership, CA. Charanjot Singh Nanda noted that nearly 81% of technology-driven initiatives in accounting and assurance originate from India, with significant expertise in artificial intelligence, blockchain, data analytics, cybersecurity and forensic audits. He proudly shared that ICAI has now developed 23 Forensic Accounting and Investigation Standards (FAIS) and is set to introduce Information Systems Audit Standards, the first of their kind globally. He further added that ICAI’s FAIS have attracted international recognition, with global institutions seeking to adopt them, reversing traditional royalty models in India’s favour.

Recalling a landmark international moment, he narrated how the Institute of Chartered Accountants of Singapore unilaterally granted automatic membership to Indian Chartered Accountants residing in Singapore, recognising ICAI’s institutional excellence and infrastructure. He described this as a symbolic shift in global professional perception towards India. Commending the Government’s Free Trade Agreements (FTAs), he acknowledged that these reforms have opened new global avenues for Indian professionals and elevated the stature of the Indian accounting profession worldwide.

Looking ahead, the President outlined key strategic initiatives, including the introduction of limited advertising and solicitation guidelines, international networking frameworks, and a strong push towards creating large Indian professional firms aligned with the vision of “Indian Big Four.” He stressed that building globally competitive Indian firms would be central to enhancing the economic influence of Indian professionals. He also highlighted ICAI’s growing focus on sustainability and ESG reporting, with the development of dedicated sustainability standards.

Addressing the profession’s commitment to students and national service, he shared that ICAI’s scholarship corpus exceeds ₹500 crore, enabling access to education for deserving students. He further noted ICAI’s collaborations with the Comptroller and Auditor General (CAG), Panchayati Raj institutions and government bodies through training, research and policy support initiatives. Concluding on an emotional and motivational note, he urged every member and student to act as a brand ambassador of the profession and contribute actively towards making India a global economic powerhouse, reiterating that ICAI’s ultimate mission is to build trust, value and excellence for the nation and the world.

Guest of Honor - CA. Kumar Manglam Birla, Chairman, Aditya Birla Group



“This will be an India that feels no need to announce its arrival. It will simply be present in supply chains, in brands, in products, in ideas, and in conversations.”

In his keynote address at the WOFA 2.0, **CA. Kumar Mangalam Birla, Chairman, Aditya Birla Group**, delivered a compelling and visionary articulation of India's economic trajectory, blending personal reflections with a strategic global outlook. He began by commending the Hon'ble Union Minister of Commerce and Industry, CA. Piyush Goyal, for successfully concluding the long-awaited India-EU Free Trade Agreement, describing it as a landmark achievement after two decades of complex negotiations. He noted that under the Prime Minister's leadership and CA. Piyush Goyal's strategic acumen, India has not only safeguarded its national interests but also conveyed a clear message to the world that “India means business.” Turning to his own professional roots, CA. Kumar Mangalam Birla expressed deep gratitude to the Chartered Accountancy fraternity, acknowledging that his training as a CA instilled in him values far beyond financial discipline—particularly the commitment to truth, precision and ethical responsibility, which he described as a lifelong compass in both personal and professional decision-making.

Speaking on the theme of *“India as an Economic Power in the Making,”* CA. Kumar Mangalam Birla highlighted the resilience of the Indian economy in the face of global uncertainty. Referring to the imposition of steep tariffs merely months earlier, he noted that instead of faltering, India responded with composure and decisive reforms, including GST rationalisation, labour reforms and renewed competitiveness. These measures, he observed, were reflected in robust economic indicators, with a GDP growth at 8.2 percent and exports showing sustained momentum. He contrasted this optimism with global sentiment, citing international surveys where major economies expressed pessimism about future prosperity, and argued that there has rarely been a more consequential time to be an Indian. India, now the world's fourth-largest economy, stands on the threshold of becoming a top-three economic power, not merely in scale but in structural influence.

He then outlined four transformative predictions for India over the next decade. First, he asserted that global manufacturing will no longer revolve around a single centre but will increasingly be shaped by two anchors, India and China. As global value chains undergo restructuring due

to geopolitical risks and the demand for resilience, India's expanding workforce, democratic stability and large domestic market position it as a credible manufacturing alternative at scale. He observed that what began as a “China plus one” strategy is now evolving into a deeper, more durable integration of India into global production systems. Citing the example of iPhone assembly and declining logistics costs, he explained how industrial density is steadily accumulating in India, creating a self-reinforcing cycle of competitiveness and scale.

His second prediction focused on domestic consumption as India's greatest long-term strength. By 2030, India is projected to become a \$4.3 trillion consumer market, comparable to China's trajectory a decade earlier, with over 100 million affluent households. He noted that for multinational corporations, India is rapidly transforming from a peripheral opportunity into a core growth engine, often accounting for up to 20 percent of their global business. Technological leapfrogging, particularly in digital platforms and quick commerce, has enabled India to bypass traditional consumption models and create uniquely Indian solutions that are now shaping global business strategies.

The third prediction addressed infrastructure, which CA. Kumar Mangalam Birla argued is no longer India's constraint but increasingly its competitive edge. With nearly \$1.7 trillion in projected investment by 2030, India's infrastructure push is characterised not only by scale but by speed and execution excellence. He cited the electrification of almost the entire railway network, the expansion of metro systems, and landmark engineering projects as evidence of institutional maturity. Drawing on the growth of UltraTech Cement, which has become the world's largest producer outside China, he emphasised that institutional capability, rather than capital alone, will determine India's ability to build faster, better and more sustainably.

Finally, CA. Kumar Mangalam Birla outlined India's emerging growth model—rapid, responsible and radically different. He highlighted India's leadership in renewable energy, noting that the country has already achieved its non-fossil power targets ahead of schedule and is poised to become a global hub for clean technology manufacturing. As per capita income rises towards \$10,000, he argued that India will undergo a deeper transformation marked by institutional maturity, entrepreneurial confidence and a balanced partnership between government and industry. Concluding on an inspiring note, he remarked that India will not need to announce its arrival on the world stage, it will simply be present, embedded in global supply chains, ideas and innovation. His closing message resonated powerfully: *“Bet on India, Bet on Yourself,”* encapsulating both national ambition and personal responsibility in shaping India's economic future.

Chief Guest - CA. Piyush Goyal, Hon'ble Union Minister of Commerce and Industry



“The true and fair value that CAs certify is what brings investment. It's what brings capital. It's what attracts businesses to come to India.”

CA. Piyush Goyal, Hon'ble Union Minister of Commerce and Industry, initiated his address by expressing delight at witnessing an assembly of CAs surpassing even his previous records. Acknowledging the critical role of Chartered Accountants in shaping India's economic narrative, he emphasized that the profession is in capable hands, with its practitioners serving as torchbearers of integrity, expertise, and global engagement. He lauded the inspiring insights shared by CA. Kumar Mangalam Birla, Chairman, Aditya Birla Group, a distinguished industrialist and a proud Chartered Accountant, highlighting his achievements in elevating India's global business footprint. He further praised the leadership of CA. Charanjot Singh Nanda, President, ICAI, for his commitment, infectious positivity, and motivational guidance, along with his colleagues who have tirelessly advanced the profession. He further greeted the global professional brethren and gathering that included eminent dignitaries such as Mr. Jean Bouquet, President, IFAC, and Ms. Jennifer Lopez, CEO, CAPA, underscoring the international dimension of the occasion and the global relevance of India's Chartered Accountants.

CA. Piyush Goyal elaborated on the unprecedented opportunities facing India in the contemporary, volatile, uncertain, complex, and ambiguous (VUCA) global environment. Drawing on the concept of VUCA coined in 1987 during the Cold War era, he observed that today's world demands courage, talent, skill, foresight, and resilience, qualities that Chartered Accountants embody in abundance. Amidst global turbulence, he portrayed India as an oasis of stability, buoyed by strong macroeconomic fundamentals, a robust banking system, substantial foreign currency reserves, low inflation, and high growth rates. He expressed confidence in India's trajectory, predicting that it would soon emerge as the world's third-largest economy, sixteen years ahead of earlier projections, reflecting the transformative impact of decisive leadership and the dynamism of 1.4 billion Indians. The rising respect for Indian citizens and the enhanced global perception of the Indian passport, he noted, symbolize a newfound confidence and assertiveness in international engagement, contrasting sharply with the nation's previously cautious and apologetic approach to global trade.

He further outlined the Government of India's strategic recalibration of trade policies, emphasizing equitable, mutually beneficial agreements. He highlighted the execution of eight landmark Free Trade Agreements (FTAs) over four years with 37 developed countries, encompassing the European Union, the four-nation EFTA block, the United Kingdom, Australia,

New Zealand, the UAE, and Oman. These agreements, he explained, are designed to attract investment, foster long-term partnerships, and open avenues for Indian businesses and professionals to expand internationally. He cited concrete examples, such as Switzerland and Norway committing \$100 billion in sustainable investments in India and New Zealand pledging \$20 billion over the next fifteen years, an exponential increase compared to their historical contributions. CA. Piyush Goyal underlined that these developments reflect global recognition of India's youthful talent, aspirational workforce, and unparalleled skills, which are in high demand across international markets.

Emphasizing the pivotal role of Chartered Accountants in this transformative phase, CA. Piyush Goyal asserted that their rigorous training, adherence to professional ethics, and comprehensive expertise uniquely position them to certify financial integrity, attract investment, and facilitate business growth, both domestically and globally. He urged practitioners not to be complacent but to aspire boldly, expand their horizons, forge strategic partnerships, and seize emerging opportunities across trade, finance, technology, and entrepreneurship. He highlighted the importance of equipping the next generation of professionals with skills aligned to international standards, encouraging exposure to global practices in trade, manufacturing, and services to ensure India's competitiveness on the world stage. The integration of finance and technology, he noted, would be a defining factor in future economic leadership.

He stressed the collective power of the profession, observing that the aggregated impact of Chartered Accountants extends far beyond individual contributions. By collaborating, sharing knowledge, and leveraging global opportunities, they can significantly accelerate India's growth trajectory and amplify its presence in the international economic arena. He called upon the Institute to incorporate training on global markets, emerging trade policies, and international regulatory frameworks, thereby preparing professionals to act as catalysts for India's journey toward a \$30 trillion economy by 2047. He encouraged Chartered Accountants to think expansively, act decisively, and embrace challenges with courage, positioning themselves as instrumental players in shaping the nation's economic future.

His address painted a vivid picture of India's present and future, an economy poised for unprecedented growth, a workforce equipped with talent and ambition, and a profession entrusted with safeguarding and advancing the nation's financial and economic integrity. He reinforced the message that Chartered Accountants are not merely accountants but strategic enablers, facilitators of investment, and ambassadors of the India story to the world. By leveraging their expertise, ethical standards, and global outlook, they can help India realize its vision of *Viksit Bharat*, achieving economic prosperity, international respect, and enduring global influence. With his best wishes for success, he concluded his speech with a clarion call to dream big, act boldly, and ensure that the profession continues to illuminate India's journey to the forefront of the global economic order.

Vote of Thanks by CA. Prasanna Kumar D., Vice-President, ICAI



This is the first time in the history of ICAI that the inauguration of an international conference is done entirely by accounting professionals, showcasing the global reach and leadership of our fraternity.

CA. Prasanna Kumar D., Vice-President, ICAI, gave a formal vote of thanks at WOFA 2.0. He highlighted the unprecedented scale and significance of the gathering, noting that nearly 10,000 registered delegates have assembled under one roof, a milestone in the history of ICAI. He praised the dynamic leadership of CA. Charanjot Singh Nanda,

President, ICAI, for orchestrating an event that unites accounting professionals from across India and around the globe. Recognizing the distinguished presence of CA. Piyush Goyal, Hon'ble Union Minister for Commerce and Industry, he lauded his remarkable achievements in trade and exports, including facilitating record-breaking exports exceeding \$800 billion and advancing Free Trade Agreements with developed economies. CA. Prasanna Kumar D. also commended CA. Kumar Mangalam Birla, Chairman, Aditya Birla Group, highlighting his global corporate accomplishments and recognition, and noted the participation of international dignitaries such as Mr. Jean Bouquot, President, IFAC, and Ms. Jennifer Lopez, CEO, CAPA. Emphasizing the importance of proactive engagement, he urged Chartered Accountants to seize opportunities, embrace global initiatives, and contribute meaningfully to India's evolving economic story. He concluded by acknowledging the delegates whose participation made the event a resounding success and expressed hopes for a rich learning experience over the course of the conference.



Rhythms of India

The cultural session, Rhythms of India, was a vibrant celebration of the nation's rich and diverse heritage. Through music, dance, and artistic expression, it showcased the unique shades of India's many cultures, seamlessly woven into a harmonious whole. Each performance reflected regional pride while highlighting the beauty of cultural assimilation, reminding the audience that it is this unity in diversity that makes India truly colourful, dynamic, and wonderful.



Pathways Forward 2025-26: Connecting Progress to Possibility

Vision for Viksit Bharat Through Collaboration and Synergy

Growing Together Through Collaboration and Synergy

- **Ministry of Electronics and Information Technology (MeitY)** acknowledged **UDIN** as a best practice and proposed its integration with the upcoming “Entity-Locker” platform, a secure digital repository for storage and sharing of documents of large entities, MSMEs, trusts, and societies.
- A **Framework Agreement** signed with the **Centre of Excellence for Financial Audit (CoEFA)**, Hyderabad of the **National Academy of Audit and Accounts (NAAA)**, Shimla (both CoEFA & NAAA are field formations of O/o C&AG of India) towards **strengthening India’s financial audit capacity**.
- Organised **Chintan Shivir 2025 on Professional Services** in collaboration with the **Ministry of Commerce & Industry** and **Services Export Promotion Council (SEPC)** with participation of over 100 delegates from industry, professional fraternity, and Ministries.
- ICAI organised **Cooperative Chintan Shivir in January, 2026** to strengthen India’s Cooperative Ecosystem, a platform for in-depth deliberations on the growing role of Chartered Accountants in strengthening the cooperative sector and reinforcing its contribution to India’s economic development.
- Launched **ICAI International ADR Centre (IIAC), a Section 8 company** to promote and institutionalise Alternate Dispute Resolution (ADR) in India.
- A research study “From Policy to Profit: Amplifying MSME Revenues in J&K” developed and submitted to Shri Omar Abdullah, Hon’ble Chief Minister of Jammu & Kashmir.
- A research report on “**Fraud Prevention in Capital Market**” was developed and submitted to SEBI.
- The following research studies were developed during the year:
 - Hope in the Hills: Strengthening MSMEs in J&K through Comparative Policy Innovation
 - Synchronising Democracy: The Economics of One Nation, One Election
- Rise of Family Business Offices in Singapore: Lessons and Opportunities for Chartered Accountants in India
- Recognized by **World Book of Records, Asia Book of Records, and India Book of Records** for “**Maximum MSME Mentorship Felicitations in a Day.**” ICAI mentored 19,355 MSMEs in a single day.
- ICAI registered under **Asia Book of Records** for organising **11th International Yoga Day, 2025** across maximum number of Branches and Regional Offices.
- ICAI established a **World Record by conducting over 190 Financial and Tax Literacy Programs** across India within nine months (March–November 2025), recognised by the **World Book of Records, London**.
- ICAI **honoured by the Government of Uttar Pradesh** for its contributions to education under the category **Education and Healthcare**.
- **Revision of the ICAI (Merger & Demerger of CA Firms) Guidelines, 2024:** The revised framework introduced several significant reforms, including permitting demerger between 1-10 years with restoration of the original firm name, freezing of firm name for up to ten years without loss of seniority, and enabling seamless digital processing through acceptance of digital signatures and Managing Partner–based authentication.
- **ICAI (Global Networking) Guidelines, 2025,** was recently approved by the ICAI Council subject to



HIGHLIGHTS 2025-26

THE CHARTERED ACCOUNTANT

notification. By providing framework for networking and affiliation, the Guidelines empower Indian firms, to benefit from shared knowledge, specialized expertise, advanced tools and technology, and collective reputation advantages, among others within global networks.

- **Indian Institute of Insolvency Professionals (IIPI)** by ICAI published two **Study Group Reports** on contemporary topics viz. (i) Development of stressed Assets Market in India and (ii) Best Practices on Interface of IBC with Corporate and other laws.
- Insolvency & Valuation Standards Board jointly with IIPI contributed actively in the submission of ICAI's suggestions to the **Select Committee of the Lok Sabha IBC (Amendment) Bill 2025**.
- Proactive and Sustained role in **India's National Risk Assessment (NRA) 2025**: Detailed inputs, analyses, and activity reports were duly compiled and submitted to the Department of Revenue, reflecting ICAI's technical expertise and commitment to strengthening the national AML/CFT risk assessment framework.
- **Memorandum of Understanding (MoU)** signed with the **National Institute of Urban Affairs (NIUA, i.e., a premier national think tank under the Ministry of Housing and Urban Affairs (MoHUA), specialising in urban planning and development)** aiming to strengthen municipal finance and urban financial management through joint research, training, and policy advisory.
- **MoU** signed with the **Mahatma Gandhi State Institute of Public Administration (MGSIPA), Punjab** (i.e., Autonomous Institute under the Government of Punjab's Department of Personnel) to collaborate and focus on capacity building, research, and technical collaboration.
- **MoU** signed with the **Army Purchase Organisation (APO), Directorate General of Supply and Transport (DGST), Indian Army, Ministry of Defence (MoD)**, to facilitate real-time verification of UDINs through an Application Programming Interface (API) integrated within the vendor registration process of the APO.
- **MoU** signed with **Standing Conference of Public Enterprises (SCOPE)** reflecting a shared commitment towards policy advocacy, professional advancement, and thought leadership in the financial and corporate sectors.
- **MoU** signed with the **Commissionerate of Taxes & Excise, Government of Tripura and Commissionerate of CT & GST, Government of Odisha**, to extend technical co-operation in capacity building, research, assistance in policy making, consulting etc.
- **MoUs** signed with **Rashtriya Raksha University (RRU), Gandhinagar and National Forensic Sciences University (NFSU)** to institutionalize joint training, research and curriculum integration.
- ICAI's Forensic Accounting and Investigation Standards (**FAIS**) included in **Curriculum of National Forensic Sciences University (NFSU)**.
- Renewed **MoU with the Services Export Promotion Council (SEPC)** to further enhance collaboration in promoting India's services exports.
- **MoU** signed with **Chhattisgarh Real Estate Regulatory Authority (CG-RERA)** towards providing an API for enabling real-time verification of UDINs through their system.
- **Fostering a culture of collaboration and towards building an entrepreneurial ecosystems entered into MoUs with prominent Institutions/State Government/Incubation centres** like NPCI Bharat Billpay Limited; Foundation for Innovation and Technology Transfer, IIT Delhi; The Department of Micro, Small & Medium Enterprises, Uttar Pradesh (MSME UP); Tamil Nadu Startup & Innovation Mission (Startup TN); National Small Industries Corporation (NSIC); BIL-Ryerson Technology Startup Incubator Foundation; Gujarat Student Startup, and Innovation Hub (I-Hub); IIM Lucknow Enterprise Incubation Centre; AIC Mahamana Foundation for Innovation and Entrepreneurship IM BHU, Varanasi; AIC Nalanda institute of technology Foundation, Bhubaneswar; IIM Sambalpur; Software Technology Parks of India (STPI); Startup Odisha; Govt. of Odisha & Meity Startup Hub.
- **MoU signed with Chanakya National Law University (CNLU), Patna** to enhance academic and research capabilities.
- **MoU signed with Indian Association of Gold Excellence and Standards (IAGES)** aimed towards aligning industry standards with global best practices and demonstrates ICAI's commitment to contributing to nation-building through knowledge, standards, and ethics.
- **Knowledge Partner with Investor Education and Protection Fund Authority (IEPFA)**, Ministry of Corporate Affairs, in various programmes titled "Niveshak Shivir" as well as programme titled "Unclaimed Financial Assets", aimed to assist investors in filling out IEPF Form-5 and addressing related queries.
- **MoUs** signed with **Indian Venture and Alternative Capital Association (IVCA)**, apex non-profit industry body & **NSE International Exchange (NSE IX)**, GIIFT

HIGHLIGHTS 2025-26

THE CHARTERED ACCOUNTANT

City-based, multi-asset international exchange towards supporting skill development for new age markets.

- Worked in collaboration with the Government of India by leveraging the **MyGov platform**, to promote financial and tax literacy, driving nationwide awareness and participation through targeted engagement initiatives.
- **Unique Document Identification Numbers (UDINs)** generated by ICAI members crossed the milestone of **10 crore** in December 2025.
- Organised Two-Day **National Conference “Digital Transformations and Beyond: Moving Towards Technologically Empowered Future 2025”**. The Event was supported by Ministry of Electronics and Information Technology (MEITY) and National Forensic Sciences University & Rashtriya Raksha University was the Knowledge Partner.
- An **Interactive meet for Statutory Central Auditors of Banks** was held in hybrid mode and more than 150 Central Statutory Auditors from Public Sector Banks, Private Sector Banks, and Small Finance Banks, towards augmenting the banking ecosystem for a resilient economy.
- Organized an **Interactive meet on Strengthening the Governance in UCBs** wherein around 60 delegates being CFO's/ Head of Accounts/Head of Internal Audit as well as Audit Committee Chairman/Members attended the programme.
- Launched **ICAI MSME Clinic** in the presence of dignitaries from the Ministry of MSME, GeM, NSIC,



SIDBI, UP MSME, ICAI Branches/Regional Offices, and other key stakeholders, marking a significant step towards strengthening India's entrepreneurial ecosystem.

- **Certificate Courses for Accountants of Panchayats and Municipal Bodies (i.e., Skill Development Courses)**, online courses available in 11 vernacular languages, organised through the Board for Local Bodies Accountants Certification (BLoAC constituted under ICAI Accounting Research Foundation (ICAI ARF).
- Provided **platform for Outreach sessions by the representatives of the Tax Policy Research Unit (TPRU) of the Department of Revenue, Ministry of Finance**, Government of India in relation to the World Bank B Ready Project for Ease of Doing Business and Ease of Living.

Nation-First Approach: Building Governance Capacity for Long-Term Impact

- Supported MCA in examining the **guidelines of the Pilot Project under the Prime Minister Internship Scheme (PMIS)** to identify potential bottlenecks in the implementation of Phase I and to suggest any necessary changes or amendments to the CSR-related provisions of the Companies Act, 2013 and the applicable rules. Accordingly, clarification on the interpretation of 'ordinary course of business' regarding trainee absorption under PMIS was prepared and submitted to MCA.
- Facilitated the **rollout of the revised set of 38 e-Forms** under the MCA21 V3 portal. Along with the MCA and other two sister Institutes jointly organised a **series of Outreach Programs**, to enhance stakeholder awareness and preparedness.
- Undertaken Study titled **“A Study on the Efficacy of IBC, 2016 in Meeting Deadlines & Maximizing Value under CIRP.”** This paper critically examines the Corporate Insolvency Resolution Process (CIRP) under the Insolvency and Bankruptcy Code (IBC), 2016, with a focus on two fundamental pillars - timely resolution and value maximization.
- Submitted **suggestions to the Office of C&AG on the existing policy of empanelment and allotment of Chartered Accountants** and also the suggestions for new norms owing to **notification of (Aggregation of LLPs) Guidelines, 2024**. Majority of submissions made by ICAI were accepted and incorporated in the draft policy for 2026-27.

HIGHLIGHTS 2025-26

THE CHARTERED ACCOUNTANT

- Pursuant to the amended Section 70 of the Multi State Cooperative Societies Act, 2002, **ICAI's Multipurpose Panel has been accepted by the Central Registrar of Cooperative Societies** for conducting concurrent audits of Multi State Cooperative Societies, including cooperative banks. This recognition underscores ICAI's role in strengthening governance, accountability, and branch-level audit coverage across the cooperative sector.
- Released "**Study on Strengthening RERA in India for the future: Best Practices & Recommendations**". The study brings forward comprehensive recommendations and global best practices aimed at further strengthening the RERA framework in India, ensuring transparency, accountability, and sustainable growth in the real estate sector.
- Organised **Stakeholder Consultation Meetings (SCMs)** in association with the Ministry of Corporate Affairs as part of the nationwide initiative on



corporate laws and governance, focusing on simplifying the Companies Act, LLP Act and related Rules, promoting Ease of Doing Business, enhancing MCA21, and increasing awareness on annual filing forms.

Advancing Leadership Competence through Training and Stakeholder Engagement

- Conducted **financial literacy programs** for the offices of **Governor's of Uttarakhand & Meghalaya and, CM's Secretariat in Meghalaya.**
- Organised several trainings for Government Officials in vernacular languages for **Staff of Commissioner of Treasuries and Accounts, Ministry of Finance, Government of Tamil Nadu** in Tamil in pursuance of a MoU entered with them.
- Faculty support provided to **Panchayati Raj Department, Bihar** for trainings of their newly recruited auditors on accounting, auditing, taxation, budgeting and financial statement preparation.
- Faculty support provided to **Metropolitan Transport Corporation (Chennai) Limited** for one-day Training Programme organised for their officials on the topic Accounting Principles, Income Tax, TDS and GST.
- More than **88 Investor Awareness Programs (IAPs)** in the year 2025 and over 8005 IAPs till date, with approximately 1,96,970 women participants and a total of around 4,64,590 participants were conducted under the aegis of Investor Education and Protection Fund Authority (IEPFA) of the Ministry of Corporate Affairs (MCA).
- Conducted dedicated financial literacy programs for the **women self-help groups of Meghalaya,**



Mizoram and Sikkim and reached over to **400 Self-help Groups**, specifically in North-East, India.

- Organised **Targeted Programmes** for Government Audit/Enforcement Bodies: CAG, CID, ICLS Academy and NIA- hands-on training on Forensics, cyber offences and investigations.
- A specialized training programme on Internal Audit conducted for staff members of the **Government Audit Department of Tamil Nadu** at Chennai.
- Organised Financial Literacy programs for the **Central Reserve Police Force** for its various branches, including Bangalore, Chennai, Gandhi Nagar, Hyderabad, Rangareddy, and Trivandrum.

HIGHLIGHTS 2025-26

THE CHARTERED ACCOUNTANT



Also, workshops were organised for officials of the **Central Bureau of Investigation** in Ranchi, Jharkhand.

- To cover the diverse segment of the country, facilitated **Financial & Tax Literacy workshops at various Government institutions**, including the National Institute of Immunology, Indian National Science Academy, Regional Centre for Biotechnology, National Cadet Corps, Bharat Scouts and Guides, Miranda House, Bhaskar Acharya College, MCM DAV College, etc.
- Launched a new initiative under the brand and style of **“ICAI’s Investor Awareness Series”** – a special knowledge initiative to empower investors & enhance financial literacy. Through digital channels, important information is shared to enable common man in making better financial decisions.
- MoU signed with the O/o C&AG of India, and actively contributed to capacity-building initiatives for C&AG officers. Under the MoU 5 Residential Training Programmes, were conducted, supported by comprehensive background material.
- **Specialised Training Programmes** for Regulators and Public Sector Entities:
 - **SEBI – Corporate Fraud Investigation Division (CFID)**: Two batches of a specialised programme titled “Accounting Intelligence for Corporate Finance Investigations” were conducted at Hyderabad, focusing on strengthening forensic and investigative capabilities.
 - **Himachal Pradesh State Electricity Board (HPSEB) Ltd.:** Two intensive six-day training

programmes were organised at Shimla, focusing on financial reporting and regulatory compliance in the power sector.

- **National Securities Depository Limited (NSDL)**: Three-day customised training programme on select Indian Accounting Standards was conducted at NSDL’s Mumbai office.
- Organised expert technical sessions on key Ind AS topics including Ind AS 28, impairment of non-financial assets, and accounting of provisions under Ind AS for NFRA officers and senior officials of the C&AG of India.
- Organised **36 Capacity Building Programmes on GST** for the GST Department of State Governments, Central Government, PSU and other Government Departments.
- **Advancing GST Thought Leadership and Cooperative Governance**: The ICAI successfully convened the 4th National GST Symposium on 8–9 January 2026 at Kovalam, Thiruvananthapuram, reinforcing the Institute’s role as a catalyst for dialogue and development in the GST ecosystem. The Symposium brought together 97 senior officers from 24 States and key institutions.
- **GST Awareness Programmes** on the new tax rates in collaboration with the Taxes Organisation, Finance Department, Government of Tripura.
- Organized an **Outreach Programme on the GST Amnesty Scheme** at ICAI Thiruvananthapuram.
- Participated in **one-day workshop organised by GASAB** to augment institutional capabilities and to arrive at a shared understanding of the challenges and opportunities in the public sector accounting.



Advancing Integrity & Ethics, Accountability and Trust

- Supported **MCA** on the **project of Accounting Standards for LLPs**.
- Developed **Information Systems Audit Standards (ISAS)**. The same is under public exposure for comments till January 25, 2026. These standards are designed to bridge the gap between traditional financial audit and modern technology assurance.
- Developed a **utility for self-evaluation under AQMM v 2.0**, that assists the firms to self-evaluate their firm's maturity level on the basis of Audit Quality Indicators defined under AQMM v 2.0. The scope of **mandatory applicability of AQMM v 2.0** widened to cover more firms.
- The **revised Standards on Internal Audit (SIAs)** were issued as Exposure Drafts for public comments. The total number of SIAs reduced from 38 to 22, and two new quality standards—QSIA 1 and QSIA 2—have been introduced. Comments as received from stakeholders, including professional accountants, industry bodies, audit firms, and regulators, are currently under review.
- Developed a **Checklist for Certificates issued by Chartered Accountants**, developed in alignment with the Guidance Note on Reports or Certificates for Special Purposes (Revised 2016).
- Automated Web Based Software for allotment of Audit Assignment** designed by ICAI utilized by 6 Public Sector Banks for the year 2025-26 including Bank of Baroda, Punjab National Bank, Canara Bank, Indian Bank, Bank of Maharashtra and Union Bank of India.
- During the year, the Financial Reporting Review Board completed review of **80 financial statements** of various enterprises selected on *suo moto* basis (76 cases) and as special cases (4 cases).
- The Peer Review Board actively contributed to quality assurance by issuing **3443 Peer Review certificates** during the Council Year 2025-26. This brings the total number of **8429 Practice Units** holding **valid Peer Review Certificates**. Out of them, total **2085 Practice Units** are also **AQMM reviewed**.



- With the objective of **enhancing end-user experience and improving accessibility of non-compliances** observed by the Financial Reporting Review Board during review of financial statements, the Board has launched the **search engine tool (<https://frrbinsights.icai.org>)** for the non-compliances reported in its Ind AS based publication, as of now it features **438 observations** of the Board.
- PAN of the assessee has been introduced as a **mandatory additional field during UDIN generation** under the GST & Tax Audit category for validation at the e-Filing Portal. This requirement is applicable for UDINs generated from December 20, 2025 onwards.
- Celebrated **Global Ethics Day** by organising a webinar on the topic "Contemporary developments in professional ethics". Also, **Ethics fortnight** was celebrated featuring various knowledge-sharing programs focused on reinforcing ICAI's shared commitment towards upholding ethics in every aspect of work.

Future-Ready Leaders: Professional Growth Anchored in Well-Being

- Recognised by the **Asia Book of Records and India Book of Records** for conducting the **maximum Skills Enrichment Programs** within a single week i.e., July 12-19, 2025 - a proud milestone in ICAI's legacy of excellence.
- ICAI set a **record** by conducting the **maximum number of Online Yoga Sessions** up to September 30, 2025, formally acknowledged by both the **India Book of Records and Asia Book of Records**.
- New **Certificate Course on Independent Directors** launched to strengthen members' boardroom competencies in Governance, Compliance and Risk Management.
- Launched **Certificate Course on Mediation, Certificate Course on Labour Laws** and **Certificate Course on Estate & Succession Planning** to provide members with specialized knowledge and practical application skills in contemporary professional areas.
- Introduced **two New Certificate Courses** in the area of Contemporary Finance, designed to equip professionals with advanced skills in Compliances and Fund Management i.e. **Certificate Course on Investment Banking** and **Certificate Course on Non-Banking Financial Companies**.
- Approved **Certificate Courses on Overseas Outsourcing Services for Australia and Canada**, aimed at equipping professionals to serve global markets and leverage outsourcing potential.
- Developed a comprehensive **Refresher Course covering all 35 Standards on Auditing** to strengthen the members' understanding and practical application of the Standards on Auditing (SAs) in the context of evolving audit practices and complex business environments.
- Revamped the existing two Certificate Courses i.e. **Certificate Course on Legal Drafting and Representation before Authorities & Certificate Course on Wealth Management and Financial Planning**.
- Revamped **Certificate Course- "Executive Master Program-New Age Auditors"**.
- Conversion of **Certificate Course on Forensic Accounting & Fraud Detection (FAFD)** into **Diploma in Forensic Investigation (DFI)**. Awaiting final approval from MCA.
- **DISA (Diploma in Information Systems Audit)**- a flagship IS audit qualification. ICAI is **advancing the Diploma to DISA 4.0/ DISA+**, incorporating cloud, cyber resilience and advanced audit analytics.
- Online **Foreign Language courses** in collaboration with **Alliance Francise for Online French Language Course, Instituto Cervantes** for Online Spanish language course, **Goethe Institut** for Online German language course, Japan Foundation for Online Japanese language course and British Council for Online Business English language course in which more than 2000 members and students have registered so far - to overcome language barrier.
- Online **Certificate course on Overseas Outsourcing services (UK) & (US)** in which around 1500 Chartered Accountants have registered so far and **Residential Hand-on Workshop on Overseas Outsourcing Services for (US)** – for making India Accounting and Finance Hub by talent upskilling of Chartered Accountants of India.
- **Launch of Data Protection Compliance & Audit Certification (DPCAC) and Cybersecurity Audit Skilling Course for CAs**- New certificates streams on Cybersecurity and Data Protection, Compliance & Audit to equip members for cyber assurance, incident response and privacy compliance roles.



- Launched **Forensic Refresher Course** to rapidly upskill practitioners.
- Established **regionwise Professional Research Cells (PD Research Cells)** across North, South, East, West, and Central India. These cells will be serving as a crucial stride towards fostering localized growth and empowerment within the professional landscape, ensuring that professional development opportunities can be accessed and explored across India.
- **Interactive Meets** to celebrate the inspiring journeys of Chartered Accountants who have successfully transitioned into Public Service and Entrepreneurship.
- Launched **GLOBAL UDAAN** a weekly webcast series featuring eminent experts to enhance members' global outlook and awareness of emerging opportunities.
- 2 batches of 3-day **Residential Hands-on Workshop on Overseas Outsourcing Services** held in COE Jaipur & Hyderabad.
- **Revised eligibility criteria for empanelment of Industrial Training entities** effective 01.01.2026, with enhanced financial thresholds, mandatory presence of two full-time CAs (minimum 3 years of continuous membership), and empanelment validity of 5 years — strengthening the training ecosystem.
- During calendar year 2025, total **8110 CPE events** were organised for professional development and knowledge enrichment of members and generated about **32 lakh learning hours**.
- Organised **9 National Conferences on GST** which were attended by over 4300 members. Further, organised **55 CPE events** (conferences, workshops, seminars etc.) upskilling more than 6100 members.



- Organised 6 editions of **Global Capability Centres (GCCs) Summit: From Ledgers to Global Leadership**.
- Revamped the “**Practice ki Paathshala**” to a four-day refresher programme exclusively for practicing Chartered Accountants who aspire to elevate their professional journey.
- Organised two rounds of **Convocation at 15 locations across the country**, where around **33,500 newly enrolled Chartered Accountants** received their certificates.
- Organised **38 Webinars** for promoting all dimensions of **Work Life Balance** amongst members.
- IIAPI conducted over **60 capacity building programs for insolvency professionals** and stakeholders comprising conferences, webinars, executive development programs, workshops and roundtables.
- IIAPI monitoring, AFA issuances/renewal across 2500 professional members as the **largest IPA in India**.

Leading for Tomorrow: Youth and Women Driving Sustainable Impact

- ICAI set a **Guinness World Record** for conducting the “**Largest Careers Advice Lesson**” during the CAFY 4.0 & Super Mega Career Counselling Programme – “**भविष्य की राह**” in Mumbai. The event brought together more than 7400 students, around 500 teachers and principals, with 6166

eligible students contributing to the official record. The programme was conducted across 87 ICAI Branches pan-India, reaching over 1.20 lakh students through career guidance sessions, skill-building inputs, and awareness about emerging career opportunities.

HIGHLIGHTS 2025-26

THE CHARTERED ACCOUNTANT

- **Development of Syllabus for Classes VI to X for the introduction of Commerce Education:** ICAI Council approved the Standard Syllabus for Classes VI to X, to be recommended to the various State Education Boards/Councils of the country for introducing Commerce Education at an early stage of schooling. The proposed syllabus has been structured in two possible formats — first, as an optional paper of 100 marks, and second, as a 20–25 mark segment within the Social Science curriculum.
- Organised a two-day **Global Education Summit in Commerce and Accountancy (GES-CA) 2026** to Transform Commerce Education into Future Leadership which saw participation from 20 Vice-Chancellors of various Universities, along with 160 representatives from top universities and autonomous colleges across the country.
- **Enhancement in Scholarship corpus fund** from Rs.100 crore to Rs.500 crore for meeting the increase rate of Scholarship and new category of Scholarship.
- **Increase of rate of Scholarship payable to CA students** under different categories and **introduction of Scholarship to Foundation Course** students.
- Launched “**Project Vanijya** - Shaping the Future of Students for Bharat as a Developed Country” to strengthen commerce education at the school level, in alignment with the Hon’ble Prime Minister’s vision of Viksit Bharat @2047 and the National Education Policy (NEP) 2020. The national-level deliberations witnessed active participation from senior leaders and representatives of Education Boards from 17 States.
- CBSE Exposure Visits for School Principals to enhance awareness among school leaders regarding the CA course, were conducted at CoE Jaipur and Hyderabad.
- **MoU with The Assam State School Education Board (ASSEB)** with the objective of promoting commerce education. In pursuance of the MoU, ICAI successfully conducted 22 awareness programmes across Assam, reaching approximately 5931 Headmasters and Principals from Government and private institutions affiliated with ASSEB.
- **MoU with the Punjab School Education Board (PSEB)** to promote commerce education, assist in the preparation of study material, and create awareness among students about the Chartered Accountancy course as a prestigious and viable career option.
- Organised a series of Talk Show, “**Investment ki Pathshala – CA. The Investment Guru**”, to motivate



the young Chartered Accountants to consider Capital Markets as an alternate and lucrative career option.

- Launched the mentorship programme “**CA सारथी (CA Saarthi)**” to guide and support CA students throughout their academic journey. The programme connects experienced Chartered Accountants as mentors with students as mentees, providing personalized guidance, motivation and stress management support.
- In its continuous effort to strengthen academic collaboration and promote excellence in commerce education, ICAI signed **18 MoUs with Universities and Institutions** across the country.
- Started “**Fit CA Moment!**” a daily Virtual Wellness Session for CA students.
- For the first time in ICAI’s history, **Suggested Answers** for the May 2025 & September 2025 examinations were webhosted within 24 hours of result declaration.
- Total **63 CA Students Conference** organized during the year i.e., 1 International Conference, 1 All India Excellence Conference, 23 National Conference, 21 Mega Conference, 15 State Level Conference and 2 Branch Level Conference.
- Introduced **MentorMate** initiative to connect young and women Chartered Accountants with experienced professionals for one-on-one mentorship.
- **CA Women Residential Refresher Course- Revive & Rise** towards upskilling and capacity building of members through continuous professional development and featured a curated blend of technical and non-technical sessions.
- **MentHer Help Desk** - An initiative to encourage CA Women Members wherein a panel of experts addressed the key concerns raised by women professionals.

Advancing Digital Transformation Powering Innovation

- **Strong recognition of ICAI's leadership and vision in AI capacity building-** O/o CAG of India has accepted ICAI's proposal and included the **AICA Level 1 Certificate Course** in the Draft Policy for Empanelment – Point Scheme.
- **MoU signed with M/s Google India** with an aim to benefit ICAI stakeholders and accelerate the adoption of Artificial Intelligence across the Institute's ecosystem.
- Launched the **ICAI Carbon Emission Calculator** – a free, dynamic, and user-friendly digital tool. It enables organizations and individuals to measure, manage, and disclose their carbon footprint in line with BRSR Core and GHG Protocol requirements.
- **ICAI AI Innovation Summit 2025, AI Summits & National Conferences** held across the country and saw participation in huge numbers & mind provoking sessions by eminent speakers.
- Launched '**ICAI AI Agent**' - a **next-generation, AI-powered digital workspace** designed for ICAI employees, with plans to extend it to members and students in the next phases with Phase 2 for Members and Phase 3 for Students.
- **Certificate on AI for Chartered Accountants (AICA)- Level 1:** Total 35, 000+ Registered Participants and being organised in 26 States across 100 Cities.
- **AICA Level 1 of the Certificate Course for Overseas chapters** launched, and 9 batches completed in 8 different overseas locations.



- **AICA Level 2 of the Certificate Course on AI** launched, and 17 batches completed.
- As on date, there are total **131 GPTs** being used by members & students.
- ICAI played a proactive role as a key stakeholder in the **Government's digital transformation initiative under MCA21 Version 3**. Prior to the launch of 38 new e-Forms, ICAI actively participated in the User Acceptance Testing (UAT) phase, providing extensive inputs to ensure accuracy, user-friendliness, and system robustness.
- Supporting the Government's Digital Learning initiative, developed and published two e-learning modules related to Finance and Tax Literacy on the **iGOT (Integrated Government Online Training) platform, in collaboration with the Capacity Building Commission (CBC)**.
- **UDIN Portal** was successfully migrated to the **ICAI DigiCA Platform**, in accordance with the Go-Live plan. The upgraded system offers an improved interface, better usability and enhanced features.
- **E-Diary** launched and made mandatory for the students commencing their practical training w.e.f. January 1, 2026.
- Introduced **Two Days Workshop on Artificial Intelligence for CA Students** under the banner of AURA.

Enhancing Global Standing Through Strategic Expansion

- ICAI organized **World ICAI organized World Forum of Accountants (WOFA 2.0)** on the theme **“Nation Building to Global Collaboration: Strengthening Trust, Enabling Growth”**, world’s largest accounting conference by participation from close to 10000 delegates and address by more than 250+ speakers across 63 sessions.
- The **Chartered Accountant qualification** of ICAI has been formally recognised as **equivalent to a Master’s degree**, following an **independent benchmarking study conducted by ECCTIS** across key jurisdictions including **Australia, the US, UAE, Canada, the UK and the European framework**, significantly strengthening global recognition and international career mobility for members.
- Demonstrated **UDIN system** to a visiting delegation from **His Majesty’s Revenue and Customs (HMRC), UK**, at the Centre for Taxation and Finance, New Delhi, as part of the collaborative **“Risking of Agents” project with CBDT**, reflecting **global recognition of UDIN as an international best practice** in strengthening tax compliance and professional accountability.
- With launch of **ICAI- Los Angeles (USA) Chapter, ICAI-Atlanta (USA) Chapter** and **5 Representative**
- **Offices in USA i.e. Kansas, Louisiana, Minnesota, Tennessee, and San Diego**, ICAI’s global footprint extends to **54 Chapters and 31 Representative Offices** in **47 countries** across **85 international cities**.
- **Accounting Process Outsourcing** portal is a dynamic platform that fosters collaboration between foreign firms and Indian Chartered Accountant (CA) firms. The Portal is now ready for Indian CA firm and foreign clients to register through institutional framework.
- IIIPI of ICAI entered **MoU for association with INSOL International UK** and facilitated international membership of 330 IP-members at a concessional price.
- ICAI **extended Most Favoured Nation (MFN) treatment to New Zealand** under the ongoing India–New Zealand Free Trade Agreement (FTA) negotiations, insofar as professional accounting services are concerned.
- ICAI represented at the **Council for Trade in Services (CTS) Thematic Session on Recognition of Professional Qualifications** at the World Trade Organization (WTO), Geneva. The session witnessed



participation from over **150 delegates across 120+ countries**, highlighting the global emphasis on professional mobility and mutual recognition.

- ICAI hosted **2nd ITEC (Indian Technical and Economic Co-Operation) Training Program** on “Frontiers of Global Accounting: Mastering Digital Transformation” at COE Hyderabad. Attended by 29 delegates from 17 countries.
- ICAI organized the **3rd ITEC Training Program** on the theme “Engaging the Public Accountants in the 21st Century” from 12th to 23rd January, 2026. The program was attended by 18 participants from 11 countries.
- Inputs given on **IFAC’s member Engagement: Adoption & implementation Questionnaire, 2025**. The survey was conducted to gather insights into jurisdictions’ plans to understand adoption timelines and implementation strategies for ISSA 500, IESSA and ISA for LCE.
- Sustained International Engagement and capacity building with **International Accounting Bodies (ICAN, ICASL)**, enabling cross-border knowledge exchange and delivery of DISA/FAFD modules.



Catalyzing Growth Through Infrastructure Investment

- ICAI expanded its national presence to **185 branches** with opening of **New Branches** in Nizamabad city, Khammam city, Nagaur District, Jhunjhunu District, Churu District, Gondia District, Morbi District and Bhivadi City.
- ICAI Bhawans were inaugurated in Siliguri, Jalandhar, Gurugram and Chengalpattu.
- **Foundation Stone** laid for **ICAI Bhawan at Hyderabad, Latur, and Pali** and **Poojan** ceremony done for ICAI Bhawan, Gwalior. Also, Bhoomi Poojan held for Karimnagar, Raipur and Kozhikode.
- Approved **New Construction Proposal** for CoE, Guwahati and ICAI Bhawan’s in Gorakhpur & Raipur.
- **10 Study Chapters, 4 Study Circles, and 1 Study Group** established during the Council Year 2025-26. This marks a significant milestone in enhancing the geographical reach, accessibility and inclusiveness of CPE initiatives nationwide. The **total number of POUs** as on date are **704**.



Turning Vision into Action

Significant Achievements 2025-26

The year 2025–26 has been a landmark period for the Institute of Chartered Accountants of India (ICAI), marked by significant strides in nation-building, member development, and student empowerment. ICAI continued to strengthen its role as a **partner in national progress**, collaborating with government bodies, regulatory authorities, and international accounting institutions to support policy initiatives and enhance the country's economic framework. For its members, ICAI introduced innovative programs for **capacity building, skill enhancement, and global exposure**, ensuring that they remain at the forefront of the profession. Students were provided with **enhanced education, training, and mentoring opportunities**, enabling them to excel in a rapidly evolving global landscape. Through these initiatives, ICAI reaffirmed its commitment to excellence, innovation, and societal impact, advancing its vision of being a **globally recognized, future-ready accounting body**.

1. Building the Nation Together

1.1 Inputs/Suggestions submitted

- ICAI submitted its **Memorandum of Suggestions on the Income-tax Bill, 2025** and more than



100 suggestions of ICAI were considered in the Income-tax Act, 2025, including 90+ suggestions from the Memorandum of Suggestions on the Income-tax Bill, 2025.

- Representation submitted to the **Smt. Nirmala Sitharaman, Hon'ble Finance Minister, on the issue of Modification in the Banking Law (Amendment) Bill, 2024**, as concerns were raised by members of the ICAI opposing the amendment as these changes may inadvertently weaken governance frameworks in public sector banks.
- Submissions to NABARD:**
 - Representation seeking clarification regarding Eligibility criteria for appointment as Statutory Auditors (SAs) of State and Central Cooperative Banks in light of the RBI guidelines dated January 15, 2024.
 - Representation regarding revised recommendations of ICAI for the revision of audit fees for Statutory Auditors of Regional Rural Banks on the basis of their business (i.e. both deposit and advances) for the audit purpose instead of only advances.
- Submitted various **panels containing the eligible Chartered Accountants/ firms, after application of the empanelment norms of Reserve Bank of India** to various Regulators and Government Offices.
- Submitted Suggestions to the Office of C&AG on the **existing policy of empanelment and allotment of Chartered Accountants and also the suggestions for new norms owing to notification of (Aggregation of LLPs) Guidelines, 2024**. Majority of submissions made by ICAI were accepted and incorporated in the draft policy for 2026-27.

SIGNIFICANT ACHIEVEMENTS 2025-26

THE CHARTERED ACCOUNTANT

- Submission of **FAQs on New Tax Regimes and TDS under the Income-tax Act, 2025** to CBDT for preparing a comprehensive Guidance Note, in the form of Frequently Asked Questions (FAQs), to facilitate a clear and seamless transition to the Income-tax Act, 2025.
- In line with the discussions held with RBI, a **concept paper on Governance Framework of Audit in Public Sector Banks** was submitted to RBI. Also, with regard to matters discussed pertaining to the effectiveness of the Audit Committee of the Board (ACB) in the selection and appointment of Statutory auditors, **draft structure for 2 days training of Audit Committee of the Board (ACB) of the Banking Industry** was submitted to RBI for training and capacity-building programs for ACB members to be conducted on regular basis.
- **SEBI issued a Consultation Paper** on “Aspects relating to Secretarial Compliance Reports, Appointment of Auditors, and Related Party Transactions of Listed Entities.” ICAI undertook a detailed review of the proposals and submitted comprehensive suggestions aimed at ensuring regulatory robustness while maintaining practical applicability for stakeholders.
- ICAI views on **relaxation to CPSEs under Ministry of Heavy Industries (MoHI)** in matters relating to strike-off of companies with unresolved contingent liabilities and pending legal proceedings were submitted to MCA.
- The Ministry requested ICAI’s views, **representation from Tata Power Renewable Energy Limited (TPREL)** regarding its subsidiaries/ joint ventures operating captive power projects, which require 26% ownership by captive users under the Electricity Act and Rules. TPREL had sought exemption from appointing Independent Directors under Rule 4(2) of the Companies (Appointment & Qualification of Directors) Rules, 2014. ICAI’s views were duly submitted to the MCA.
- Detailed suggestions submitted to the **Hon’ble Select Committee of the Lok Sabha** on the subject **“Examination of the IBC (Amendment) Bill 2025”** on various aspects of IBC (Amendment) Bill 2025. The suggestions highlighted key reforms needed to strengthen governance, accountability and efficiency under the IBC.
- ICAI made a **presentation before the Hon’ble Select Committee of the Lok Sabha** on the subject “Examination of the IBC (Amendment) Bill 2025”. The Select Committee appreciated the focused and elaborated presentation made by ICAI representatives.
- Submitted the **Representation Letters to RBI and SBI**, urging them to modify their empanelment guidelines for valuers and non-inclusion of the International Valuation Standards from the empanelment guidelines issued by various banks for Valuers and to recognise ICAI Valuation Standards.
- Suggestions to the **Insolvency and Bankruptcy Board of India (IBBI)** to simplify and reduce compliance costs under IBC Regulations.
- Recognizing the **unique structure and non-profit orientation of Section 8 Companies**, ICAI recommended their exemption from the requirement of mandatory dematerialisation of shares. This measure, if adopted, will ease compliance burdens on these entities while continuing to uphold principles of transparency and good governance.
- ICAI’ submitted **inputs on the formulation of rules for operationalising Section 129A of the Companies Act, 2013**, aimed at strengthening periodic financial reporting for specified unlisted companies to enhance transparency and accountability. A dedicated Expert Group was constituted to evaluate the implications of the provision and recommend a structured framework. ICAI submitted its recommendations to the Ministry of Corporate Affairs.
- Undertaking in-depth **research and analysis on key economic trends and policy impacts**, aimed at providing valuable insights to support



SIGNIFICANT ACHIEVEMENTS 2025-26

THE CHARTERED ACCOUNTANT

informed decision-making by stakeholders and professionals.

- Submission of **suggestions to the Government** on- Simplifying **GST** Annual Return [Form GSTR 9] and GST Reconciliation Statement [Form GSTR 9C], Enhancing Efficacy of GST, Adjudication Addressing Practical issues faced by Taxpayers in GST compliance, Compliance Enhancing Ease of Doing Business & Streamlining GST Refunds and Registration Processes.
- Submitted a **representation to Central Board of Indirect Taxes and Customs (CBIC)** seeking clarity on certain aspects of Circular No. 250/07/2025-GST. The Committee highlighted procedural challenges faced by taxpayers in filing appeals against orders passed by Common Adjudicating Authorities having All India jurisdiction.
- Submitted a **representation to CBIC**, requesting an **extension to the due date for filing Form GSTR-3B for the month/quarter ended September 2025** in view of the **Diwali festival**.
- Submission of **Pre-budget Memorandum 2026 & Post-budget Memorandum 2025**
- Submission of ICAI **Suggestions on ITR forms and other related forms** in the New Income-tax Act, 2025 regime
- Submission of **Suggestions for Streamlining Replies in Appeal & Assessment**
- Submission of **Inputs for research report on Appellate System in Direct Taxes in India** to NITI Aayog
- Submission of **representations on taxpayer concerns** to the CBDT for timely resolution.
- In 2025- 2026, submitted **views on 10 consultation papers** and formed an office view on 72 consultation papers received from SEBI/ other regulators.



1.2 Engagement with Government and Statutory Authorities

- The Ministry of Corporate Affairs had requested ICAI to examine the **guidelines of the Pilot Project under the Prime Minister Internship Scheme (PMIS)** to identify potential bottlenecks in the implementation of Phase I and to suggest

any necessary changes or amendments to the CSR-related provisions of the Companies Act, 2013 and the applicable rules. Accordingly, clarification on the interpretation of 'ordinary course of business' regarding trainee absorption under PMIS was prepared and submitted to MCA.

- In connection with **issues referred by SEBI** under the SEBI (Settlement Proceedings) Regulations, 2018, ICAI deliberated on the matters and submitted its inputs to SEBI.
- **Examined the Electricity Distribution (Accounts and Additional Disclosure) Rules, 2024** issued for DISCOMs and provided inputs to the **Ministry of Power**.
- Upon receipt of a request from **Employees' Provident Fund Organisation (EPFO)** seeking ICAI's guidance on the draft format of financial statements for PF Trusts of exempt establishments, a Study Group was constituted. On deliberations, the draft formats were shared with EPFO officials for their comments.
 - In response to **Department of Telecommunications (DoT's)** request for advice on matters relating to the levy of Licensing Fees (LF), Spectrum Usage Charges (SUC), and verification of exemptions for the computation of Adjusted Gross Revenue (AGR), finalised inputs and is in the process of submitting them to DoT.

▪ **ICAI Awards for Promotion of Accounting Reforms in Local Bodies** 2025-26 organised to recognise and encourage progress in financial reporting and accounting reforms across Urban Local Bodies, Panchayats and Smart Cities.

- Draft **Recommendations focused on strengthening Financial Management in Panchayati Raj Institutions and Urban Local Bodies** were submitted to the 6th State Finance Commission, Uttarakhand.
- **Proposals** to organise joint trainings & request to enter into MoU to **Panchayati Raj Departments and Urban Development Departments of all States/ Union Territories**.
- Organised a Roundtable Discussion on the draft publication "**Study on Insolvency under MSMEs (Micro, Small and Medium Enterprises)**". The Study incorporating the suggestions/inputs received will be released soon.

SIGNIFICANT ACHIEVEMENTS 2025-26

THE CHARTERED ACCOUNTANT

- Organised a Roundtable Discussion on the draft publication “**Opportunities for Insolvency Professionals (IPs) beyond the IBC**”. The Study incorporating the suggestions/inputs received will be released soon.
- Organised a Roundtable Discussion on the draft publication “**Practical Aspects: Role of Committee of Creditors vis-à-vis Insolvency Professionals**”. The Study incorporating the suggestions/inputs received will be released soon.
- Inputs on request from New Zealand regarding Most Favoured Nation (MFN) treatment under ongoing IN–NZ FTA negotiations
- Seeking mandate on MFN offer under India-EU FTA negotiations
- Inputs on Key Events for India’s BRICS Presidency 2026
- Input Required: OECD STRI Database Update – Nationality/Citizenship Requirement
- Preparation of Roadmap for India’s Services Exports-Business Sector
- Inputs on India-Chile FTA: Seeking Mandate for Market Access offer for Chile – Professional Services
- Waiver of Requirement of 3000 Hours of Practical Experience for Auditor Registration in Australia
- ICAI inputs on Status of Action Taken on Issues from 1st India–Indonesia WGTI Meeting and inputs for 2nd WGTI Meeting
- Inputs on Draft MA offer - Accounting, Auditing & Book keeping Services and Taxation Services - IN-NZ FTA negotiations
- Inputs on Draft Ministerial Outcome Document of UNCTAD
- Inputs on barriers being encountered by our Services Industry while exporting services to Germany
- India- Chile CEPA: Trade in Services and Mobility of Professionals
- India-EU FTA: Seeking Mandate for Market Access offer for EU - Accounting, Bookkeeping, Auditing & Advisory and Consulting related to taxation services
- 3rd India–Brunei Darussalam Joint Trade Committee-reg
- Inputs on 6th India-Vietnam Joint Trade Sub-Commission (JTSC) meeting
- Inputs for the Second Session of India-Mauritius High Powered Joint Trade Committee (HPJTC) Meeting
- Inputs on 14th meeting of India-Philippines Joint Working Group on Trade and Investment (JWGTI) - IMC
- Updated status- Request for collaboration with the Institute of Chartered Accountants of India under India – Japan Comprehensive Economic Partnership Agreement (IJCEPA)
- Impact Assessment of IN-UAE CEPA: Services Trade
- Inputs on India’s offer related to Accounting and Bookkeeping under India-UK FTA
- Meeting of India-Singapore Joint Working Group on Trade and Investment- regarding Meeting of HCIM with Indonesian counterpart - input for agenda regarding.

1.3 Encouragement from National Leadership

- **Launch of ICAI International ADR Centre (IIAC), a Section 8 company to promote and institutionalise Alternate Dispute Resolution (ADR) in India:** Shri Arjun Ram Meghwal, Hon’ble Minister of Law and Justice as the Chief Guest at launch of IIAC, lauded ICAI’s visionary step towards promoting institutional dispute resolution in India. The event opened with a thought-provoking address by Justice Tejas Karia, Hon’ble Judge, Delhi High Court, wherein he emphasized the growing importance of effective ADR systems in ensuring ease of doing business.

A key highlight of the event was the official launch of the logo of the ICAI International ADR Centre, representing ICAI’s commitment to developing a world-class ADR platform. A small booklet was also launched on this occasion marking establishment of ICAI International ADR Centre – A leap towards making INDIA a Global ADR Centre.

- **Accounting Standards Day** was organised on the theme “Navigating the Financial Reporting Landscape”, with participation from all Regional Councils. At Delhi, the event was graced by **Smt. Rekha Gupta, Hon’ble Chief Minister of Delhi**. The event witnessed participation of over 1500 members nationwide.

- **Shri Sanjay K Murthy, Hon’ble C&AG of India** and Shri Anand Mohan Bajaj, Deputy C&AG (Commercial) along with



SIGNIFICANT ACHIEVEMENTS 2025-26

THE CHARTERED ACCOUNTANT

senior officials of O/o C&AG interacted with the officials of O/o C&AG during Valedictory Session of 2nd batch of 32 days' Basic Level Capacity Building Program held at ICAI's Centre of Excellence, Hyderabad.

- **Future Proof Forensics: Thought Leadership in Financial Fraud Investigation 2025 (Mumbai)**- Shri Tuhin Kanta Pandey, Chairman, SEBI and Shri Anand Mohan Bajaj, Deputy Comptroller & Auditor General of India were the Chief Guest at the event. Also, present were leadership from the Reserve Bank of India (RBI), Indian Banks' Association (IBA), NBFCS and Asset Reconstruction Companies (ARCs). With a focus on collaboration and capacity-building, the event underscored ICAI's continued commitment to strengthening the forensic and financial ecosystem in India.
- **National GST Symposium** organised at Thiruvananthapuram and saw participation from Commissioners of GST/State Tax/Commercial Tax of all States and Union Territories, Principal Chief Commissioners/ Chief Commissioners/ Principal Commissioners/ Commissioners of CGST Commissionerate's, senior officers from CBIC, GSTN, DG Audit, DG GST, NACIN, DG GST Intelligence, DG Taxpayers Services.
- **ICAI MSME & Startup Conclave 2025:** To mark International MSME Day, the Conclave was organised with 3000+ Delegates, 19+ Sessions, 60+ Speakers, 38+ Exhibitors and 65 Startup Pitches. The event empowered MSMEs and Startups through knowledge-sharing, professional support, and ecosystem collaboration, aligned with the Government of India's vision of 'Viksit Bharat'.
- **Global Startup Summit 2025, Tamil Nadu:** ICAI in collaboration with Startup TN, participated in the Tamil Nadu Global Startup Summit 2025 at Coimbatore. ICAI showcased its initiatives through an exhibition stall under the Government of India Pavilion, alongside leading institutions such as NITI Aayog, Startup India, MeitY, Ministry of MSME, and other key ecosystem players. The participation reinforced ICAI's role in fostering innovation, policy dialogue and collaboration within the MSME and Startup Ecosystem.
- **Startup Maha Kumbha 2025:** ICAI participated as an exhibitor at Startup Mahakumbha 2025, held in New Delhi, drawing strong

interest from startups, entrepreneurs, incubators, and professionals. ICAI's stall saw substantial footfall, engaging over 500 stakeholders, offering on-the-spot mentoring and advisory support, and enhancing ICAI's visibility within the startup ecosystem.

- **Global Investors Summit (GIS) 2025:** ICAI pavilion at the Global Investors Summit (GIS) 2025, held in Bhopal, Madhya Pradesh. The summit was attended by over 10,000 delegates, making it a significant platform for global investors, industrialists, and experts to engage in discussions on emerging markets, trends, and investment opportunities in Madhya Pradesh. The focus of ICAI's pavilion included demonstrating ICAI's active role in fostering entrepreneurship in the MSME sector.
- **ICAI MSME Mahotsav** hosted by 140+ ICAI branches across India, supporting approx. 20,000 MSMEs with 400+ helpdesks for advisory and grievance redressal. The events were attended by Ministers, MLAs, and senior officials.
- **ICAI MSME Connect Stakeholders Strategic Meet 2025** served as a platform to discuss key empowerment initiatives for MSMEs and Start-ups. The event brought together over 80 participants, including stakeholders from Ministries, Regulators, financial institutions, industry bodies, and incubators from across 60+ organizations.
- ICAI actively participated in the **Global Investors Summit** held in Bhopal, Madhya Pradesh. ICAI played a vital role in bringing this to life, contributing to tasks such as compiling the publication "Unlock MP: Invest, Grow, Lead".

1.4 Interactions with National Leadership and Stakeholders

- Lt. Gen (Retd.) Gurmit Singh, Hon'ble Governor, Uttarakhand & Shri Pushkar Singh Dhami, Hon'ble Chief Minister, Uttarakhand to discuss matter related to Financial & Tax Literacy and initiatives taken by ICAI to promote it amongst general public.
- Mrs. Aparajita Sarangi, Member of Parliament, Bhubaneswar and Mr. Kanak Vardhan Singhdeo, Deputy Chief Minister, Odisha graced the National Conference - 2025 BHARAT @ 2047 CAs for Amrit Kaal organised in Bhubaneswar.
- Shri Vasudev Devnani, Hon'ble Speaker, Rajasthan Legislative Assembly and CA.



SIGNIFICANT ACHIEVEMENTS 2025-26

THE CHARTERED ACCOUNTANT

Dharmender Singh Shekhawat, Independent Director, State Bank of India graced the National Conference on “FIDUCIA 2025: Ethics, Opportunities, Technology and Sustainability” organised in Jaipur.

- Smt. Raksha Khadse, Hon’ble Minister of State for Youth Affairs and Sports for strategic collaboration with the Ministry.
- Smt. Vijaya Kishore Rahatkar, Chairperson, National Commission for Women, India graced the CA Women Leadership Conclave “Altair- Soar. Lead. Shine”, wherein deliberations were made on Corporate Governance for a Sustainable future, Independent Directors: The Cornerstone of Corporate Governance, etc.
- Mr. Manoj Saunik, IAS – Chairman, MahaRERA to discuss possible collaboration between ICAI and MahaRERA to enhance governance, compliance, and transparency in the real estate sector.
- Mr. Smarak Swain, Director, FATF Cell, Department of Revenue, Ministry of Finance regarding the National Risk Assessment.
- Ms. Mukta Shekhar (IRAS), DG, GASAB-V at the time; later transferred to the Ministry of Panchayati Raj (MoPR) as Joint Secretary (meeting held at MoPR thereafter).
- Shri Viraj Singh, IAS, Additional Secretary, Ministry of External Affairs
- Shri Thiru V. Arun Roy, IAS, Secretary to the Government, Industries, Investment Promotion & Commerce Department, Government of Tamil Nadu, for State’s Global Capability Centre (GCC) policy framework.
- Shri Darpan Jain, IAS-JS, Ministry of Commerce & Industry regarding MFN treatment under ongoing IN–NZ FTA negotiations.
- Ms. Rupanjali Karthik, Director, Ministry of Commerce & Industry
- Shri Babul Supriyo on GCC Opportunities in West Bengal
- Shri Alok V. Chaturvedi, IAS (Retd.), Director General, Export Promotion Council for EOUs and SEZs (EPCES) to discuss the MoU deliverables and explore potential areas for future collaboration between ICAI and EPCES.
- CA. Mahaveer Singhvi, IAS, Joint Secretary (NEST), Ministry of External Affairs, for working

towards strengthening India’s global trade and professional linkages.

- Ms. Anooa Nair Director (Services SMD), Department of Commerce on regarding MFN treatment under ongoing IN–NZ FTA negotiations
- Shri Mauvin Godinho, Hon’ble Minister for Transport, Industries and Panchayati Raj, Government of Goa
- Shri Sampad Swain, Hon’ble Minister of State (Independent Charge) for Industries, Skill Development & Technical Education, Government of Odisha
- Shri Rabi Narayan Naik, Hon’ble Minister of Rural Development, Panchayati Raj, and Drinking Water, Government of Odisha
- Dr. Krushna Chandra Mahapatra, Hon’ble Minister of Housing & Urban Development and Public Enterprise, Government of Odisha
- Thiru G. K. Arun Sundar Thayalan, IAS, Director General of Audit, Chennai
- Shri Subir Mallick, Deputy C&AG (Defence & Local Governance Audit)
- Ms. Debolina Kundu, Director, National Institute of Urban Affairs (NIUA)
- Shri Sanjay Kulshrestha, Chairman and Managing Director of Housing and Urban Development Corporation Limited (HUDCO)
- Dr. Nilotpal Goswami, Additional Deputy Comptroller & Auditor General
- Smt. Alka Rehani Bhardwaj, Additional Deputy C&AG (GA & GASAB)
- Ms. Sofia Dahiya, Chief Controller of Accounts, Ministry of Housing & Urban Affairs (MoHUA)
- Shri Pankaj Yadav, Joint Secretary (PPM/Skills), Department of Rural Development
- Shri Rajiv Wadhawan, Adviser (Cost), Department of Expenditure, Ministry of Finance

2. Strengthening Standards Framework

The Institute made significant strides in strengthening its standards framework, reinforcing its commitment to maintaining the highest levels of professionalism, transparency, and global best practices. The Institute undertook initiatives to update, harmonize, and enhance accounting, auditing, and ethical standards, ensuring they remain relevant to the



SIGNIFICANT ACHIEVEMENTS 2025-26

THE CHARTERED ACCOUNTANT

evolving business environment and international benchmarks.

- Submitted **Recommendations to NFRA:**
 - Annual Improvements to Ind AS 2024
 - Amendments to Ind AS 109 and Ind AS 107 – Classification and Measurement of Financial Instruments
 - Ind AS 118 – Presentation and Disclosure in Financial Statements, along with consequential amendments
 - Amendments to Ind AS 109 and Ind AS 107 – Contracts Referencing Nature-dependent Electricity
- In accordance with the LLP Act, a **separate set of Accounting Standards for Limited Liability Partnerships (LLPs)** was submitted to NFRA.
- The **Ministry of Corporate Affairs** notified the following **amendments to Ind AS**, effective for annual periods beginning on or after April 1, 2025, based on ICAI's earlier recommendations:
 - Lack of Exchangeability – Amendments to Ind AS 21
 - Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – Amendments to Ind AS 1
 - International Tax Reform (Pillar Two Model Rules) – Amendments to Ind AS 12
 - Supplier Finance Arrangements – Amendments to Ind AS 7 and Ind AS 107
 - Editorial Corrections
- Constituted an **Expert Panel to address accounting issues** related to the Guidance Note on Financial Statements of Non-Corporate Entities and LLPs.
- Issued **FAQs on the Guidance Note** and provided compliance relaxations for the annual reporting period 2024–25.
- Issued **FAQs on accounting implications arising from the implementation of new Labour Codes** in India.
- Initiated the process to develop **Valuation Standards for the Asset classes**, namely Land & Building and Plant & Machinery in addition to Securities and Financial Assets.
- **Recommendations on Standards on Auditing for Audit of LLPs:** ICAI's recommendations on the Standards on Auditing for audit of LLPs ("SAs for LLP") were submitted to NFRA for notification



under Section 34A of the LLP Act, 2008. ICAI recommended that the Standards on Auditing recommended by ICAI to NFRA for audit of companies should apply mutatis mutandis for audit of LLPs.

Subsequently, MCA directed ICAI to develop a separate set of SAs for LLPs for notification under Section 34A of the LLP Act, 2008. In response, ICAI developed a separate set of SAs for LLPs. ICAI's final recommendations on SAs for LLPs was submitted to NFRA vide letter dated June 24, 2025.

- **Support provided to Government Accounting Standards Advisory Board (GASAB):**
 - A concept paper submitted on Public-Private Partnership arrangements.
 - Attended Technical Advisors and Board meeting of GASAB.
 - Submitted inputs on several Drafts/ Exposure Drafts of Indian Government Accounting Standards (IGAS) and Guidance Notes i.e. Accounting for Reserve Funds, Recipients of External Assistance – Disclosure Statement, Revision of IGAS-1: Guarantees Given by Governments, Revision of IGAS-2: Grants-in-Aid, Revision of IGAS-3: Loans and Advances, Guidance Note on Accounting and Reporting of Fixed Assets, Foreign Currency Transactions and Loss or Gain due to Exchange Rate Variations, Accounting of Public Debt and Other Liabilities of Governments, Disclosure on Disinvestments of Public Assets, Accounting Standard on Cash Flow Statement, Strategic Development Plan (SDP) 2025-28, and Due Process of GASAB, many of which were duly incorporated.
- To promote excellence in ESG disclosure, 4th Edition of **ICAI Sustainability Reporting Awards (2024–25)** were organised to recognise organizations demonstrating best practices in sustainability reporting, encouraging others to

SIGNIFICANT ACHIEVEMENTS 2025-26

THE CHARTERED ACCOUNTANT

move from mere compliance to strategic, value-driven sustainability disclosure and integrated thinking.

3. Elevating ICAI's Global Influence

ICAI continued to elevate its global influence, positioning itself as a leading voice in the international accounting profession. The Institute strengthened collaborations with foreign accounting bodies, participated in high-level international conclaves, and engaged with global regulators, fostering cross-border knowledge exchange and best practices.

- A High-level delegation from **International Financial Services Centres Authority** visited UK to disseminate information about International Financial Services Centres; the GIFT IFSC & its benefits to overseas investors and to gain useful insights on the progress of Accounting & Auditing profession in UK. As part of delegation, President, ICAI addressed at the Conference on "Business Opportunities in India's maiden IFSC at GIFT City".
- The Institute engaged **ECCTIS** to conduct an independent benchmarking study. This study evaluated the comparability of the ICAI Intermediate and Final levels against the frameworks of Australia, US, UAE, Canada, UK, and European framework. Subsequently, the **Chartered Accountant designation has been deemed equivalent to a Master's degree in this evaluation**. This recognition marks a significant milestone in ICAI's efforts to enhance international avenues for the profession and establish Indian Chartered Accountants as globally recognized professionals.
- **6th International Research Awards** held in Goa to acknowledge the exemplary research contributions in the fields of accountancy and other allied areas. Total of 316 nominations were received from 14 countries which resulted in the **highest number of nominations received since the Awards' inception**. The Jury Panel shortlisted 16 papers, which were awarded in the ICAI International Research Awards 2025.
- Addressed at the **Roundtable Interaction on Book-keeping, Accounting, Taxation and Financial Crime Compliance Services in GIFT IFSC, India** jointly organized by IFSCA & ICAI and co-hosted by ICAEW and ICAI- UK (London) Chapter, at the Chartered Accountants Hall in the ICAEW premises. The event highlighted new outsourcing opportunities for UK Corporates and Accounting Firms in GIFT IFSC.
- 3rd edition of **RESOLVE-2025**, the International Convention on Insolvency Resolution and

Valuation, organised in Mumbai. With the theme "Enabling Resolution, Maximizing Value," the global convention brought together Regulators, Policymakers, Insolvency Professionals, Valuers and Domain Experts from multiple jurisdictions to deliberate on evolving best practices and forward-looking strategies.

RESOLVE-2025 was graced by the Shri Tirunelveli Kamalashamy Viswanathan, Chairman, Bankruptcy Law Reforms Committee and Shri Ravi Mital, Chairperson, Insolvency and Bankruptcy Board of India.

- Attended **36th Annual International Seminar, "Futuronomics – The Evolution of Opportunities"** organized by Abu Dhabi Chapter of ICAI. Chief Guest of the event was Shri Milind Deora, Hon'ble Member of Parliament, India. The theme explored how future economic trends will shape career paths, businesses, investments and industries.
- **7th Edition of Forum of Accountants, organized by the Mauritius Institute of Professional Accountants (MIPA):** The event was honored by the presence of Dr. The Hon. Mrs. Jyoti Jeetun, Minister of Financial Services and Economic Planning, and featured high-level speakers from leading institutions.
- **ECTA Unleashed India-Australia Trade Conference** hosted jointly by ICAI and CPA Australia, focusing on the profession's contribution to continuous growth in the Australia-India relationship.
- **HR Meet and Networking event, Dubai:** This meet served as a crucial platform to engage with the HR community and strengthen the placement



SIGNIFICANT ACHIEVEMENTS 2025-26

THE CHARTERED ACCOUNTANT

opportunities and corporate relevance of Chartered Accountants internationally.

- **Business Leaders Forum: Singapore Chapter-** This initiative significantly strengthened ICAI's presence and thought leadership in the international financial community, particularly around emerging technology and sustainability trends.

3.1 Strategic Engagements with International Accounting Bodies

- Submitted **comments on various consultative documents issued by IASB/IFRIC IC:**
 - Post-implementation Review of IFRS 16 – Leases
 - Exposure Draft on Provisions – Targeted Improvements
 - Tentative Agenda Decisions on Economic benefits from the use of a battery under an offtake arrangement (IFRS 16)
 - Tentative Agenda Decisions on Classification of foreign exchange differences from intragroup monetary items (IFRS 18)
- The comments on the following Documents/ Exposure Drafts (EDs) of the **International Public Sector Accounting Standards Board (IPSASB)** of International Federation of Accountants (IFAC) were submitted:
 - ED 92, Tangible Natural resources,
 - IPSASB SRS ED 1, Climate-related Disclosures, and
 - Exposure Draft 93, Definition of Material (Amendments to IPSAS 1, IPSAS 3 and the Conceptual Framework).
- Comments submitted on following **consultative documents issued by the IASB**, reinforcing India's active role in global standard-setting:
 - Request for Information on Post-implementation Review of IFRS 16, Leases.
 - Exposure draft of Provisions-Targeted Improvements, issued by the IASB.
- Comments submitted to **IFRS Interpretations Committee (IFRS IC)** on Tentative Agenda Decisions (TAD):
 - TAD on Economic Benefits from Use of a Battery under an Offtake Arrangement (IFRS 16)
 - TAD on Classification of a Foreign Exchange Difference from an Intragroup Monetary Liability (or Asset) (IFRS 18)

- Inputs were submitted on agenda of the meeting of **Governmental and Public Sector Enterprises Accounting of the South Asian Federation of Accountants (SAFA)**.
- A **comprehensive survey on Sustainability and ESG practices** was conducted by engaging ICAI and SAFA members. With over 1061 responses, the survey revealed valuable insights into the awareness and expectations of Chartered Accountants regarding their roles in sustainability reporting.
- **IFA India Conference 2025**, themed "Positioning India in the Current International Tax Dialogue", held in Mumbai. ICAI was effectively represented at this important global forum and its presence reinforced ICAI's ongoing engagement with International Tax developments and strengthened knowledge exchange with global experts.

3.2 High-Level Global Meetings and Conclaves

- Attended the **IFAC Board Meeting** in New York reinforcing ICAI's commitment to strong governance, professional development and global collaboration.
- Attended the **XBRL International Board Meeting** in Oxford, engaging with global leaders of accounting profession to strengthen digital financial reporting and innovation.
- Attended the **141st AFA Council Meeting** in Hanoi & presented ICAI's role on the international stage in representing India's voice and ICAI initiatives of global relevance.
- Attended the Conference "**IFAC Global Connect – Better Together 2025**" and addressed the gathering on the theme "The Impact of AI and



SIGNIFICANT ACHIEVEMENTS 2025-26

THE CHARTERED ACCOUNTANT

Emerging Technologies on the Accountancy Profession.”

- attended the **24th ASEAN Federation of Accountants (AFA) Conference** organized jointly with Vietnam Association of Accountants and Auditors (VAA) in Hanoi. It was a vital platform for thought leadership, collaboration, and innovation in the dynamic fields of finance and accounting.
- Attended **IFAC Connect MENA 2025** organized by the International Federation of Accountants (IFAC) in partnership with the Saudi Organization for Chartered and Professional Accountants (SOCPA). At the event, the participants interacted with Regulators, Standard Setters, Professional Accountancy Organizations (PAOs), and stakeholders across the public and private sectors to share perspectives and identify practical ways the profession can advance integrity, innovation, and public value.
- A series of meetings with the **International Ethics Standards Board for Accountants (IESBA)** and the **International Auditing and Assurance Standards Board (IAASB)**. It was for the first time that ICAI presented session at the event. At the said forum, ICAI representatives, gave presentation on a session on “ISA for Less Complex Entities – Accelerating Adoption: Challenges and Strategies”.
- Addressed “Sustainable Finance and Green Banking” event, co-hosted by the ICAI Muscat Chapter and **College of Banking and Financial Studies (CBFS)**. Chief Guest at the event was Dr. Zahran Al Salti (Dean of CBFS).
- Attended the **68th Anniversary of Institute of Indonesia Chartered Accountants (IAI), CAPA Members Meeting (MM) and Extraordinary General Meeting (EGM)** held in Jakarta, Indonesia. Also attended the **ARACC - Engagement Session** of CAPA.
- Attended “**IFAC Connect: Asia Pacific 2025 event**” wherein distinguished participants, representing nearly 100 jurisdictions from IFAC member organizations gathered from around the world.
- Attended the **AFA – KICPAA – ACCA Conference**, themed “Future of Finance 2030 and Beyond – AI, Innovation, and Emerging Trends,” in Cambodia. Additionally, attended the **140th AFA Council Meeting** held in Cambodia.
- During the period, following international meetings were attended:
 - **IFASS Meeting**, Naples, Italy
 - **AOSSG Chairs Advisory Committee (CAC)**
 - **Emerging Economies Group (EEG)**
 - **IFASS Meeting**, London, UK: Shared India’s perspective as a panellist in the session on Sustainability Reporting.
- As part of ICAI’s continued engagement in the global standard-setting ecosystem, ICAI’s representatives presented its view at the **45th Meeting of ISO/TC 68 – Financial Services**, held in London. This participation, under the aegis of the Banking and Financial Services Sectional Committee (BFSS Committee), SSD 03, reflected India’s active role in shaping international standards in financial services.
- Meeting with **Mr. Adam Farkas, CEO, Association for Financial Markets in Europe (AFME)**, focused on aligning regulatory frameworks and enhancing investor protection.
- Interaction with **Mr. Dean Postans, Chief Accountant, Prudential Regulation Authority**, Bank of England, highlighted the pivotal role of accounting standards in financial stability and the growing significance of ESG disclosures.
- Meeting with **Mr. Adrian Lim, Senior Manager, IFAC** to discuss regarding adoption and implementation of the provisions pertaining to latest edition of IESBA Code of Ethics and other final pronouncements introduced by IESBA.
- Attended meeting of **SAFA Committee on professional ethics and independence**. The main agenda of the meeting was to discuss the matters pertaining to the exposure drafts issued by IESBA, Celebration of Global Ethics Day and country wide updates.
- Attended the **meeting of IESBA-JSS** to discuss the matters pertaining to Accounting Firm Culture and Governance (FCG), independence provisions for Sustainability Assurance Engagements outside the scope of part 5 and other ethical issues.
- Attended **IESBA, IAASB and Joint JSS** meeting held in May 2025 and **IESBA-JSS Meeting and IAASB-IESBA-JSS Meeting** in November 2025.
- Participated as panelist in Session on “Shaping Tomorrow Together – Embarking on the Journey” of the **IPSASB’s Public Sector Standard Setters Forum**, held in Lisbon, Portugal.
- Chairman, ICAI Committee on Public & Government Financial Management, being a member of **SAFA’s Committee on Governmental and Public Sector Enterprises Accounting**, attended its Committee Meeting in Sri Lanka.

SIGNIFICANT ACHIEVEMENTS 2025-26

THE CHARTERED ACCOUNTANT

- Attended **45th Meeting of ISO/TC 68 – Financial Services**, held in London under the aegis of the **Banking and Financial Services Sectional Committee (BFSS Committee), SSD 03**. This reflected India's active role in shaping international standards in financial services. The deliberations emphasized global harmonization of financial reporting standards, enhanced risk management protocols, and inclusive frameworks for emerging economies.
- Attended the **77th Congress of the International Fiscal Association (IFA)** held in Lisbon, Portugal.

3.3 Foreign Delegates' Engagements and Leadership Meetings

- Meeting with Mr. Malcolm Bacchus, President, The Institute of Chartered Accountants in England and Wales (ICAEW) wherein the possibility of having joint study/research was explored, in areas namely sustainability, green financing, ESG, etc. Both ICAI & ICAEW leadership also explored having this initiative along with CPA Australia.
- Meeting with Mr. Erkki Liikanen Chair, Board of Trustees (who participated at the meeting virtually); Mr. Michel Madelain, Managing Director, IFRS Foundation; Mr. Andreas Barckow, Chair, IASB and Mr. Jonathan Bravo, Director of Regulatory Affairs. Discussions were held on the possibility of increasing ICAI representation at the IFRS and how ICAI can be more actively involved in global standard setting process.
- Dr. K. Srikar Reddy, Hon'ble Consul General of India, San Francisco (virtually), Mr. Scott Hanson, Director, Policy & Global engagement at IFAC (virtually), Ms. Terry Feit, Board Member, The LA84 Foundation (in person) and Mr. Prakash Paranthaman, President & CEO, State Bank of India, California (in person) addressed gathering at the launch of ICAI- Los Angeles (USA) Chapter.
- Meeting with Ms. Shalini Bhatia & Dr. Anurag Mairal of Stanford University with their Team along with the ICAI SFO Chapter Representatives at San Francisco. Discussions included a potential global collaboration for knowledge sharing besides other matters.
- Shri. Ramesh Babu Lakshmanan, Hon'ble Consul General of India, Atlanta, and Special Guests - Dean Richard Phillips, Georgia State University, Dr. Saeid Motevali,



Faculty Director, Ms Analytics, Georgia State University, and Ms. Poornima Shenoy, FICCI, USA Representative, addressed gathering at the launch of ICAI-Atlanta (USA) Chapter.

- Dr. K. Srikar Reddy, Hon'ble Consul General of India, San Francisco, Ms. Anita Manwani, President, TIE Silicon Valley and Mr. Adam Blaylock, Board Member, California Society of Certified Public Accountants (CalCPA) Board participated at the event held towards launch of 5 New Representative Offices of ICAI.
- Meeting with Mr. S. Chinpau Ngaihte, Counsellor (Economic, Commerce & Development Partnership), Embassy of India, Hanoi (Vietnam). Discussions were held on the avenues and opportunities for Indian Chartered Accountants and strategies for strengthening strategic collaboration in the region.
- Meeting with Mr. Sujit Ghosh, Deputy High Commissioner of India to the UK and Ms. Nidhi Mani Tripathi, Minister (Economic) at the High Commission of India wherein they discussed about the opportunities and pathways for Indian Chartered Accountants to contribute value-added services within the UK.
- Meeting with Dr. Ahmad Almeghames, CEO, SOCPA at Riyadh. The Meeting fostered discussions on strengthening collaboration between ICAI & SOCPA for global Excellence in Accountancy.
- Meeting with Dr. Suhel Ajaz Khan, Ambassador of India to the Kingdom of Saudi Arabia and shared insights about the Indian Chartered Accountancy profession and discussed ways to enhance the brand value of Indian Chartered Accountants in Saudi Arabia.
- Meeting with Mr. Vanlalvawna Bawitlung, Hon'ble Ambassador of India to Cambodia,, to discuss strengthening collaboration in capacity building and professional opportunities for Indian CAs in the region.
 - Meeting with H.E. Shri Godavarthi Venkata Srinivas, Indian Ambassador to Oman, joined by ICAI Oman Chapter representatives. This discussion fortified commitments to the global CA community and explored how ICAI can further enhance India-Oman relations with specific focus on collaboration for Oman India Investor Collaboration in 2025.
- Talks with His Excellency Sayyid Salem bin Muslim Al Busaidi, Under Secretary for Human

SIGNIFICANT ACHIEVEMENTS 2025-26

THE CHARTERED ACCOUNTANT

Resources Development, Ministry of Labour, Sultanate of Oman, focusing on concrete steps for professional collaboration and capacity building and discussed about various areas wherein ICAI can help build capacity for Omani talent, training and develop system.

- Meeting with Dr. Zahran Al-Salti, Dean of the College of Banking & Financial Studies (CBFS), Oman, where discussions were held on enhancing accounting education curricula, exploring joint research initiatives, and facilitating faculty and student exchange programs.
- Meeting with Dr Abdullah Ali Harthy (OCCI Board Member and Chairman Omani CFO Mentor Program) wherein it was proposed to establish a “GCC Accounting and Auditing Committee” to facilitate GCC’s economic integration and growing cross-border activity call for a harmonized framework in accounting and auditing.
- Productive meeting with H.E. Dr. Shilpak Ambule, High Commissioner of India to Singapore, where discussions centered on reinforcing the global CA community and strategies to further strengthen ICAI’s brand in Singapore and also to have a joint research study on Family business in Singapore.
- Meeting with Mr. Vivekananda Neelakantan, Registrar, Singapore International Arbitration Centre (SIAC) and Mr. Charles Luk, Manager – Legal, Strategy and Development and a separate meeting with Mr. George Lim SC, Chairman, Singapore International Mediation Centre (SIMC) and Mr. Siddharath Jha, Counsel SIMC. Both of these meetings aimed to enhance the global capabilities of ICAI members and contribute to international dispute resolution.
- Meeting with Mr. Teo Ser Luck, President Institute of Singapore Chartered Accountants (ISCA) and Ms. Fan Kor, Chief Executive Officer, ISCA. Discussions explored the possibility of entering into qualification reciprocity agreement between both bodies, alongside potential joint initiatives to benefit the accounting profession in both countries.
- Meeting with Mr. Yassir Nainar, President and CA. George Thomas, Vice President, of Savitri Bai Phule Pune University (Doha Campus). Discussions focused on academic collaboration and increasing the visibility of the CA qualification in Qatar, potentially through partnerships with local educational and professional bodies. This initiative aims to enhance ICAI’s global outreach in the region.
- Meeting with Mr. Sandeep Kumar, Deputy Chief of Mission, Embassy of India in Doha. Discussions revolved around strengthening ICAI’s global footprint and enhancing support for Indian CAs working overseas.
- Meeting with Ms. Pamela Steer, President & CEO, CPA Canada; Ms. Jovana Blagotic, Director, Federal & Global Affairs, CPA Canada and Ms. Anna-Marie Christian, Consultant, CPA Canada. Discussions were held regarding the renewal of the MoU, as well as the mapping exercise both organizations would be undertaking for better Terms and Conditions of the MoU.
- Meeting with Ms. Carol Wilding, President and CEO, CPA Ontario wherein discussions were held on the mutual areas of interest of both the organizations where they can work together for the benefit of membership at either end.
- Meeting with Shri. Kapidhwaja Pratap Singh, Acting Consul General of India in Toronto, Canada wherein ICAI representative explained the perspective of Indian Chartered Accountancy Profession, and they explored on increasing the brand value of the Indian Chartered Accountants in Canada.
- Met Ms. Abeer Alsaad, Executive Director- Policy Enforcement, Central Bank of Bahrain wherein discussions covered the potential and presence of Indian Chartered Accountants in Bahrain. Discussions were also made to explore the collaborative initiatives in professional excellence & digital transformation.
- Meeting with Mr. Vinod K. Jacob, Ambassador of India to the Kingdom of Bahrain. The deliberations explored the scope and contribution of Indian Chartered Accountants in Bahrain. The exchange highlighted their growing relevance across diverse sectors and highlighted the strategic value they bring to the nation’s economic landscape.
- Meeting with Mr. Abbas Abdulmohsin Radhi, Chairman, Bahrain Accountants & Auditors Association. The discussions assessed the evolving role of Indian CAs within Bahrain. The dialogue focused on the high expertise, knowledge and advanced skills of the CA community across multiple domains which in turn are valuable to a nation’s economic landscape.
- Meeting with Mr. Adam Farkas, CEO, Association for Financial Markets in Europe (AFME), focused on aligning regulatory frameworks and enhancing investor protection.

SIGNIFICANT ACHIEVEMENTS 2025-26

THE CHARTERED ACCOUNTANT

- Interaction with Mr. Dean Postans, Chief Accountant at the Prudential Regulation Authority, Bank of England, highlighted the pivotal role of accounting standards in financial stability and the growing significance of ESG disclosures.

4. Robust Compliance and Regulatory System

The Regulatory Mechanism of the Institute is not merely a corrective tool—it is a proactive force that underpins the integrity, accuracy, and reliability of financial reporting. By enforcing standards, deterring unethical behaviour, and holding members accountable, the ICAI through its Regulatory Mechanism plays an indispensable role in fostering a transparent and trustworthy financial environment.

- Details of cases considered/disposed off during the Council Year 2025-26 is as under [upto January 8, 2026]:

Bench	No. of Meetings	Hearing concluded*	Punishment cases considered	PFO considered**	Misc. items
DC I	22	24	4	14	0
DC II	12	37	6	115	0
DC III	9	17	6	36	0
DC IV	35	72	6	89	0
BOD	32	52	33	325	788
	110	202	55	579	788

* including cases considered under Rule 6, infructuous, etc.

** including cases considered under Rule 6/12, infructuous, etc. Apart from the above, PFO has been considered and referred back by the BOD/DC, as the case may be, in 28 cases.

- Organised **82 Peer Review Training Programmes** so that more Reviewers should be empanelled with the Peer Review Board to conduct the Peer Reviews of Practice Units.
- Till December 2025, the Expert Advisory Committee finalised **Opinions on 30 queries**, received from the members of the Institute, on different accounting issues of various corporates (including public sector entities) and non-corporates.
- Updated **Excel utility** based on the Guidance Note on Audit of Banks and the Technical Guide on Long Form Audit Report, incorporating the changes in the Guidance Note on Audit of Banks (2025 Edition).
- Updated **“Reviewing and Monitoring Tool on Standards on Auditing Compliance”** which covers checklists on all Standards on Auditing as

a measure for assisting firms in compliance with the SAs.

- Enhanced **Utility for determining materiality**, which is a handholding measure for assisting the firms in the smooth conduct of audits.
- The **Code of Ethics in under revision** and the revisions are based on amendments arising from the CA Act, Council decisions, changes in general law, revisions reflecting contemporary developments, convergence with IESBA Code of Ethics 2024 and subsequent Pronouncements.
- Organised organized **27 Ethical Awareness Programmes/Webinars/Seminars** during the year 2025-26.

5. Fostering Member Excellence

ICAI strengthened its commitment to fostering member excellence by providing comprehensive support, skill-building opportunities, and professional development initiatives. Members benefited from advanced training programs, international exposure, and knowledge-sharing platforms, enabling them to stay ahead in a rapidly evolving business and regulatory landscape. The Institute also focused on mentoring, capacity building, and recognition of exemplary contributions, ensuring that members are well-equipped to deliver high-quality professional services.

5.1 Empowering Through Learning

- “**Know Your Laws**” series continued in the current year, with over 120 webinars and 300+ hours of structured knowledge sharing, reflecting ICAI’s ongoing commitment to professional excellence.
- Introduced a “**Quick Legal Form Utility**” designed to provide professionals with easy access to drafts on various legal topics. The initiative was highly appreciated and achieved a significant milestone of over 14,000 downloads on the very day of its launch.
- Dedicated webinar series under the theme “**Demystifying Sustainability, Catalysing Growth**” launched to drive meaningful conversations and actionable insights. This initiative is guided by the **SPARK** framework—**Sustainable Practices, Progressive Action, Aligned Resources, Knowledge Expansion**,

SIGNIFICANT ACHIEVEMENTS 2025-26

THE CHARTERED ACCOUNTANT

and Resilient Growth—aiming to empower CA members and stakeholders with the tools and knowledge vital to integrate sustainability into business strategies effectively.

- **Advanced Flagship Program** “Empowering Trusted Advisors – Unlocking the Potential of Family Enterprises” at ICAI Centre of Excellence, Hyderabad. Designed as a **Residential Program**, it aimed to equip Chartered Accountants advising family-owned businesses with deeper insights into governance, strategic growth and succession planning
- **ICAI MSME Pathshala Series** focuses on Capacity Building through knowledge sessions, as part of a sustained effort to build capacity and enhance member engagement in the MSME and Startup ecosystem. The series is designed to equip Chartered Accountants and professionals with in-depth knowledge of MSME policies, compliance, sectoral opportunities, and regional schemes.
- **YUVA- An Ascent of Excellence** youth program organised focusing on key areas impacting the professional growth and development of young members, providing them with a platform to engage in meaningful discussions, share insights and explore emerging opportunities across various fields.
- Organised **CA Business Leaders-40 Under 40** Season 4 awards, in association with Zee Business in Agra, to honour individuals under the age of 40 who have demonstrated excellence and unwavering commitment as CA Business Leaders.
- In the **61st campus placement programme** (Feb-Mar 2025), a total of 204 organisations participated offering 3729 jobs, and 2968 jobs were accepted by candidates. Highest salary offered for domestic posting was Rs. 29 LPA.
- In the **62nd campus placement programme** (Aug-Sept 2025), a total of 170 organisations participated offering 7176 jobs, and 2968 jobs were accepted by candidates. Highest salary offered for domestic posting was Rs. 29 LPA.
- **EVOLVE CHRO Forum 2025**, served as a premier national platform for senior HR leaders and business strategists. Throughout the year, the forum travelled to major business hubs, fostering dialogue on the “People Agenda”



in a rapidly shifting economic and technological landscape.

- **ELEVATE CFO Forum 2025**, series provided a sophisticated platform for Chief Financial Officers and senior finance professionals to navigate a volatile global economy, emphasizing the transition from traditional accounting to strategic business partnership.
- **Career Readiness Programme for Newly Qualified CAs** to provide newly qualified Chartered Accountants with the strategic clarity needed to choose between Industry and Practice.
- Organised webinars on “**Commonly found non-Compliances observed in Financial Statements and Auditor’s Report**” facilitating pan-India participation. The webinar received an overwhelming response, with approx.. 3000 participants in each webinar.
- 24 **Awareness Programmes** on “Financial Reporting Practices- Shaping the future of Audit Excellence” were held across various regions/ cities, witnessing more than 3700 participants in aggregate.
- Introduced **MentorMate** initiative to connect young and women Chartered Accountants with experienced professionals for one-on-one mentorship.
- **NEXTLEAP Program**, a flagship **Startup Accelerator**, was conducted in collaboration with the ICAI Singapore Chapter and Beyond Seed to mark 60 years of India-Singapore diplomatic relations. This 8-week program provided mentorship, cross-border networking, and investor access to early-stage startups.
- Organised **Placement Programme** and addressed the need for Flexi-Time/ Part-Time /Work-from-Home opportunities for women professionals.
- **CA Women Residential Refresher Course-** Revive & Rise towards upskilling and capacity building of members through continuous professional development and featured a curated blend of technical and non-technical sessions.
 - **MentHer Help Desk** - An initiative to encourage CA Women Members wherein a panel of experts addressed the key concerns raised.
 - Under the series “यशस्विनी – An IDOL- Inclusivity | Diversity | Outstanding | Leadership”, 83

SIGNIFICANT ACHIEVEMENTS 2025-26

THE CHARTERED ACCOUNTANT

webinars were organised disseminating information to members on technical updation and non-technical skills & also to empower and inspire them to come at forefront and realise their verbal skills at public forum.

- **InnoFest 2.0** on the occasion of World Entrepreneur's Day to provide valuable insights, strategic guidance, mentorship and networking opportunities to Chartered Accountants aspiring to venture into Entrepreneurship.
- **Series of knowledge-sharing sessions** that addressed contemporary issues of national and professional significance, enabling members to gain direct access to expert insights.
- **Series of webinars** under the theme **"Grow Your Practice."** These webinars are designed to equip Chartered Accountants with the latest tools, strategies, and insights to expand and enhance their professional practices.
- **Webinar series "Bridging the Mindset Gap"**, a thought-driven webinar initiative aimed at going beyond technical mastery to strengthen the inner foundation of professional success- Attitude, Ethics, and Values.
- 2-day Workshop on **"CA's Toolkit: Practical Guide to Appeals & Representation"** aimed to equip members with the essential practical knowledge and skills required for effective drafting, representation, and management of tax and legal proceedings.
- In collaboration with the **Indian Venture and Alternate Capital Association (IVCA)**, organized an exclusive, closed-door panel discussion designed specifically for Chief Financial Officers and Chief Compliance Officers of Private Equity and Venture Capital AIFs. This event convened senior professionals and key stakeholders from the Private Equity and Venture Capital ecosystem to deliberate on evolving reporting standards, valuation frameworks, and regulatory expectations shaping the alternative investment landscape.
- Panel Discussion organized specifically for **Partners, Founders, and Co-Founders of Private Equity and Venture Capital AIFs**. This session brought together key decision-makers, Regulators, and thought leaders to discuss India's growth trajectory, governance practices, and transparency in shaping a future-ready PE-VC ecosystem.
- **22 live webcasts/ webinars** on various contemporary topics in GST which were attended by more than **20,000 delegates**.

- **158 Seminars/ Workshops/ Webcasts** on Bank Branch Audit/ Standards on Audit and related matters.
- **39 Public Outreach Program on Income-tax Bill, 2025.**
- **12 Seminars on Tax Audit & allied areas and 2 webinars on "Understanding Practical Issues in Tax Audit -Practical Aspects of Tax Audit under Income-tax Act, 1961.**
- Conducted the **Knowledge Express Week** and provided members with valuable insights, updates, and emerging developments on key commercial and economic topics.

5.2 Professional Issue / Representation

- Submitted **Report on the draft Multi-State Cooperative (Auditor's Report) Order (MSCARO), 2025**, to the Central Registrar of Cooperative Societies (CRCS) for their consideration.
- Suggestions on **GST Annual Return [Form GSTR 9] and GST Reconciliation Statement [Form GSTR 9C]**: Annual Return in Form GSTR 9 and Reconciliation Statement in Form GSTR 9C are integral to the annual compliance framework under GST, and accurate reporting in them is critical for taxpayers and regulators alike. Accordingly, ICAI undertook review of the structure, format, and implementation challenges associated with such Forms and submitted its suggestions to the Government to simplify the return filing, as also ensure standardization and clarity.
- Suggestions to **enhance efficacy of GST adjudication**: The Director General, DGGST, invited ICAI to seek inputs on improving the quality of adjudication. ICAI's representative participated and deliberated on key concerns, including the timing and drafting of SCNs and adjudication orders. Accordingly, a comprehensive note highlighting issues in adjudication and suggesting measures for enhancing its efficacy was submitted.
- Suggestions on **practical issues faced by taxpayers in GST compliance**: With the



SIGNIFICANT ACHIEVEMENTS 2025-26

THE CHARTERED ACCOUNTANT

completion of eight years of GST implementation, ICAI undertook a comprehensive review of the practical challenges faced by taxpayers in areas such as registration, refunds, input tax credit, and tax demands. Inputs were invited from members across the country and finalised suggestions were submitted to the Government, with the objective of facilitating smoother implementation of GST law and mitigating the difficulties presently encountered by taxpayers.

- Study of **scenarios requiring adjustment of tax liability auto-populated in Form GSTR-3B**: Submitted a compilation outlining various scenarios wherein a taxpayer may need to edit the auto-populated tax liability from Form GSTR-1/1A/ IFF while filing Form GSTR-3B. The submission was made in response to the request of the GST Policy Wing, CBIC, seeking inputs on such scenarios, particularly in relation to Table 3.1(a), Table 3.1(b), Table 3.1(d), and Table 3.1.1 of Form GSTR-3B.
- Study of **scenarios requiring adjustment of input tax credit auto-populated in FORM GSTR-3B**: Submitted a compilation outlining various scenarios wherein a taxpayer may need to edit the auto-populated ITC from Form GSTR-2B while filing Form GSTR-3B. The submission was made in response to the request of the GST Policy Wing, CBIC, seeking inputs on such scenarios, particularly in relation to Table 4A(1), 4(A)(3), 4A(4) and 4A(5) of Form GSTR-3B.
- Submitted a representation on **relaxation from penal and prosecution consequences under the Black Money and Imposition of Tax Act, 2015** arising due to inadvertent non-disclosure of foreign income or assets in the ITR prepared.
- Enabling a provision for **restricting the maximum number of UDIN generation** under Tax Audit, either in the individual capacity, or as partner of the firm/LLP for Form 3CB - Section 44AB(a) and Form 3CB - Section 44AB(b)
 - Provision for restricting the maximum number of UDIN generation under Tax Audit: will be implemented w.e.f April 1, 2026.
 - Field-Level Validation: Will be implemented during hyper-care period.

5.3 Post Qualification Courses – Certificate Courses

- **MDP for rank holders of ICAI** in association with IIM Bengaluru, wherein the certification for this program was provided exclusively by the ICAI.
- Conducted 14 virtual and 3 physical batches of the **Certificate Course on Ind AS** through the

Digital Learning Hub (DLH) and ICAI branches, training approximately 2100 members.

- 21 batches of the **Certificate Course on Concurrent Audit of Banks** were conducted across various cities and total of 1266 participants successfully completed and qualified the course.
- Various batches of **Certificate Course on Internal Audit** were conducted and a total of 153 participants successfully completed and qualified the course.
- 1st online batch of **Certificate Course on Project Financing** commenced and course is being well received by the members.
- 4 CPE programmes and 25 webinars on Internal Audit were organized for members with accessible, high-quality learning opportunities to strengthen knowledge and practical skills.
- 3 Physical and one online batch of **Certificate Course on Sustainability and Business Responsibility and Sustainability Reporting (BRSR)** conducted. So far, more than 2900 participants have been enrolled in this course.
- 7 batches of the **Certificate Course on GST** were organised physically which were attended by 284 members. Further, a batch of the Course was organized virtually which was attended by 154 members. 1 batch of **Certificate Course on UAE-VAT** organized physically in Dubai which was attended by 24 members.
- Till date, conducted 15 batches of **Certificate Course on CSR Reporting and Impact Assessment** to equip members with practical knowledge of CSR laws, governance, reporting standards and impact evaluation frameworks.
- Five batches conducted for **Residential Refresher Course (RRC) on Startups & Role of CAs as Investment Catalysts**, to equip Chartered Accountants to provide Knowledge based specialised modules to enhance their expertise in Startup.



SIGNIFICANT ACHIEVEMENTS 2025-26

THE CHARTERED ACCOUNTANT

- Eight batches of the **Certificate Course on Startups** to equip CAs to provide professional services as well as entering into Startup space themselves and multiple batches of **Certificate Course on MSME** conducted to train professionals with in-depth knowledge and practical insights to support MSMEs.
- During the year, conducted five online batches of **Certificate Course on Public Finance & Government Accounting**.
- During the year, 5 batches of the **Diploma in Management and Business Finance (DMBF)** conducted.
- Organised 77 events (webinars, seminars, workshops, EDPs and deep-dive courses) on **accounting-related topics**.
- 4 batches of **Diploma in International Taxation (DIIT)** and **6 batches of Certificate Course on UAE-CT** organised through physical/virtual mode.
- Organised batches of **Certificate Course on Intellectual Property Rights (IPR) Laws, Certificate Course on FEMA, Certificate Course on Anti- Money Laundering Laws (Anti- Money Laundering Specialist), Certificate Course on Cooperative, Certificate Course on Real Estate: Laws & Regulations, Certificate Course on NPO & Certificate Course on Arbitration**.
- Organised **17 Seminars/ Outreach Programs on various topics w.r.t. Aggregation of CA Firms** to update members with latest developments.

6. Nurturing Talent Through Learning and Training

ICAI continued its focus on nurturing talent through learning and training, ensuring that aspiring Chartered Accountants are equipped with the knowledge, skills, and practical expertise required to excel in a dynamic global environment. By emphasizing continuous learning, hands-on exposure, and innovative teaching methods, ICAI has created a robust pipeline of skilled professionals who are ready to meet the challenges of the modern economy.

- **Brainstorming Meet for Academic Excellence:** Aimed at strengthening the academic framework of the CA profession by evaluating the skill sets of newly qualified Chartered



Accountants, identifying academic gaps and improving educational resources to develop future-ready professionals, conducted 8 meets across the country.

- Released **Value-Added Study Material for Foundation, Intermediate and Final levels** for the May 2026 examinations. This comprehensive material also covers all Self-Paced Online Modules—SET A, B, C and D—and has been made accessible on the Board of Studies (BoS) Knowledge Portal.
- To ensure a strong start for newly registered Foundation students, conducted two **Induction Programmes** and around 10,000 & 8,000 students participated respectively.
- **Paper-wise Saransh - Last Mile Referencer**, a comprehensive booklet summarizing the core concepts/ provisions/ standards presented through visual summaries, pictorial diagrams, concise flowcharts and tables, prepared and released for Paper 2 - Advanced Financial Management, Paper 3 - Advanced Auditing, Assurance and Professional Ethics, Paper 4 - Direct Tax Laws and International Taxation and Paper 5 - Indirect Tax Laws at Final level.
- The **Case Study Digest Volume -II for the Integrated Business Solutions paper in the CA Final course** was released which includes 35 immersive case studies drawn from a wide range of sectors including Film, Fast Fashion, Airlines, Petrochemicals, Hotels, Online Gaming, Online Food Delivery, Technology and more.
- As of November 30, 2025, total 1077 **Live Virtual Classes (LVCs)** were conducted for Foundation, Intermediate and Final for May, 2025, September, 2025, January, 2026 and May, 2026. Total 238 Live Virtual Revisionary Classes (LVRCs) conducted for Intermediate and Final for May 2025, September, 2025 & January, 2026 and total 96 webinar on CA Success at CA Exam for Foundation, Intermediate and Final for May, 2025 & September, 2025 and January 2026.
- Organized **“Charcha Ka Vishay: CA Pariksha – Let’s Talk: The CA Exam”** in hybrid mode. The initiative offered students a direct platform to interact with experts, clarify queries and overcome exam-related concerns.

adani

WE MAKE IT HAPPEN

We connect people, are friends with nature, and contribute to a brighter 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.





CA. Ramya Rao

Member of the Institute

Indexation- Restored or Redesigned?

The Finance (No. 2) Act, 2024, initially led many to believe that indexation benefits had been restored for long-term capital gains on land and buildings - creating an illusion of relief. However, a closer look reveals that while the second proviso to Section 112(1)(a) offers a tax cap through a notional comparison with the pre-amendment regime, actual capital gains computation no longer includes indexed costs. This inflates taxable income, leading to loss of the rebate and exposure to surcharge if income exceeds ₹50 lakh. Furthermore, capital losses arising

due to indexation are no longer recognized, eliminating the option for carry forward or set-off.

It has been nearly a year since the Finance (No. 2) Act, 2024, reshaped the Indian tax landscape, and yet, one provision continues to spark debate among tax professionals and taxpayers alike - ‘The Indexation’. While the Act spanned reforms across personal income tax, corporate taxation, green initiatives, and digital compliance, the most significant and far-reaching impact has arguably emerged in the domain of capital gains taxation, which has seen a historic shift in both computation and taxation.

The Finance Bill (No. 2), 2024, had proposed to withdraw the indexation benefit altogether. However, what eventually found its way into the final Act was more calibrated: a tax liability cap that simulates relief.

It may look like indexation has returned — but has it, really?

Evolution of Indexation: A Quick Recap

The concept of indexation has matured significantly since its inception in Indian tax law. It was first implemented in the 1992 Budget, following recommendations from the Raja Chelliah Committee, which sought to rationalise the taxation of long-term capital gains (LTCG) by accounting for

inflation. The government introduced the Cost Inflation Index (CII), with 1981-82 as the base year (index value = 100), allowing taxpayers to adjust the cost of acquisition and improvement for inflation. This ensured that only real gains and not nominal increases, due to inflation, were taxed. In 2001, the government shifted the base year for indexation from 1981 to 2001 to simplify valuation and align it with more accessible historical data.

More recently, the year 2024 saw a significant policy shift, with the gradual withdrawal of indexation benefits culminating in the Finance (No. 2) Act, 2024, which eliminated indexation for all capital assets in gain computation.

But a pertinent question remains: Even after its withdrawal, does indexation persist in a different form?

Demystifying the Concept

At first glance, the final provisions led to a wave of optimism among taxpayers and professionals, with many interpreting them as a revival of indexation for long-term capital gains (LTCG). This perception stemmed from the shift between the original Finance Bill, which had proposed a complete withdrawal of indexation, and the enacted law, which introduced

a tax liability cap on the sale of land & buildings by resident individuals and HUFs.

But as is often the case in taxation, the devil lies in the details. The truth is more nuanced and a bit trickier than what the headlines suggest.

Traditionally, Section 48 of the Income-tax Act, 1961, has governed the indexation in the computation of capital gains. It allowed for the deduction of the “indexed cost of acquisition” and “indexed cost of improvement” while calculating long-term capital gains. This often led to significantly reduced tax liability.

However, the Finance Act (No. 2), 2024, changed the rules of the game.

The second proviso to Section 48 is reproduced verbatim below:

“Provided further that where long-term capital gain arises from the transfer [(which takes place before the 23rd day of July, 2024)] of a long-term capital asset, other than capital gain arising to a non-resident from the transfer of shares in, or debentures of, an Indian company referred to in the first proviso, the provisions of clause (ii) shall have effect as if for the words “cost of acquisition” and “cost of any improvement”, the words “indexed

cost of acquisition" and "indexed cost of any improvement" had respectively been substituted:"

This makes it clear that for transfers on or after 23rd July 2024, indexation is no longer available for computing the capital gains.

Then, Why the Talk of "Restoration"?

This confusion stems from a new relaxation introduced under the second proviso to Section 112(1)(a). Section 112 of the Act governs the chargeability of Tax on long-term Capital Gains on all capital assets except listed equity shares of domestic companies, Units of Equity-oriented Mutual Fund, and Units of Business Trusts. The proviso attempts to cushion the impact of the withdrawn indexation benefit at the time of tax computation, though not for income inclusion.

Section 112(1) stipulates that- "Where the total income of an assessee includes any income, arising from the transfer of a long-term capital asset, which is chargeable under the head "Capital gains", the tax payable by the assessee on the total income shall be the aggregate of,

(a) in the case of an individual or a Hindu undivided family, being a resident, —

- i. the amount of income-tax payable on the total income as reduced by the amount of such long-term capital gains, had the total income as so reduced been his total income; and
- ii. the amount of income-tax calculated on such long-term capital gains, —
 - (A) at the rate of twenty per cent for any transfer which takes place before the 23rd day of July, 2024; and
 - (B) at the rate of twelve and one-half per cent for any transfer which takes place on or after the 23rd day of July, 2024:

Further, the second proviso to the above stipulates that,

"Provided further that in the case of transfer of a long-term capital asset, being land or building or both, which is acquired before the 23rd day of July, 2024, where the income-tax computed under item (B) exceeds the income-tax computed in accordance with the provisions of this Act, as they stood immediately before their amendment by the Finance (No. 2) Act, 2024, such excess shall be ignored;"

From this, we deduce that the benefit of indexation exists only for tax liability comparison, not for computing

the actual capital gain. This relief allows assessee to effectively claim indexation "at the tax stage" if it results in lower tax payable, but not at the stage of income computation. It is pertinent to note that this relief is available only for sale by a Resident Individual or HUF of land or building or both. This relief is not available for Non-Resident Individuals, Companies, LLPs, Partnership Firms, etc.

The capital gain added to the Gross Total Income will not reflect any indexed cost. It's not a return of indexation but a cleverly worded tax cap!

Illustration

Let's break this down with an example covering different scenarios:

Mr. D, who is a resident, sells his Residential flat for a consideration of Rs 1,20,00,000. The dates of acquisition and sale for the 3 scenarios are listed below:

- a) Flat acquired on 1st April 2007 and sold on 22nd July 2024.
- b) Flat acquired on 1st April 2007 and sold on or after 23rd July 2024.
- c) Flat acquired on 24th July 2024 and sold on 1st April 2028.

He also invests ₹20 lakhs in another flat eligible for Section 54 exemption.

The Computation of Capital gains and tax under each Scenario is as follows:

Particulars	Scenario 1	Scenario 2		Scenario 3
	Sold before 23 rd July 2024	Bought before 23 rd July and sold on or after 23 rd July 2024		Bought & sold after 23 rd July 2024
	20% Tax with Indexation	12.5% Tax without Indexation (Option-I)	20% Tax with Indexation (Option-II)	12.5% Tax without Indexation
Date of sale of flat	22 nd July 2024	On or after 23 rd July 2024	On or After 23 rd July 2024	1 st April 2028
Date of acquisition of flat	1 st April 2007	1 st April 2007	1 st April 2007	23 rd July 2024
Sale Consideration	1,20,00,000	1,20,00,000	1,20,00,000	1,20,00,000
Cost of Acquisition	35,00,000	35,00,000	35,00,000	35,00,000
CII For FY 2007-08	129	NA	129	NA
CII For FY 2024-25	363	NA	363	NA
Indexed Cost of Acquisition	98,48,837	NA	98,48,837	NA
	[35,00,000*363/129]		[35,00,000*363/129]	

Particulars	Scenario 1	Scenario 2		Scenario 3
	Sold before 23 rd July 2024	Bought before 23 rd July and sold on or after 23 rd July 2024		Bought & sold after 23 rd July 2024
	20% Tax with Indexation	12.5% Tax without Indexation (Option-I)	20% Tax with Indexation (Option-II)	12.5% Tax without Indexation
Capital Gains	21,51,163	85,00,000	21,51,163	85,00,000
Less: Exemption u/s 54	20,00,000	20,00,000	20,00,000	20,00,000
Net Capital Gain	1,51,163	65,00,000		65,00,000
Capital gains for Tax Computation (A)	1,51,163	65,00,000	1,51,163	65,00,000
Rate applicable (B)	20%	12.50%	20%	12.50%
Tax on Capital Gains [A*B]	30,233	8,12,500	30,233	8,12,500
		= 30,233 (Lower of Option I & II)		
Remarks	As the flat is sold before 23 rd July 2024, Tax at 20% with indexation is applicable.	Section 112 gives relief to resident Individuals & HUF on any excess tax payable under the new regime, i.e the excess of Rs 7,82,267/- (8,12,500-30,233) shall be ignored. Thus on Capital gains of Rs 65,00,000, tax payable shall be Rs.30,233/-		As the flat is acquired and sold after 23 rd July 2024, the New Capital Gains regime of 12.5% without indexation is applicable.

Continuing the above example, assume Mr. D has income from other sources of Rs 5,00,000. Total Tax liability computation in the above scenarios is below:

Particulars	Scenario 1	Scenario 2	Scenario 3
Capital Gains	1,51,163	65,00,000	65,00,000
Income from other sources	5,00,000	5,00,000	5,00,000
Total Income	6,51,163	70,00,000	70,00,000
Tax on LTCG (As computed Above)	30,233	30,233	8,12,500
Tax on income from Other Sources	10,000	10,000	5,000
	[After exhausting the basic exemption of Rs. 3 lakhs, the balance 2 lakhs is taxed at 5%]		[After exhausting the basic exemption of 4 lakhs, the balance 1 lakh is taxed at 5%] *
	40,233	40,233	8,17,500
Less: Rebate u/s 87A	25,000	NA	NA
	15,233	40,233	8,17,500
Surcharge @10%	NA	4,023	81,750
	15,233	44,256	8,99,250
Health and Education Cess @ 4%	609	1,770	35,970
Total Tax Payable	15,842	46,026	9,35,220

*It has been assumed that the budget 2025 rates shall prevail from FY2025-26 and onwards in Scenario 3.

Analysis

The comparative scenarios presented above bring into sharp focus the nuanced effect of the Finance (No. 2) Act, 2024. When Mr. D sells his flat before 23rd July 2024, the availability of indexation drastically reduces his capital gains, qualifying him for the rebate under section 87A due to lower total income. However, scenarios 2 and 3 demonstrate the reality of the post-amendment. Despite identical sale consideration and acquisition cost, the unavailability of indexation post-July 2024 inflates the reported capital gains, raising the total income significantly. This not only results in income surpassing the rebate threshold of Rs 7,00,000/- (or Rs 12,00,000 from FY2025- 26 onwards) but also pushes the assessee to the surcharge territory.

What should be the ideal Reinvestment?

Whether it is investment under Sections 54, 54EC, or 54F, the maximum amount eligible for exemption remains unchanged from what it was before the Finance (No. 2) Act, 2024, amendments on properties acquired before 23rd July 2024. In other words, the reinvestment amount required to claim the exemption shall remain the same as before the amendment. The proviso in Section 112(1)(a) ensures that any excess tax payable, arising due to the withdrawal of indexation benefits, will be ignored, but only to the extent that the reinvestment complies with these pre-amendment limits. This means taxpayers can continue to plan their capital gains reinvestment based on erstwhile provisions without worrying about additional tax burdens triggered by the new computation rules.

Loss of Losses

One of the most understated implications of this amendment is the erosion of capital losses that previously arose due to indexation. Under the old regime, an inflated indexed cost could turn even a high-value transfer into a long-term capital loss, eligible for carry-forward and set-off. The

new regime eliminates this possibility altogether.

For instance, in the above example, assume the purchase cost of the old flat was Rs. 1 Crore.

Capital Gains calculation is as follows:

Particulars	Transfer made	
	Before 23 rd July 2024	On or After 23 rd July 2024
Sale Consideration	1,20,00,000	1,20,00,000
Less: Cost of Acquisition	-	1,00,00,000
Indexed Cost of Acquisition	2,81,39,535	-
	[1,00,00,000*363/129]	
Capital (Loss)/Gain	(1,61,39,535)	20,00,000

Observation

As illustrated above, if a property with a purchase price of ₹1 crore is sold for ₹1.2 crore, the indexed cost (₹2.81 crore) under the old regime would have generated a capital loss of over ₹1.6 crore, which is valuable for tax planning over future years. Post-23rd July 2024, this flips into a gain of ₹20 lakh, simply due to the withdrawal of indexation.

Conclusion

While the Finance Act appears to offer some relief through Section 112(1)(a), the core benefit of indexation, i.e., reducing the quantum of capital gains itself, has been fundamentally diluted. The *restoration* is, in effect, a comparative tax capping mechanism, not a reinstatement of indexation in its original sense.

It may be noted that the provision parallel to section 112 of the Income-tax Act, 1961, in the 2025 Act is section 197, which also provides for the levy of tax on long-term capital gains@12.5% and adjustment of unexhausted basic exemption limit against long-term capital gains in case of resident individuals and HUFs. Further, in respect of long-term capital

gains arising on transfer of land and building acquired before 23.7.2024 by resident individuals and HUFs, this section also provides that the excess tax computed by applying 12.5% on long-term capital gains (calculated without indexation of cost of acquisition/

improvement) over the tax computed by applying 20% on long-term capital gains (calculated with indexation of cost of acquisition/improvement) has to be ignored

For practitioners and taxpayers alike, it's crucial to differentiate between Indexed gains, which impact gross income, and Indexed tax, which impacts only final liability.

As we navigate these transitions, a clear understanding and precise planning will be the key to minimising tax impact under the new regime. Planning must now consider not just rates and exemptions but the interplay between gross income reporting and tax liability computation.

References

- <https://incometaxindia.gov.in/Pages/acts/income-tax-act.aspx>
- <https://youtu.be/S-STwwzM8xs?si=HKNWOPuMnR8U0-0u>
- <https://youtu.be/G1ojfTKUI1w?si=Yre1z287p64ZZJiz>

Author may be reached at
raoramy005@gmail.com and
eboard@icai.in



Chartered Accountants Program

Smart Banking curated for those fueling India's Financial Progress



Scan to Know More

Complete Banking Solutions

ROYALE BUSINESS

Current Account

ROYALE

Savings Account

AU CA

Metal Credit Card

T&C Apply



CA. Praveen Daga

Member of the Institute

Understanding the Risk and Its Impact on Audit

SA 315, *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*, lays down the foundational principles for risk assessment in audit engagements. Whereas SA 330, *Auditor's Response to Assessed Risk*, requires designing and performing the audit process to respond to such risk in an audit engagement. While both of these standards offer a comprehensive framework, their practical application, particularly at the level of individual account balances, often poses challenges in real-world audit scenarios. While the

importance of risk identification, assessment, and response is well understood by audit professionals, applying these concepts in a consistent and defensible way might be a practical challenge. This article explores these practical challenges and outlines a structured approach to help auditors more effectively identify, assess and respond to risks in line with the principles of SA 315 and SA 330.

Introduction

SA 315 lays down a comprehensive framework for identifying and assessing the risks of material misstatement. It clearly defines how to understand the entity and its environment, and how to use that understanding to identify and assess risks at both the financial statement and assertion level.

However, the objective of this article is to make that framework more relatable and operational through real examples and grounded explanations. This article is about building defensible audit workpapers, not just to satisfy regulators, but to strengthen confidence in our work. It's not always about getting everything right in hindsight. Regulators, such as NFRA and others, assess whether the auditor applied professional logic at the right time. Even if a mistake is identified later, if auditors have defensible documentation showing that the audit response was designed based on the understanding and context available at that time, it will stand up to review.

The article primarily focuses on understanding the risk and its impact

at the transaction level. Accordingly, a prior comprehensive understanding is required, as per SA 315, *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*, in respect of:

1. The entity and its environment including industry and regulatory factors;
2. The applicable Financial Reporting Framework;
3. Business model and strategies;
4. Entity level control, IT environment and all components of Internal controls.

Risk & Audit

The context of risk in an audit of a financial statement needs to be understood to take the discussion further and to ultimately plan and include our response as an audit process. Often, risk is misunderstood and perceived as more complex than the outcomes it is meant to address. In audit, generally, the desirable outcome is clear: a clean audit report, no qualifications, no disclaimers, no

adverse opinions. The risk assessment ought to start from this point itself. The moment a clean audit report is perceived as the desirable outcome, the risk of not achieving it must be assessed. Ultimately, the attainment of such an outcome depends entirely on the reliability of the underlying financial statements on which the audit opinion is based. A clean report may not be achieved if account balances and disclosures in the financial statements are misstated.

Hence, the risk of material misstatement is a risk and may change the desirable outcome of having a clean audit report. This perception itself shapes the thinking that drives us to identify the risk, assess it and respond to it appropriately.

Identification and Assessing Risk at the Account Balance Level

To identify the risk in the context of audit, it would be essential to align our focus to the matters that may affect the accounts balance and disclosures included in the financial statement. Anything that has the capacity to

impact the balances and disclosures appearing in the financial statements can be a factor for identifying and assessing the risk. The balances are the result of transactions and adjustments. Therefore, to analyze a balance appearing in the financial statements, transactions or adjustments beneath it need to be analyzed.

Now, the real question is: what should be the approach to analyze these transactions or adjustments? This needs a clear and clinical approach, which should be done in a manner that ensures completeness in the overall risk identification and assessment process. The question must be examined further to understand why an account balance becomes riskier. The answer could be –

- a. Complexity of Transaction/ Adjustment
- b. Susceptibility to Fraud
- c. Control over the account balance

Accordingly, risk can be identified and assessed by analyzing each class of transaction and adjustment through the lenses of complexity, susceptibility to fraud, and control. This will give a

structure and clinical approach to the overall risk assessment process for each account balance or disclosure appearing in the financial statements.

Simultaneously, risks arising from weak control management, lack of management integrity, deficiencies in the IT system affecting multiple processes, and frequent changes in accounting policies without justification may be pervasive and impact the overall financial statements. Accordingly, such risks need to be analyzed and addressed through an overall audit strategy.

The identification and assessment of risks at the account balance level, discussed in this article, will further complement the risks assessed and identified at the overall financial statement level.

a. Complexity

An account balance may be affected due to an error arising from the complexity of a particular transaction. Such complexity can be assessed in respect of each of the criteria attached to the transaction, i.e., recognition, measurement, subsequent measurement and derecognition. This aligns with how

accounting standards themselves are structured.

The analysis provided in Table 1 for each class of transaction helps in identifying the complexity of the transaction and the resulting account balance. Where transactions are complex, they lead to riskier account balances that require greater focus, an increased extent of audit procedures, and a tailored audit approach.

b. Susceptibility to Fraud

An account balance may get impacted due to fraud and ill motive of the people responsible for processing the transaction. If the transaction is susceptible to fraud, then the consequent account balance will be riskier.

To assess the susceptibility to fraud in a transaction or adjustment, three factors need to be analyzed –

1. Stakeholders involved in the transaction
2. Possibility of Collusion, if any
3. Motive

(Refer to Table 2)

Table 1.

Criteria	Consideration	Less Complex Vs Complex
Recognition	Is there clarity on when to recognize a transaction?	Asset Purchased from Third Party Vs Internally Constructed Assets
Measurement	Is there clarity on how to measure the value of a transaction?	Asset Purchased from Third Party Vs Internally Constructed Assets
Subsequent Measurement	Is there clarity on how to subsequently measure the value of a balance?	Depreciation of PPE Vs Testing Intangibles for Impairment
Derecognition	Is there clarity on how to derecognize a balance?	De-recognition of Trade Payables Vs De-recognition of Inter Company Loan on change of terms

Table 2.

Transaction/ Adjustment	Stakeholders Involved	Possibility of Collusion	Susceptible Motive
Revenue	Entity Client/ Customer Investor Government	Client/Customer is a related party and may collude	Management of a listed entity may want to show more than actual revenue to achieve positive sentiments in the market Management of an entity may want to show less than actual revenue to achieve less profit and consequent taxes

c. Control

A transaction or account balance may turn out to be riskier in case the controls are not designed and working effectively for processing such transactions. Therefore, to assess the risk of the account balance, controls around the transactions need to be analyzed. Control over transactions at the account-balance level can be analyzed with respect to the management assertions for each account balance or class of transactions. If the management is exercising control before giving assertions for each account balance, then the account balance will be less risky and vice versa. This can be analyzed and understood as under –

Line Items in FS	Amount (INR in crores)	Management Assertions	Management Control	Impact on Risk
Revenue	50	Occurrence	Revenue has been recorded based on approved sales invoices by the head of sales	Riskier , if revenue is being recorded by a staff accountant without having approved sales invoices
		Accuracy	Sales have been recorded accurately as per the terms of the agreement, which is duly verified by the sales head	Riskier , if revenue is being recorded by a staff accountant without any review or cross-check of the terms of agreement
		Classification	Before posting the sales by the staff accountant, it is being approved by the GM – Accounts	Riskier , if revenue is being recorded by a staff accountant without any approval
		Cut off	Period-end entries have been tested and reviewed by the GM – Accounts	Riskier , if there is no review mechanism for period-end entries
		Completeness	Monthly/Annual sales are closed post approval of GST reconciliation by GM – Accounts	Riskier , if sales are not getting reconciled before the monthly/annual closure

SA 315, however, requires an understanding of internal control across multiple components, including the control environment, the entity's risk assessment process, the information system (including IT) relevant to financial reporting and communication, control activities relevant to the audit, and monitoring of controls. The "control factor" in this model primarily relates to control activities at the transaction or adjustment level, evaluating how well such activities mitigate specific risks of misstatement.

Each balance and disclosure in the financial statement needs to be analyzed from the perspectives of complexity, susceptibility to fraud and control effectiveness at the transactional level, to assess the risk of misstatement at the overall financial statement level.

A summary of the framework for assessing and identifying the risks is presented below for ease of reference–

Factors	Assessment	Risk Assessed
Complexity	Transactions are Complex	High
	Transactions are regular and general in nature	Low
Susceptibility to Fraud	Involvement of a related party in a transaction	High
	Transaction between two independent enterprises	Low
Control	Revenue is being recorded by the staff accountant without having any sales invoices [Incorrect Occurrence Assertions]	High
	Monthly/Annual sales are closed post approval of GST reconciliation by GM – Accounts [Correct Completeness assertions]	Low

This structure has been developed from an accountant's perspective of the financial statements, including the balances and disclosures presented therein. The idea was never to replace what the standard says, but to make it easier to apply. Whether someone is working in a small or big engagement, this structure ought to help in understanding the nature of risk better, assess it consistently, and most importantly, design the right audit response.

Response to Assessed Risk at Assertion Level

Once the risk is identified and assessed, the question is: How to address/respond to such a risk?

SA 330, *Auditor's Response to Assessed Risk*, also requires designing and performing the audit process to respond to assessed risk. To address this, it is important to plot the likely audit response against the assessed risk, along with the assertion that should be addressed.

This can be understood by mapping relevant assertions against the account balance as shown below –

Facts	Observation	Factors	Risk Assessed	Audit Process	Assertions
The entity is involved in construction contracts. Invoices are raised as per milestone, but revenue gets booked as per Percentage Completion. So, the accounting is relatively complex.	Over/ Understatement of Revenue/ Unbilled Revenue	Complexity	Medium	Review of Subsequent Invoicing/ Reversals	Cut off, Valuation
The entity is listed on the stock exchange. Generally, sales transactions are more susceptible to fraud due to pressure to meet market expectations. Here, KPI is profitability and top line.	Over/ Understatement of Revenue – Trade Receivables/ Unbilled Revenue	Susceptibility to Fraud/ Error	High	Getting Direct Balance confirmation Review of Subsequent Receipt	Cut off, Valuation
Sales need to be recorded based on approved invoices by the sales head.	Over/ Understatement of Revenue/ Unbilled Revenue	Control	High	Increase in Sample Size and Extent of Check	Occurrence

Following the risk assessment, it becomes clearer to determine a tailored audit approach as a response to the identified risks. Additionally, the extent of testing should be appropriately increased for each relevant class of account balance.

This is how risk should be assessed — by analyzing each factor affecting the account balance and related disclosures. This exercise should be carried out for every account balance and disclosure in the financial statements. It will result in a clear risk profile for each account balance and disclosure, which will, in turn, guide the audit response.

Response to Assessed Risk Considering its Impact on the Extent of Check

The assessed risk can further impact the intensity of the audit response. Higher risk should have a higher intensity of audit response. Accordingly, the extent of the check in a high-risk scenario should be more intense as compared to a standard/low-risk scenario. The standard sample size can also be adjusted for risk with more weights for riskier account balances. Therefore, the higher the risk, the higher the intensity of audit response and the higher the sample size.

Risk Assessed	Intensity of Audit Response	Extent of Check
Low	Standard audit process	Normal Extent
Medium	Above-standard audit efforts	Normal Extent × Weights
High	Intense Audit effort and an increase in the extent of checks	Normal Extent × Increased Weights

It ensures:

- Less time consumed over-testing low-risk areas.
- High-risk areas are subject to appropriate and sufficient testing.
- Audit effort is proportionate to actual risk.

Consider the illustrations below to understand this better:

Illustrative Example

Consider an entity engaged in the provision of software development services. The entity has agreements/contracts with each of its clients, and services are delivered as per the terms

of these agreements.

In FY 2024-25, the entity has achieved a sales turnover of ₹25 crores, raised 750 sales invoices during the year.

Considering the nature of the operation, including the control environment, the entity's risk assessment process, the

information system (including IT) relevant to financial reporting and communication, control activities relevant to the audit, and monitoring of controls, the auditors have estimated the standard sample size as 100 invoices for account balance – Revenue from Operations/Sales.

Risk Assessment across Scenarios

Changes in audit procedures and the extent of check/sample size can be understood as a direct response to the assessed level of risk –

Scenario	Account Balance	Factors			Risk Assessed
		Control	Complexity	Susceptibility to Fraud	
01	Revenue from Software Development Services	Low	Low	Low	Low
02	Revenue from Software Development Services	Medium	Medium	Medium	Medium
03	Revenue from Software Development Services	High	High	High	High

Audit Response based on Assessed Risk

Scenario	Risk Level	Intensity of Audit Response	Extent of Check	Resultant Sample Size	Audit Response
1	Low	Standard	Normal Extent	100 Invoices	<ul style="list-style-type: none"> Random testing of invoices. Limited review of contracts. Analytical review for unusual fluctuations.
2	Medium	Above Standard	Normal Extent × Weights	$100 \times 125\%^* = 125$ Invoices	<ul style="list-style-type: none"> Review key client contracts. Vouch for selected invoices. Recalculate billed amounts. Verify timing and pattern of revenue recognition. Confirm balances with selected major customers.
3	High	Intense/Deep	Normal Extent × Increased Weights	$100 \times 150\%^{**} = 150$ Invoices	<ul style="list-style-type: none"> 100% review of large contracts. Detailed testing of revenue recognition. Confirmations from major clients. Analytical procedures to detect anomalies.

* Say for Examples Weights as 125%

** Say for Examples increased Weights as 150%

Conclusion

Risk assessment in audit need not be an overwhelming exercise. By following a structured, top-down approach, starting from the financial statements and drilling down to individual account balances, this allows us to bring clarity and precision to the risk assessment process.

Risk-adjusted sampling ensures that our audit effort is appropriately scaled, focusing more on high-risk areas without unnecessarily over-auditing low-risk balances.

This article includes a practical, scalable, and defensible method for audit risk assessment using the 3 Factor (Complexity, Susceptibility

to Fraud and Control) structure. It can be implemented through simple documentation and consistent application.

The goal is to help professionals develop a structured and defensible risk assessment approach, one that withstands peer reviews and regulatory inspections. The 3-Factor Structure brings clarity, consistency, and confidence to the most critical part of an audit, i.e., risk identification, risk assessment, and responding to risk.

This approach not only strengthens audit quality but also enhances efficiency and defensibility. Ultimately, risk assessment ought not to be perceived as a hurdle but instead

should be considered as an integral tool for reliable and effective audit.

References

- SA 315 – Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and its Environment https://resource.cdn.icai.org/15382Link17_315SA.pdf
- SA 330 - The Auditor's Responses to Assessed Risks https://resource.cdn.icai.org/15384Link19_330SA.pdf

Author may be reached at
 praveendaga1985@gmail.com
 and eboard@icai.in

BNW

BNW DEVELOPMENTS

بي ان دبليو للتطوير العقاري

THE BEST OF BEACH FRONT LIVING

*As the largest private developer in Ras Al Khaimah, BNW Developments unveils
a portfolio of statement coastal landmarks starting at AED 1.5 Million*



INFO@BNW.AE | 800 BNWUAE | BNW.AE



**CA. (Dr.) Sanjeev
Kumar Singhal**

Member of the Institute



CA. Vishal Doshi

Member of the Institute

In an evolving global economic environment, high-quality financial reporting plays a significant role. Transparent, comparable, and decision-useful financial information forms the backbone of investors' confidence and capital-market efficiency.

Recognising this, India has implemented globally accepted high-quality accounting standards, i.e., International Financial Reporting Standards converged Indian Accounting Standards (Ind AS) for large companies. Moving forward in this direction, proposed Ind AS 118, *Presentation and Disclosure in Financial Statements*, has been formulated by the

Proposed Ind AS 118: A Milestone in Strengthening Presentation and Disclosure in Financial Reporting

Accounting Standards Board (ASB) of the Institute of Chartered Accountants of India (ICAI), a standard aimed at redefining the structure and clarity of financial statements prepared under the Ind AS framework.

While in India, there is a presentation format of financial statements in the form of Schedule III to the Companies Act, 2013, notified by the Ministry of Corporate Affairs, the proposed Ind AS 118 aims to further improve the way entities communicate their financial story based on principles of relevance, faithful representation, and enhanced comparability. The proposed Standard focuses on how financial performance is presented in the statement of profit and loss. While Ind AS 118 does not change the measurement of financial performance, it introduces new requirements for its presentation and disclosure only. This Standard seeks to enhance the quality of financial reporting by introducing requirements for the presentation of defined subtotals in the statement of profit or loss, disclosures relating to management-defined performance measures, and strengthened principles for the aggregation and disaggregation of information.

This Standard is converged with IFRS 18, issued by the International Accounting Standards Board (IASB), and aligns India's financial reporting landscape with global best practices.

Effective Date of IFRS 18 and Global Alignment

Globally- Accounting periods beginning on or after January 1, 2027.

“Ind AS 118 sets out principles for companies on how to group transactions and other events within the line items of the primary financial statements and the accompanying notes.”

Proposed in India- Annual reporting periods beginning on or after April 1, 2027, as per the Exposure Draft issued by the ICAI.

Main Changes for Entities in the Profit or Loss Section of the Statement of Profit and Loss

Required Subtotals

Entities will be required to present 'operating profit or loss' and 'profit or loss before financing and income taxes' (unless prohibited in specific circumstances) as additional subtotals in the profit or loss section.

The introduction of these subtotals establishes a consistent structure for profit or loss and enhances comparability, while leaving unchanged the measurement of financial performance and the overall profit figure.

Understanding the Categories for Classifying Income and Expenses

Income and expenses included in the profit or loss section of the statement of profit and loss will be required to be classified into the following five categories:

Categories	Particulars
Operating	<p>The operating category provides a complete picture of an entity's operations. It consists of all income and expenses that are not classified in the investing, financing, income taxes or discontinued operations categories.</p> <p>The operating category is the default category and includes all income and expenses arising from an entity's operations, regardless of whether they are volatile or unusual. Operating profit provides a complete picture of an entity's operations for the period.</p> <p>This category includes, but is not limited to, income and expenses from an entity's main business activities. Income and expenses from other business activities, such as income and expenses from additional activities, are also classified in the operating category if those income and expenses do not meet the requirements to be classified in any of the other categories.</p>
Investing	<p>The investing category enables investors to analyse returns from stand-alone investments separately from an entity's operations. The investing category includes:</p> <ul style="list-style-type: none"> ■ income and expenses from assets that generate returns separately from an entity's business activities - for example, an entity might collect rentals from an investment property or dividends from shares in other entities; and ■ income and expenses from cash and cash equivalents and investments in associates and joint ventures - for example, an entity might earn its share of profits from an associate.
Financing	<p>The financing category and the subtotal for profit before financing and income taxes enable investors to analyse entities' performance before the effects of its financing. The financing category includes:</p> <ul style="list-style-type: none"> ■ expenses on liabilities such as bank loans and bonds (liabilities arising from pure financing transactions), for example, interest expense on debt instruments issued; and income on certain liabilities such as fair value gains on a liability designated at fair value through profit or loss; and ■ interest expenses on any other liability, for example, lease and pension liabilities.
Income Taxes	<p>This category consists of income tax expense (or tax income) that is included in profit or loss in accordance with Ind AS 12, <i>Income Taxes</i>.</p>
Discontinued Operations	<p>This consists of income and expenses from discontinued operations recognised in accordance with Ind AS 105, <i>Non-current Assets Held for Sale and Discontinued Operations</i>.</p>

Presentation and Disclosure of Expenses in the Operating Category

Ind AS 1, *Presentation of Financial Statements*, currently requires an entity to present an analysis of expenses recognised in profit or loss using nature-wise classification of expenses. However, IAS 1 permits entities to present such expenses using either a nature-based or function-based classification.

Ind AS 118 proposes that in the operating category of profit or loss, an entity shall classify and present expenses in line items in a way that provides the most useful structured summary of its expenses, using characteristics of the nature of expenses or characteristics of the function of the expenses within the entity or both these characteristics ('mixed presentation'). In accordance

with the factors set out in the Standard, an entity shall determine the appropriate classification and presentation of expenses by their nature or function or on a mixed basis, considering what line items:

- provide the most useful information about the important components or drivers of the entity's profitability; and
- most closely represent the way the entity is managed and how management reports internally.

The requirements of proposed Ind AS 118 are based on the premise that the entity should be able to provide the most useful structured summary of its expenses. It is not a free choice to present expenses based on their nature or function. Some entities might decide that classifying some

expenses by nature and other expenses by function provides the most useful structured summary of their expenses.

The Standard also requires entities that present expenses classified by function to disclose the following in a single note:

- depreciation;
- amortisation;
- employee benefits;
- impairment losses and reversals of impairment losses; and
- write-downs and reversals of write-downs of inventories

In India, this is a major change from the current requirements since presently, Ind AS 1, *Presentation of Financial Statements*, requires only nature-wise classification of expenses.

Illustrative Profit or Loss Section for Companies

Considering the presentation requirements of categories for classifying income and expenses, as well as the presentation and disclosure of expenses in the operating category, the profit or loss section of the Statement of Profit and Loss can be illustrated as under:

Particulars	Category
Revenue	Operating
Cost of sales	
Gross Profit	
Other operating income	
Selling expenses	
Research and development expenses	
General and administrative expenses	
Goodwill impairment loss	
Other operating expenses	
Operating profit	
Share of profit and gains on disposal of associates and JVs	Investing
Profit before financing and income laws	
Interest expense on borrowings and lease liabilities	Financing
Interest expense on pension liabilities and provisions	
Profit before income taxes	
Income tax expense	Income taxes
Profit from continuing operations	
Loss from discontinued operations	Discontinued operations
Profit	

In the above illustrative format:

- It is assumed that the company presents some operating expenses by function and some by nature.
- Subtotals highlighted in green are required, and highlighted in blue are examples of additional subtotals. A company presents additional subtotals if necessary to provide a useful, structured summary of the company's income and expenses.
- Ind AS 118 will be applied differently by companies with

specific business activities, such as banks, insurers and investment property companies.

Entities with Specified Main Business Activities

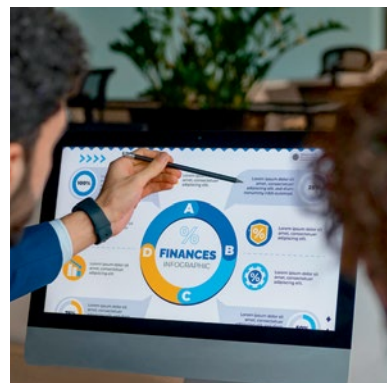
The Standard requires an entity to assess whether it has a specified main business activity, viz., investing in particular types of assets. For e.g., investment entities, investment property, companies and

insurers or providing financing to customers, for e.g., banks.

Entities with specified main business activity classify some income and expenses in the operating category that would have been classified in the investing or financing category if the activity were not a main business activity.

Management-defined Performance Measures (MPM)

Entities often report their own performance measures, including



“ Ind AS 118 proposes that in the operating category of profit or loss, an entity shall classify and present expenses in line items in a way that provides the most useful structured summary of its expenses, using characteristics of the nature of expenses or characteristics of the function of the expenses within the entity or both these characteristics ('mixed presentation'). ”

subtotals of income and expenses, which they communicate externally outside the financial statements to provide insights into financial performance.

Ind AS 118 requires an entity to include information about such measures in a single note to improve the transparency of those measures.

The Standard prescribes that MPM is a subtotal of income and expenses that:

- is used in public communications outside financial statements.
- is used to communicate to investors management's view of an aspect of

the financial performance of the entity as a whole; and

- is not listed in Ind AS 118 or specifically required by Ind AS.

Enhanced Requirements for Aggregation & Disaggregation of Information

Often, companies group information in financial statements that may not always provide the information the users need for their analysis—for example, some information is not shown in enough detail, while other information is obscured with too much detail.

Ind AS 118 sets out principles for companies on how to group transactions and other events within the line items of the primary financial statements and the accompanying notes. Under these principles, companies are generally required to:

- Aggregate items that share similar characteristics and disaggregate those that differ;
- Group items in a manner that does not obscure material information or compromise the clarity and understandability of the financial statements; and
- Present items in the primary financial statements and notes in a

“As part of global consequential amendments, IAS 7 has been revised to remove the presentation alternatives for cash flows related to interest and dividends paid and received.”

way that ensures both serve their complementary roles.

Consequential Amendments:

Ind AS 118 will replace Ind AS 1, *Presentation of Financial Statements*. As a result, the requirements in Ind AS 1 will be:

- replaced by new requirements in Ind AS 118;
- transferred to Ind AS 118 with only limited wording changes; or
- moved to amended Ind AS 8, *Basis of Preparation of Financial Statements*, or Ind AS 107, *Financial Instruments: Disclosures*, with only limited wording changes.

There are also consequential amendments to some other Ind ASs.



It may be worth mentioning here that as part of global consequential amendments, IAS 7 has been revised to remove the presentation alternatives for cash flows related to interest and dividends paid and received. In India, these alternatives have already been eliminated under Ind AS 7, meaning that the requirements of IAS 7 are principally aligned with those of Ind AS 7 for entities engaged in specified business activities, such as banks. The provisions of Ind AS 7 are proposed to be updated to reflect the language of the revised IAS 7, ensuring greater consistency.

Preparing for Implementation

Although the effective date of Ind AS 118 may seem distant, entities are encouraged to assess the potential impact of the new requirements early, for which the Management needs to plan in advance.

References

- Exposure Draft of Ind AS 118 issued by the ASB, ICAI* <https://resource.cdn.icai.org/83846asb67639.pdf>
- Project summary and Effects analysis of IFRS 18 issued by the IASB* <https://www.ifrs.org/content/dam/ifrs/project/primary-financial-statements/ifrs-standard/projects/summary-ifrs18-april2024.pdf>
- <https://www.ifrs.org/content/dam/ifrs/publications/amendments/english/2024/effect-analysis-ifrs18-april2024.pdf>

Performance Measures		
Subtotals of Income and Expenses		Other Performance Measures
MPMs	Ind AS -Specified	
<ul style="list-style-type: none"> ▪ Adjusted profit, such as profit adjusted for items of income or expense that the entity does not expect to arise for several future annual reporting periods, e.g., impairment and gain (loss) on disposal of PPE ▪ Adjusted operating profit ▪ Adjusted earnings before interest, tax, depreciation and amortisation 	<ul style="list-style-type: none"> ▪ Operating profit ▪ Operating profit before depreciation, amortisation and impairments within the scope of Ind AS 36, <i>Impairment of Assets</i> 	<ul style="list-style-type: none"> ▪ Free cash flow ▪ Return on equity ▪ Net debt ▪ Number of customers ▪ Customer satisfaction

Authors may be reached at eboard@icai.in



shaping the energy of tomorrow

Bharat Petroleum, a Fortune Global 500 Company and India's second-largest Oil Marketing Company, is a leader in the integrated energy sector.

As a Maharatna enterprise, our refineries boast a combined capacity of 35.3 MMTPA, with a vast network comprising over 24,000 Energy Stations, 6,200 LPG distributorships, and more. Embracing sustainability, we are on a mission to offer electric vehicle charging at 7000 stations.

Committed to a Net Zero Energy future by 2040 in scope 1 & scope 2 emissions, we're not just an energy company; we're shaping a sustainable tomorrow.

Join us in Energising Lives and Building a Greener Planet!

Scan QR to know more





CA. Nekzad Bajan

Member of the Institute

The Consolidation Conundrum: Real-World Battles with Ind AS 110 That Every CA Must Win

Ind AS 110 has transformed consolidation from a mechanical exercise into a battlefield of professional judgment. This article addresses the complex challenges faced by Indian Chartered Accountants in implementing control-based consolidation, covering real-world consolidation failures and their financial

impact on Indian corporates, practical frameworks for assessing control in Special Purpose Vehicle (SPVs), joint ventures, and structured entities, regulatory enforcement trends including recent SEBI penalties and NFRA quality reviews, sector-specific challenges in renewable energy, fintech, and startup ecosystems, and comprehensive documentation strategies that withstand regulatory scrutiny. With consolidation-related penalties exceeding ₹50 crores, regulatory reviews exposing widespread audit quality deficiencies, and increasing enforcement actions impacting CFOs and audit firms, mastering Ind AS 110 has become essential for career advancement and regulatory compliance in India's evolving business environment.

The ₹500 Crore Mistake: Why Consolidation Keeps CFOs Awake

Picture this scenario: You are the CFO of a mid-cap infrastructure company with a board meeting scheduled for tomorrow. You have just discovered that three “independent” SPVs worth ₹500 crores should have been consolidated under your company's financial statements. Your auditors are expressing serious concerns, SEBI is asking pointed questions, and your Managing Director is understandably furious about this revelation. Unfortunately, this scenario is becoming increasingly familiar to Indian finance teams across various sectors.

This situation represents more than a fictional case study; it reflects the daily reality confronting Indian corporates since the implementation of Ind AS 110. The transition from AS 21 to Ind

AS 110 has fundamentally altered the consolidation landscape, evolving from a straightforward majority ownership test to a complex web of professional judgment calls that can significantly impact careers and corporate fortunes.

Consider the recent experience of a leading renewable energy company that narrowly avoided substantial consolidation penalties. The company had carefully structured fifteen solar SPVs as seemingly “independent” entities, each featuring separate boards of directors and trust-based ownership structures. These entities appeared autonomous when examined superficially, presenting all the hallmarks of independent operation. However, the underlying reality painted a starkly different picture, as the parent company maintained comprehensive control over every aspect of operations, from project financing arrangements to operations and maintenance contracts.

When regulatory authorities finally conducted their detailed investigation, the company faced a ₹25 crore penalty along with a comprehensive management overhaul. This case exemplifies the fundamental transformation that Ind AS 110 has brought to consolidation practices. Where AS 21 simply required answering whether you owned fifty-one percent of an entity, Ind AS 110 demands a comprehensive analysis across three interconnected dimensions: whether you possess power over the investee, whether you face exposure to variable returns from your involvement, and whether you can utilize your power to influence those returns.

This seemingly straightforward framework becomes extraordinarily complex when applied to India's intricate corporate structures. From complex cross-holding arrangements to multilayered step-down subsidiary

“Chartered Accountants must develop the professional scepticism necessary to look beyond formal corporate structures and understand the true nature of control relationships.”



structures, major corporate groups now face consolidation challenges that would have been virtually unimaginable under the previous regulatory regime.

The SPV Deception: When Small Entities Hide Massive Risks

Special Purpose Vehicles represent perhaps the most significant consolidation challenge facing Indian companies today. These entities extend far beyond mere accounting conveniences; they constitute the operational backbone of critical sectors, including infrastructure development, power generation, and real estate construction. Simultaneously, they have become the primary source of the most spectacular consolidation failures witnessed in recent years.

The case of a Mumbai-based infrastructure giant provides a compelling illustration of these challenges. The company had

established twenty SPVs to execute a major highway project, with each SPV featuring nominal share capital of merely ₹1 lakh, independent boards populated with local directors, separate banking relationships and legal identities, and project-specific financing arrangements. These structural elements created an appearance of genuine independence that initially satisfied both management and auditors.

However, deeper analysis revealed a fundamentally different operational reality. The parent company had provided ₹200 crores in subordinated debt to each SPV, creating substantial financial dependence. All significant operational decisions required explicit approval from the parent company, effectively negating the independence supposedly provided by separate boards. The parent company had guaranteed all project loans totalling ₹500 crores per SPV, creating massive contingent liabilities. Revenue flows remained subject to the parent company's centralized cash management policies, and board meetings were consistently conducted at the parent company's offices rather than at independent locations.

The decisive evidence emerged through detailed examination of email communications, which revealed the parent company's CEO providing direct instructions to SPV boards on matters ranging from vendor selection processes to payment scheduling decisions. When auditors finally challenged the consolidation treatment of these arrangements, the combined SPV debt of ₹10,000 crores impacted the parent company's balance sheet with devastating effect.

This experience demonstrates that legal independence becomes meaningless when economic dependence is comprehensive. Chartered Accountants must develop the professional scepticism necessary to look beyond formal corporate structures and understand the true nature of control relationships. The key lies in identifying who actually

controls critical decisions such as board member appointments, funding decisions, cash flow management, and genuine board deliberations versus mere rubber-stamping exercises.

The Forty Percent Controlling Shareholder: Understanding De Facto Control

Contemporary Indian corporate structures frequently present scenarios where promoters maintain effective control despite holding minority shareholdings. This phenomenon has become increasingly common as companies seek to optimize their capital structures while maintaining operational control. A typical scenario involves a promoter group holding forty percent of shares while the remaining sixty percent remains distributed among foreign portfolio investors, retail shareholders, and mutual funds.

A leading pharmaceutical company exemplifies this challenge perfectly. The promoter group held precisely forty-two percent of outstanding shares, while the remaining fifty-eight percent was distributed among foreign institutional investors holding twenty-two percent, domestic mutual funds with eighteen percent, retail investors controlling twelve



“ Potential voting rights provisions under Ind AS 110 have generated some of the most intellectually challenging consolidation scenarios facing modern practitioners. ”



percent, and employee trusts holding six percent. Despite this apparent minority position, the promoter group maintained comprehensive operational control.

The promoter group's control manifested through the appointment of six out of nine board members over a five-year period, achieving unanimous success in all shareholder resolutions without a single defeat, controlling all major strategic decisions affecting the company's direction, and exercising unilateral authority over key management appointments and removals. The transformation occurred when a new auditor challenged the existing consolidation treatment of this purported "associate" company.

Historical analysis spanning fifteen years of operations revealed that other shareholders had never successfully opposed any promoter proposal, creating a clear pattern of de facto control. Average attendance at Annual General Meetings remained consistently around forty-five percent,

with most institutional shareholders demonstrating minimal active participation in corporate governance processes.

The auditor's comprehensive de facto control assessment involved detailed voting pattern analysis covering five years of AGM and EGM records, assessment of shareholder participation rates and voting outcomes, board composition history tracking director appointments and removals, evaluation of board decision-making independence, shareholder behaviour studies analysing institutional investor participation patterns, retail investor engagement level assessment, and management control reviews evaluating strategic decision-making processes and operational control mechanisms.

This pharmaceutical company's experience demonstrates the critical importance of documenting clear patterns of de facto control. The auditors' comprehensive analysis forced consolidation of what had previously been treated as an associate investment, resulting in ₹800 crores in additional debt recognition and a fifteen percent credit rating downgrade.

The Option Trap: When Future Rights Create Present Obligations

Potential voting rights provisions under Ind AS 110 have generated some of the most intellectually challenging consolidation scenarios facing modern practitioners. The fintech sector provides particularly complex examples of these challenges, as demonstrated by a leading Non-Banking Financial Company's experience with a payments company investment.

The NBFC acquired thirty percent of the payments company for ₹200 crores, accompanied by call options for an additional twenty-five percent exercisable at any time within eighteen months, rights to appoint three out of five board members, veto

rights over key business decisions, and first refusal rights on any equity dilution. The options were attractively priced at ₹100 crores for the twenty-five percent stake, representing a significant discount to the company's ₹2,000 crore valuation.

The NBFC's CFO initially classified this arrangement as a thirty percent associate investment, arguing that options represented "merely potential" control rather than actual control. However, this position faced a serious challenge when auditors applied the substantive rights test mandated by Ind AS 110. The analysis revealed that options were currently exercisable without restriction, exercise would be economically beneficial given the substantial discount to fair value, and no barriers existed to prevent immediate exercise.

Combined with the NBFC's practical control over key operational decisions, auditors concluded that effective control existed from the initial investment date. This determination created a massive financial statement impact, transforming a ₹200 crore investment into a consolidation of ₹800 crores in assets and ₹400 crores in liabilities.

The evaluation of potential voting rights requires careful consideration of whether rights are currently exercisable or convertible, whether exercise represents economically rational decision-making, whether legal, regulatory, or contractual barriers exist, and whether the rights, when combined with existing holdings, create overall control. This framework ensures that substance takes precedence over legal form in determining appropriate consolidation treatment.

The Joint Venture Masquerade: When Equal Ownership Masks Unequal Control

Indian companies frequently structure fifty-fifty joint ventures as vehicles for keeping assets off balance

sheets while sharing operational risks. However, Ind AS 110 mandates that every such arrangement must first be tested for control before joint venture accounting principles can be appropriately applied.

A co-lending platform established between a leading bank and an NBFC illustrates this challenge effectively. The structure appeared perfectly balanced, featuring a fifty-fifty shareholding between the partners, equal board representation ensuring balanced governance, shared investment of ₹100 crores from each party, and a comprehensive joint management agreement. These formal arrangements suggested genuine shared control consistent with joint venture treatment.

However, operational reality revealed fundamental imbalances in actual control. The NBFC's proprietary technology platform powered all operational activities, NBFC employees occupied seventy percent of key management positions, the bank's participation remained largely limited to funding provision and regulatory compliance, and all critical operational decisions flowed through the NBFC's established risk management framework.

The decisive breakthrough emerged through detailed examination of underlying agreements, which revealed that the NBFC maintained exclusive control over technology infrastructure and customer data, possessed authority to approve all loan applications, enjoyed rights to determine pricing strategies and product features, and held the ability to hire and terminate operational staff. Despite the appearance of equal shareholding, the NBFC clearly controlled the "relevant activities" that determined financial returns.

This analysis forced reclassification of the joint venture as a subsidiary requiring full consolidation, adding ₹500 crores to the NBFC's balance sheet. The experience demonstrates that joint venture classification

requires careful evaluation of who controls technology and operational platforms, where key personnel decisions are made, which party determines pricing and product strategies, and which entity bears primary operational risks.

The Startup Consolidation Challenge: Modern Structures and Traditional Rules

India's dynamic startup ecosystem has created entirely new categories of consolidation challenges that traditional frameworks struggle to address effectively. Employee Stock Ownership Plan trusts, complex investor rights structures, and platform-based business models present unprecedented analytical challenges for consolidation specialists.

A leading e-commerce platform's ESOP trust structure exemplifies these emerging challenges. The trust held eight percent of company shares, with employees unable to vote shares directly, company funding for all trust operations, company guarantees for trust investments, and the company CFO serving as trust advisor. Initially, the company argued for trust independence, emphasizing separate legal existence and independent trustee appointments.

Detailed analysis revealed a different reality. The company controlled all trustee appointments, trust operational decisions required company approval, economic risks and rewards remained with the company, and the trust could not survive without continuous company support. These factors led auditors to conclude that the trust represented merely an extension of the company requiring consolidation treatment, exposing previously hidden leverage and off-balance-sheet obligations.

ESOP trust consolidation analysis must consider who controls trustee decisions, where economic risks actually reside, whether the trust

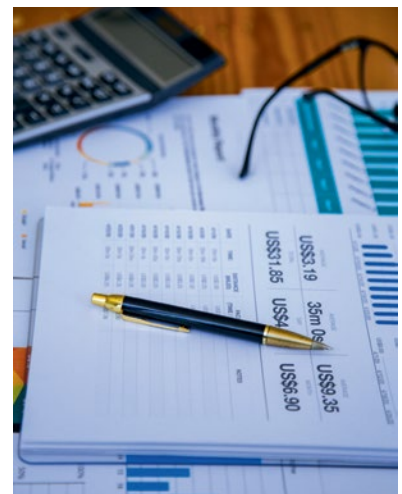
“The regulatory enforcement environment has become increasingly aggressive, with recent actions providing stark warnings about the consequences of consolidation failures.”

can operate independently, and who ultimately benefits from trust returns. This framework ensures appropriate consolidation treatment regardless of formal legal structures.

Series A and B startup investments present additional challenges. A strategic investor acquired only twenty percent of a fintech startup but obtained board control through three of five seats, veto rights over key strategic decisions, comprehensive anti-dilution protection, and exit drag-along rights. Despite minority ownership, the investor's ability to control strategic decisions, combined with substantial economic incentives, created unexpected consolidation requirements.

The Documentation Imperative: Building Defensible Positions

In the contemporary Ind AS 110 environment, comprehensive documentation extends far beyond





good professional practice to become essential survival armor. Recent regulatory reviews have consistently revealed that most consolidation failures stem from inadequate documentation rather than fundamentally flawed professional judgments.

A leading audit firm's comprehensive internal review determined that seventy percent of consolidation challenges could have been successfully avoided through better documentation practices. The most successful practitioners now maintain annual control matrices for all investee relationships, comprehensive board resolution analyses with voting pattern summaries, legal opinion files addressing complex structural arrangements, detailed economic risk and reward mapping, and quarterly reassessment triggers with established protocols.

One mid-cap company successfully avoided a major regulatory penalty by producing a comprehensive 200-page control assessment file documenting every aspect of its SPV relationships. This file included detailed email trails demonstrating actual decision-making processes, comprehensive financial flow diagrams, complete board meeting minutes with detailed voting records, professional legal opinions addressing complex arrangements, and quarterly reassessment reports tracking changes in control relationships.

The company's Chartered Accountant had invested three months developing this documentation framework following a significant concern raised by their previous auditor. When SEBI investigators conducted their detailed review, the comprehensive documentation convinced them that the company's consolidation decisions represented well-reasoned professional judgments supported by appropriate analysis.

The Regulatory Environment: Consequences of Getting It Wrong

The regulatory enforcement environment has become increasingly aggressive, with recent actions providing stark warnings about the consequences of consolidation failures. SEBI's enforcement scorecard for 2023-24 reveals ₹50 crores in consolidation-related penalties, fifteen companies required to restate financial statements, eight CFOs facing personal penalties, and twelve audit firms subjected to comprehensive quality reviews.

The most dramatic case involved a renewable energy company facing a ₹25 crore penalty for failing to consolidate ten SPVs. The company's defense emphasizing legal independence of the SPVs was decisively rejected when SEBI investigators documented unified cash management across all entities, common management teams, consolidated business planning processes, and comprehensive shared guarantees and support agreements.

The penalty represented only the beginning of the company's challenges. Subsequently, the company faced credit rating downgrades, multiple investor lawsuits, significant management changes, and prolonged regulatory scrutiny, affecting all future activities. The National Financial Reporting Authority's quality review findings reveal that forty percent of reviewed audits contained consolidation deficiencies, with over-reliance on legal form representing the most common

“ ESG-driven structures, impact investing, and sustainability-linked arrangements create entirely new control paradigms requiring fresh analytical approaches. ”

issue, inadequate documentation ranking second, and failure to reassess control relationships completing the top three problem areas.

Practical Frameworks for Success

Based on extensive real-world experience, successful consolidation analysis requires a systematic five-step protocol. The process begins with comprehensive ecosystem mapping to document all legal and economic relationships while identifying key stakeholders and their interests. Next, practitioners must identify relevant activities by determining which decisions genuinely matter for investment returns and assessing the distinction between operational and strategic decision-making.

The third step involves a comprehensive power source assessment, looking beyond formal voting arrangements to evaluate operational control mechanisms and contractual rights and obligations. Economic exposure evaluation follows, requiring practitioners to follow money and risk flows while assessing variable return mechanisms. Finally, scenario testing considers how control relationships might evolve and evaluates potential future developments.

Quarterly health checks should review any new investments or arrangements, assess changes in board composition or management, evaluate new agreements or contract modifications, monitor changes in economic exposure or risk-sharing, and document any shifts in operational control. A comprehensive red flag warning system should monitor



related party transactions that appear commercial but lack substance, board meetings that represent formalities rather than genuine deliberations, funding arrangements creating economic dependence, management overlap suggesting unified control, and guarantee structures shifting risks back to parent entities.

Future Considerations and Conclusion

The consolidation landscape continues evolving rapidly, with emerging areas requiring constant monitoring. Cryptocurrency and digital assets raise questions about consolidating decentralized autonomous organizations and assessing control over blockchain-based entities. Artificial intelligence and platform businesses create scenarios where automated systems make operational decisions, complicating traditional control assessments. ESG-driven structures, impact investing, and sustainability-linked arrangements create entirely new control paradigms requiring fresh analytical approaches.

Cross-border complications through GIFT City entities and international expansion create jurisdictional complexity, while regulatory technology, including regulatory sandboxes and fintech licensing, affects consolidation considerations.

These developments ensure that consolidation expertise will remain a dynamic and evolving field requiring continuous professional development.

Ind AS 110 represents far more than a technical accounting standard; it has become a critical career differentiator for Indian Chartered Accountants. Practitioners who master its complexities become trusted advisors capable of navigating the most challenging business structures. Those who fail to develop this expertise risk becoming mere compliance casualties in an increasingly sophisticated business environment.

The fundamental lessons from consolidation practice emphasize that substance invariably trumps form, comprehensive documentation provides the best defense against regulatory challenge, professional scepticism remains non-negotiable, regular reassessment prevents unpleasant surprises, and when genuine doubt exists, consolidation represents the prudent choice. As Indian businesses become increasingly complex and regulatory scrutiny intensifies, consolidation expertise will separate successful practitioners from those who struggle to adapt.

The question facing every Chartered Accountant is not whether they will encounter complex consolidation challenges, but whether they will possess the technical knowledge, professional judgment, and documentation skills necessary to succeed when those challenges arise. Companies investing in robust consolidation frameworks today will become tomorrow's success stories, while those failing to adapt may find themselves subject to the next wave of regulatory enforcement action.

References

- Securities and Exchange Board of India. (2024). *Enforcement Actions Report: Consolidation and Group Reporting Violations*. SEBI Annual Report 2023-24.
- National Financial Reporting Authority. (2024). *Audit Quality Review:*

Consolidation Assessment Deficiencies. NFRA Technical Bulletin No. 12.

- Institute of Chartered Accountants of India. (2023). *Ind AS 110 Implementation Challenges: A Practitioner's Guide*. ICAI Research Publication.
- Ministry of Corporate Affairs. (2024). *Corporate Governance and Consolidation: Regulatory Perspectives*. MCA Compliance Review 2023-24.
- Reserve Bank of India. (2023). *NBFC Consolidation Guidelines: Implementation of Ind AS 110*. RBI Master Circular 2023-24.
- Ernst & Young India. (2024). *Consolidation Challenges in Digital Economy: Ind AS 110 Applications*. EY Technical Update.
- KPMG India. (2024). *SPV Consolidation: Practical Framework for Infrastructure Companies*. KPMG Accounting Advisory.
- Deloitte India. (2023). *Fintech Consolidation: Navigating Complex Investor Structures*. Deloitte Insights.
- PricewaterhouseCoopers India. (2024). *Startup Consolidation: ESOP Trusts and Investor Rights*. PwC Technical Guide.
- Business Standard. (2024). *SEBI Penalties on Consolidation Lapses Cross ₹50 Crores*. January 15, 2024.
- Economic Times. (2024). *Infrastructure Companies Face Consolidation Scrutiny*. March 22, 2024.
- Financial Express. (2023). *NFRA Audit Quality Review Highlights Group Reporting Gaps*. December 8, 2023.
- Chartered Accountant Journal. (2024). *Consolidation Best Practices: Learning from Regulatory Actions*. April 2024 Issue.
- Indian Accounting Standards Board. (2023). *Frequently Asked Questions on Ind AS 110*. ICAI Technical Publication.
- Supreme Court of India. (2019). *Committee of Creditors of Essar Steel India Limited v. Satish Kumar Gupta*. Civil Appeal No. 8766-67 of 2019.

Author may be reached at
 nekadzbajan87@gmail.com
 and eboard@icai.in

FOR ALL YOUR FINANCIAL NEEDS



Clearing Services	GIFT City IFSC	Broking	Wealth Management
Financing	Insurance	IPOs & Mutual Funds	NRI & FPI Services
Investment Banking	Depository Services	Institutional Broking	Gold & Silver Coins

SMC Global Securities Ltd | CIN : L74899DL1994PLC063609 | Registered Office: 11/6B, Shanti Chamber, Pusa Road, Delhi-110005. | Tel: +91-11-30111000 | Compliance Officer: Mr. Vikas Sethi | Tel: +91-11-30111000 Extn. 340 | Email: vikassethi@smcindiaonline.com | Customer Care Email: smc.care@smcindiaonline.com | Complaint Email: igc@smcindiaonline.com | Website: www.smctradeonline.com

SEBI Reg. No. IN2000199438, Member: NSE (07714), BSE (470), MSEI (1002), MCX (8200) & NCDEX (00021), DP SEBI Regn. No. CDSL/NSDL-IN-DP-130-2015, SMC Research Analyst Registration- INH100001849, Mutual Funds Distributor ARN No. 29345. • Insurance services are offered through SMC Insurance Brokers Pvt. Ltd. IRDAI Regn. No. DB 272/04 License No. 289 Valid upto 27/01/2026. • Real Estate Advisory services are offered through SMC Real Estate Advisors Pvt. Ltd.

Disclaimer: Investment in securities market are subject to market risks. Read all the related documents carefully before investing. Mutual Fund investments are subject to market risks. Read all scheme related documents carefully. PMS is not offered in commodity derivative segment. Insurance is the subject matter of solicitation. Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise.

RACK the Brain

1

I turn the tax burden upside down. The supplier steps back, and the recipient takes charge. Which tax mechanism am I?

3

I arise from a relationship of trust, demand utmost loyalty and good faith, prohibit conflicts of interest, and require decisions to be taken with due care solely for the benefit of another—without ownership or personal gain. Which duty am I?

2

I compare what was planned with what actually happened. My differences reveal efficiency, waste, or opportunity. What management accounting tool am I?

4

I activate when ethical silence turns dangerous, provide confidentiality and protection against retaliation, and enable reporting of fraud, misconduct, and violations to independent authorities within an organisation. Which corporate governance safeguard mechanism am I?

5

I decide the value when the buyer and seller share the same family. Tax authorities watch me closely, and arm's length keeps me fair. What concept am I?

Answer

January 2026

1. Udyam Portal
2. Unicron
3. Capital Expenditure (Capex)
4. Incubators
5. Gross Value Added (GVA)



CA. (Dr.) Prajakta Mondhe
Member of the Institute

Permanent Establishment: Understanding its Nuances from Leading Judicial Decisions

The recent SC judgement in the case of Hyatt International Southwest Aisa Ltd.¹ (Hyatt International) has again spurred the discussion around constituting a Permanent Establishment (PE) for a foreign company in India. The Hon'ble Supreme Court has upheld the decision of Delhi High Court and has hence ruled that,

Hyatt International (global hotel chain) has a fixed place PE in India and consequently, that its income derived under the Strategic Oversight Services Agreement (SOSA) entered in this respect is taxable in India.

Post various landmark decisions like Formula One and E-Funds Inc., this is again an important development in the field of PE that gives rise to various questions, as to when and under what circumstances can a foreign company be said to be having a PE in India. Here, the author has analyzed the various important judgments and basis that identified the major conditions under which a PE for a foreign company can be triggered in India.

Permanent Establishment in India

During the past couple of years, it has been observed that foreign companies are engaging Indian entities for outsourcing their backend operations like accounting, human resources, software services, etc. in India. In such circumstances, Indian tax authorities are worried about the fact whether by undertaking such arrangements, the foreign companies are avoiding the tax implications that may be triggered in India.

Thus, whenever a foreign company plans to outsource its operations to India or undertake any business activities in India, either by setting up a subsidiary or by entering into a contract with a third-party entity, there is a risk that such subsidiary or entity may be construed as a PE of the foreign company in India. Let us understand what the meaning of PE is.

The term PE is defined under Section 92F of the Income Tax Act, 1961 ('the Act')², which states that PE includes a fixed place of business through which the business of the enterprise is wholly or partly carried on. The concept of PE is elaborated in the Double Taxation Avoidance Agreements ('DTAA') entered into by India with various countries. Broadly speaking, the PE can be of the following types:

- **Fixed Place PE** – A place of business of the foreign company where it has a certain level of permanency and right to use it for the purposes of its business.
- **Service PE** – Furnishing of services by a foreign enterprise through its employees or other personnel, if the activities of that nature continue for a period of generally more than 183 days in any 12-month period. However,

the time period may vary from treaty to treaty.

- **Agency PE** - If an agent habitually concludes contracts or habitually plays the principal role leading to the conclusion of contracts routinely concluded without material modification by the foreign company. In certain cases, an Agency PE may also arise where the agent maintains a stock of goods or merchandise in the Source state from which goods or merchandise are regularly delivered on behalf of that enterprise.

The concept of PE is of considerable importance in the field of international taxation as business profits of a foreign enterprise cannot be taxed by a Source State (the country in which the said income is earned) unless it proves the existence of a PE in that State. The comparable term to PE under the

¹ TS-954-SC-2025

² Section 173 in Income-tax Act, 2025

Indian Income-tax Act, 1961 ('ITA') is "business connection",³ which prescribes conditions under which a foreign company shall be considered as conducting business in India.

Further, even if it is established that a foreign company has a business connection in India, its business profits shall be taxed in India, only if it has a PE in India as per the respective DTAA. Thus, the concept of business connection is wider than PE. If it is established that the foreign company has a PE in India, then the profits attributable to such PE are liable to tax in India.

As the PE of a foreign company in India gives the Source State the right to tax, it is an important Article under the DTAA, majorly for the developing countries. Let us understand the conditions under which an entity may be considered as a PE in India.

For any enterprise to be considered as a PE, the following tests are to be analyzed and, if the same are fulfilled, it is said that the foreign company has a PE in India:

- Location and Permanency Test
- Disposal Test
- Business Activity Test

Thus, it can be understood that if any foreign company has a place of business in India, which has some level of permanency and is available at the disposal of the foreign company from where it can conduct its business activities, such place can be considered as a PE of the foreign company in India. While analyzing PE, especially a Fixed Place PE, it has been held by the courts that any place available at the disposal of the foreign company for conducting its business activities shall be considered as a PE in India. The duration for which such place was permanently available at the disposal of the foreign company may not be relevant, if, in substance, the place was available to conduct the business

activities. The Article 5(1), i.e. Fixed Place PE does not make reference to any minimum period for which a PE should be in existence in the source States. Generally, as per the UN and OECD commentaries, a Fixed Place PE is not considered to be in existence where the place of business is maintained for a period of less than six months.

The landmark judgement passed by the Hon'ble Supreme Court in the case of Formula One⁴ has highlighted that, irrespective of the duration of the place of business available to the foreign company, it can constitute a Fixed Place PE in India if all the other factors are fulfilled. In the said case, the assessee being a UK based company had granted the right to host and promote Formula F-1 Race at a motor racing circuit owned by Jaypee Sports, an Indian Company.

The assessee had full access to the circuit and it could dictate as to who was authorized to access it. Further, although the circuit belonged to Jaypee Sports during the said period, organizing any other event at the circuit was not permitted. Thus, based on the facts of the case, the courts observed that the assessee has a place to conduct its business activities in India that was at its disposal with a certain level of permanency. Hence, it was held that the said circuit constituted a PE of the assessee in India, irrespective of the duration of such permanency of the place of business.

Further, any income attributable to such circuit would be deemed to be taxable in India. This judgement laid down a precedent that if the conditions for establishing a PE are fulfilled, then irrespective of the period of existence of such place of business, it may be construed as a Fixed Place PE in India. The Hon'ble Supreme Court, in the case of Formula One (*supra*), has indicated that to hold a place of business as a PE, the place should be available at the disposal of the foreign

company irrespective of the time period.

In the recent case of Hyatt International (*supra*), the Hon'ble Supreme Court has placed reliance on the abovementioned judgement of Formula One. The facts of the given case were that Hyatt International had entered into a Strategic Oversight Services Agreements (SOSA) with Asia Hotels Limited ('AHL') India, under which it agreed to provide strategic planning services and "know-how". The main aim of providing such services was to ensure that the hotel was developed and operated as an efficient, high-quality, and an international full-service hotel meeting the global level of standards of Hyatt International.

To undertake and implement the activities mentioned in the SOSA, executives and employees of Hyatt International made frequent and regular visits to India to oversee the hotel operations. Such employees were involved in substantive hotel operations, like recruitment of staff, formulation of policies, and other managerial functions etc. Further, as per the India-UAE DTAA, a Service PE is established if the employees provide services for a period of more than 9 months.

The Delhi HC ruled in favor of the Revenue and concluded that Hyatt International had a PE in India as per the India-UAE DTAA. The decision was appealed before the Supreme Court. Upon considering the facts of the case, the Supreme Court upheld the decision of the Delhi High Court and held that the role of Hyatt International was not merely providing support advisory or auxiliary services to AHL India. Instead, the activities performed were core and essential functions, clearly establishing their control over the day-to-day operations of the hotel.

Further, the agreement included terms for revenue sharing with

³ [Section 9(1)(i)] of the Income Tax Act, 1961 or section 9(2) of the Income-tax Act, 2025

⁴ [2017] 80 taxmann.com 347 (SC)

Hyatt International based on the revenue generated by AHL in India. With respect to the duration of the employees' stay in India, it was held that though the same was less than the prescribed time of 9 months in the DTAA, in substance, the employees were involved in the major decision-making and revenue-generating activities of the AHL. Thus, it was clearly stated that Hyatt International had a place of business at its disposal wherein business activities were being carried out, thereby resulting in the existence of a Fixed Place PE.

An important factor that is common in both the above cases is that the courts have given importance to the substance over the legal form of the transactions. If the foreign companies were exercising substantial rights and undertaking/affecting business activities in India, it was held that they had a PE in India, irrespective of technical conditions such as time period, etc. The nature of the activities undertaken were given more importance as opposed to the time period for which the said activities were conducted in India.

This also takes us to certain other questions such as, if a foreign company incorporates a subsidiary in India, outsources its backend activities in India, deposes some of its employees in India, or has a liaison office in India, can it be termed as a PE in India?

Subsidiary as a PE

There have been some instances in the past wherein the revenue has held that an Indian subsidiary of a foreign company may be termed as a PE in India if it is established that the subsidiary is, in substance, nothing but a fixed place for the foreign company through which it is carrying out its business in India.

In the case of *Carpi Tech SA v. ADIT*⁵ (*International Taxation*), Chennai,

the ITAT Chennai held that since the assessee, a Switzerland-based company, had received a power project from NHPC, in view of fact that all correspondences relating to prospecting of clients, participation in bids, communication with customers, signing of contract documents, execution of the project, and closure of the project etc. were initiated or routed through business address of its subsidiary company in India, it would be considered as a PE in India.

A similar contention was upheld in the case of *Huawei Technologies Co. Ltd. v. ACIT, International Taxation*⁶ by the ITAT Delhi, wherein a China-based company engaged in the sale of telecom equipment, supplied equipment and handsets to its Indian subsidiary. Since the assessee was conducting its business in India with the active involvement of employees of its Indian subsidiary, who jointly prepared bidding documents, negotiated, and concluded contracts on behalf of the foreign company with its Indian customers, the Indian subsidiary was held to constitute a PE of the foreign company.

While there are cases where a subsidiary has been held to be a PE in India, alternative arguments have also been held by the courts of law.

In the case of *Progress Rail Locomotive Inc. v. Deputy Commissioner of Income-tax, International-Taxation, Delhi HC*⁷, the assessee, being a US-based company was engaged in the business of manufacturing and sale of locomotives and locomotive parts, supplied equipment directly to Railways and had a subsidiary in India. However, neither email correspondence, communication trails, nor the statement of employees could lead to conclude that the business of the assessee was managed by an Indian subsidiary. Thus, it was held that though the foreign company had

a subsidiary in India, it did not result in a PE in India. Similar contentions have been upheld in respect of liaison offices in India, where it has been held that since they assist only in the exchange of information and do not conduct any business activities, they shall not constitute a PE for the foreign company in India.⁸

Outsourcing of Backend Operations in India – Deputation of its Employees in India

In many cases, it is observed that foreign companies outsource their non-core or backend operations to India. The Supreme Court, in the case of *Director of Income-tax (International Taxation) v. Morgan Stanley & Co.*⁹ analyzed different categories of PE, i.e. Fixed Place PE, Agency PE and Service PE, in quite detail in a similar arrangement where the Indian Company provided backend support services to the foreign company.

As per the facts of the case, the foreign company had outsourced some of its services like information technology support, account reconciliation, research support, etc. to an Indian company related to it. Further, in order to provide some specific services, some personnel of the foreign company were also deputed to the Indian group company and worked under the supervision and control of the Indian company. Herein, the Supreme Court analyzed all three categories of the PE as follows –

- **Fixed Place PE** - In respect of Fixed Place PE, the Supreme Court observed that the Indian Company would not be considered a PE in India, as it would be performing only back-office operations, which could not be construed as business activities of the multinational enterprise. Further, such activities were of a preparatory or auxiliary

⁵ [2016] 76 taxmann.com 101 (Chennai - Trib.)

⁶ [2023] 149 taxmann.com 77 (Delhi - Trib.)

⁷ [2024] 163 taxmann.com 52 (Delhi)

⁸ [2024] 169 taxmann.com 461 (Delhi), [2025] 170 taxmann.com 828 (SC), [2025] 171 taxmann.com 757 (Delhi)

⁹ [2007] 162 Taxman 165 (SC)

character and hence fell under Article 5(3)(e) of the treaty, which excludes such activities from constituting a PE in India.

- **Agency PE** – It was concluded that no Agency PE existed, as the Indian company did not have the authority to conclude any contracts on behalf of the foreign company.
- **Service PE** – On the facts of the given case, the services were bifurcated into two activities, namely stewardship activities and work performed by employees on deputation. It was concluded that stewardship activities involved only briefing the Indian staff to ensure that the output met the global standards and that no specific or technical services were provided. Thus, a Service PE was not established due to stewardship services.

Further, in respect of services provided by the employees on deputation, it was observed by the Supreme Court that the deputed employees did not become the employees of the Indian Company. The foreign company remained responsible for their work, and the employees continued to be on its payroll. Hence, a Service PE was held to be established.

Thus, based on the above decisions, it can be understood that the courts have given importance to the nature of activities performed by employees of the foreign company in India and the factors determining who is to be considered as the real employer for the employees.

In another case, *Asstt. DIT v. E-Funds IT Solution Inc.*¹⁰, employees were deputed to India and worked under the control and supervision of E-funds India, and their remuneration was borne solely by E-funds India. Further, it was observed that as no customers of the foreign company were located

in India or had received any services in India, merely because auxiliary operations that facilitated such services were carried out in India, it could not be held that the foreign company was carrying out business activities in India. Accordingly, no Service PE was constituted in India.

However, in *Centrica India Offshore (P.) Ltd. v. CIT*¹¹, *Teradata Operations Inc. v. Dy. CIT*¹², courts held that since the right of the seconded employees to receive salaries, other emoluments, and the right of dismissal, etc. vested with the foreign company, such employees were to be considered employees of overseas entities rendering services for their employer in India. In such cases, a Service PE may be held to be established in India.

Conclusion

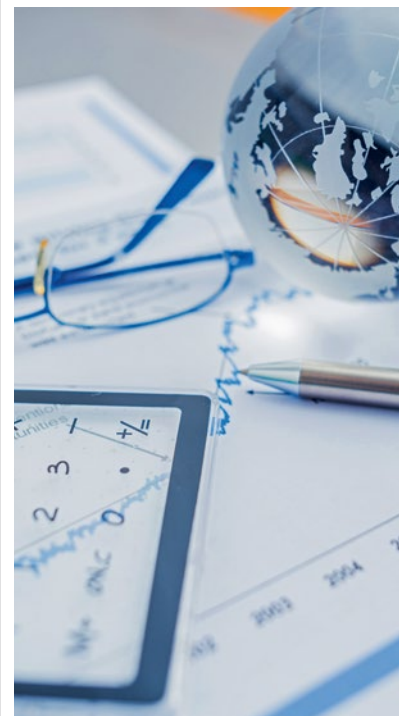
With the growth and development of the Indian economy and business, many foreign companies are keen to conduct business in India. In such cases, it becomes important to ensure that such transactions do not camouflage their actual nature and that taxes are rightfully received by India.

From the above analysis, it can be understood that the new-age India does not necessarily focus solely on the written laws but goes beyond the words to understand the substance of the transaction undertaken.

Further, if a foreign company has a place of business for a certain period that is under its control and is available at its disposal for carrying out business activities, a PE may be established. For this to happen, it is important that the foreign company is engaged in conducting its business activities in India and not merely carrying on auxiliary or support services. If the services are only in the nature of backend or support services, it may be argued that they do not lead to the constitution of a PE in India.

A similar contention may be made in respect of services provided through its employees in India. If the employees are providing only stewardship services, or if their activities are controlled by the Indian employer, a Service PE may not come into existence.

These are some of the common conclusions that can be drawn on the basis of the abovementioned landmark judgements held in the context of PE in previous years. However, the facts of each case must be analyzed individually, and the decision of whether a foreign company has a PE in India or not will always depend on the specific facts and circumstances of the case.



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

¹⁰ [2017] 86 taxmann.com 240/251 Taxman 280/399 ITR 34 (SC)

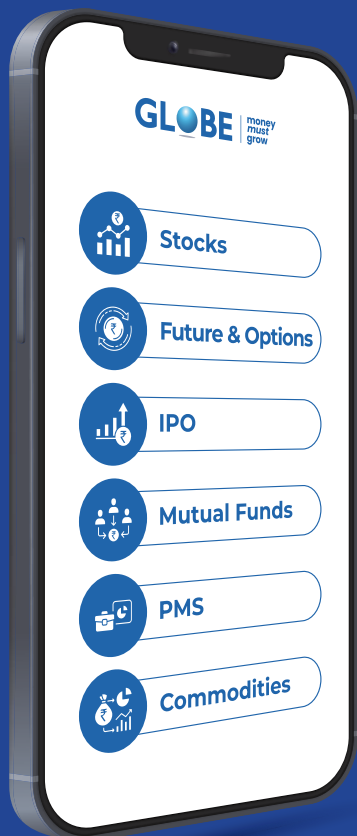
¹¹ [2014] 44 taxmann.com 300/224 Taxman 122/364 ITR 336 (Delhi)

¹² [2020] 116 taxmann.com 404 (Delhi – Trib.)

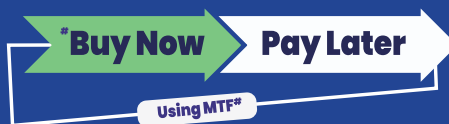
GLOBE | money must grow

35+ Years of Excellence

Qualified Stock Broker
Designated by SEBI



Switch to All new trading experience



OPEN FREE
DEMAT & TRADING ACCOUNT

TOLL FREE 1800-123-7744



Trading App
Best Trading Experience



500 | 200
offices | cities



Global Access
US and European market trading



Priority Broking Services
Personalized Wealth Manager

Regd. & Corporate Office: Globe Capital Market Ltd., 609, Ansal Bhawan, 16, K.G. Marg, Connaught Place, New Delhi - 110001(India)

Investment in securities market are subject to market risks, read all the related documents carefully before investing.
*Mutual Fund services are provided through Globe Capital Market Ltd. under ARA No. -77356
*terms & Conditions apply, visit www.globecapital.com/terms-and-conditions to view T&C



DOWNLOAD THE APP



CA. Manoj Lamba

Member of the Institute

The MSME Evolution: From Credit-Constrained Units to Equity-Funded Corporations

If you had asked a small factory owner in Ludhiana or a textile merchant in Surat ten years ago about “listing on the stock exchange,” they would have thought you were joking. For decades, the “Indian MSME” was synonymous with perseverance. It was “informal,” “unorganized,” and “perpetually in debt.” The dream wasn’t to go public; it was simply to get the bank manager to extend the Cash Credit (CC) limit by another five lakhs.

But today, we are standing in a different India. We are witnessing a “Great Formalization.” The Indian MSME is no longer just a provider of low-cost employment; it is becoming a sophisticated, equity-funded engine. In this deep-dive, I want to pull back the curtain on the regulatory shifts of 2025, the new “Rules of the Game” for IPOs, and why your balance sheet needs a complete rethink if you want to survive the next decade.

The Macro Reality – Breaking the 30% Barrier

Let’s start with the hard truth of the numbers. “As a CA, I always say: ‘Emotions are for the heart, but data is for the bank.’”

By the end of the 2024-25 fiscal year, the MSME sector’s contribution to India’s GDP stabilized at 30.1%. To the layman, this is just a percentage. To us, it represents a massive recovery from the pandemic low of 27.3% in 2020-21. More importantly, MSMEs are now responsible for 45.79% of India’s total exports.

The Udyam-GST Marriage

The secret sauce behind this growth is the Udyam Registration Portal. By late 2025, we crossed 6.5 crore registrations. But here is the technical detail most people miss: The Udyam portal is now seamlessly integrated with the GSTN and Income Tax databases.

Earlier, a business would tell the bank they had a 10-crore turnover, tell the taxman it was 2 crore, and tell the labor department they only had

5 employees. Those days are dead. Today, data is transparent. While this feels like “Big Brother” is watching, it is actually the greatest gift to the sector. Why? Because transparency creates Trust. And trust is the currency of the capital market. Without that Udyam-verified data, the SME IPO boom we see today would have been impossible.

The Death of “Dwarfism” – The 2025 Classification Revolution

One of the biggest tragedies I’ve seen in my career is what economists call “Dwarfism.” This is where a company stays small on purpose. Why? Because the owner is terrified that if they cross the “Small” threshold, they will lose their subsidies, their priority sector lending, and their peace of mind.

The Union Budget 2025-26 finally gave us the “Growth Headroom” we needed. Effective from April 1, 2025, the limits were pushed to levels we never thought possible.

Breaking Down the New Limits

Let’s look at the “Medium” category specifically. A company can now have

an investment of ₹125 crore and a turnover of ₹500 crore and still be called an MSME.

Do you realize what this means? A company with a ₹400 crore turnover is a “Mid-Cap” giant in any other country! By keeping these firms under the MSME umbrella, the government is allowing them to scale up, buy global-grade machinery, and hire top-tier talent while still enjoying the protection of MSME interest rates and the Credit Guarantee Scheme (CGTMSE).

The doubling of the CGTMSE guarantee ceiling to ₹10 crore is the cherry on top. It means you can now get ₹10 crore in collateral-free credit. If you aren’t using this to modernize your plant, you are leaving money on the table.

The SME Exchange – From “Lottery” to “Legitimate Market”

Now, let’s talk about the SME IPO market. In 2023 and 2024, the market was a “wild west.” We saw IPOs oversubscribed 500 times. We saw “shell-like” companies listing and

doubling on day one. It was speculative, it was risky, and it was dangerous for the long-term health of the sector.

The July 1, 2025 Reform: A Game Changer

The regulators (SEBI and the Exchanges) stepped in with a heavy hand. On July 1, 2025, the rules changed. Here is what every entrepreneur and investor needs to know:

- 1. The ₹2 Lakh Filter:** The minimum application size was raised to over ₹2 lakh (minimum 2 lots). This was a masterstroke. It removed the “retail gamblers” who were looking for a quick listing gain and replaced them with “Individual Investors” who have the stomach for risk and the capital to back it.
- 2. Discontinuation of “Cut-off Price”:** This is a technical but vital change. You can no longer just tick a box saying, “I’ll buy at whatever price.” You must now specify your price. This forces investors to actually read the DRHP (Draft Red Herring Prospectus).
- 3. No Cancellation/Modification:** Once you bid, you are committed. This stopped the “fake demand” created by operators who would bid thousands of crores just to show high subscription numbers and then withdraw at the last minute.

The Result

SME IPOs in late 2025 and early 2026 are more “sober.” The listing gains are 10-20% instead of 200%, but the investors who are coming in are long-term partners, not “flippers.”

Case Studies – Blueprints of Success

Let’s look at the companies that have navigated this transition successfully. These are the “graduates” of our ecosystem.

1. Strategic Use of IPO Proceeds and Growth-Led Valuation

A leading player in the advanced manufacturing and automation space, named as Jyoti CNC

“Over 51% of recognized startups are now coming from Tier II and Tier III cities.”

Automation Ltd, went public in early 2024. By January 2026, it had achieved a market capitalisation exceeding ₹22,000 crore. The company strategically deployed its public issue proceeds to strengthen its balance sheet while also investing in the development and launch of high-end products. Its strong profit growth trajectory underscored how consistent financial performance and innovation can significantly enhance market valuation.

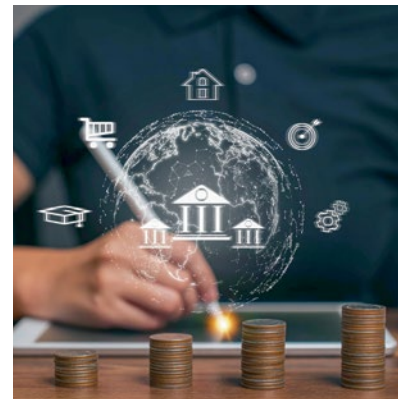
2. From SME Listing to Mainboard Transition: A Graduation Journey

An enterprise named Suyog Telematics Ltd initially listed on the SME platform leveraged this phase to strengthen its operational and financial fundamentals, achieving a robust operating profit margin. After establishing scale, governance, and performance consistency, the company successfully transitioned to the Mainboard in late 2024. This progression illustrates how the SME platform can serve as a strategic launchpad for growth-oriented companies rather than a permanent endpoint.

The Financial Infrastructure – CGTMSE and Digital Credit

Beyond the stock market, the way we get loans is changing. We are moving from “Asset-Based Lending” (where you give your house as collateral) to “Cash-Flow Based Lending.”

Because the GST data is now real-time, banks like Jana Small Finance Bank can see exactly how much you sold yesterday. They don’t need to see your balance sheet from two years ago; they see your bank statement from two hours ago. This is “Digital Credit,” and it is the only way to bridge the ₹30 lakh crore credit gap.



The expansion of the Credit Guarantee Scheme for Micro and Small Enterprises (CGTMSE) is the engine behind this. By doubling the guarantee to ₹10 crore, the government has told the banks: “Don’t be afraid to lend to these guys. If they fail, we will back you up.” This is a massive psychological shift for bank managers who were previously too scared to lend without a property mortgage.

The Export Promotion Mission (EPM) – Winning the World

I often hear MSME owners say, “Manoj ji, I want to export, but the interest rates are too high, and the paperwork is too much.”

The government’s ₹25,060 crore Export Promotion Mission (EPM), launched in late 2025, is the answer. It is built on two pillars:

Niryat Protsahan (The Money)

This focuses on trade finance. It offers interest subvention and export factoring. If you are an e-commerce exporter, there are now specialized credit cards to help you manage international working capital. This is crucial because global buyers often want 90-day credit, and a small Indian business can’t afford to have its money blocked for that long.

Niryat Disha (The Method)

Selling in Germany is different from selling in Gwalior. You need certifications, specialized packaging, and international branding. The EPM provides assistance for all of this. They have even mandated that 35% of all

participants in international trade fairs must be MSMEs. The door to the global market is being held open for you.

The “Productivity Gap” – Our Greatest Challenge

I must be honest with you, it’s not all sunshine and IPOs. We have a serious problem, which is Productivity.

As of late 2025, Indian MSMEs are only 18% as productive as large-scale industries. In Germany or the US, that number is closer to 60%.

Why are we lagging?

- **Technological Lag:** Many of our units are still using manual processes where AI and automation should be.
- **The Skill Gap:** We have the people, but do they have the skills for “Industry 4.0”?
- **Delayed Payments:** This is the “silent killer.” Even with the new 45-day payment rule (Section 43B(h)), billions of rupees are stuck in the accounts of large buyers. This kills innovation because the owner is too busy chasing payments to think about new products.

To fix this, the government launched the “MSME-TEAM” scheme. This isn’t just about money; it’s about Trade Enablement. It helps you get onto e-commerce platforms like ONDC and adopt modern tech.

The Social Impact – Inclusion and Empowerment

We cannot talk about MSMEs without talking about the people. This sector employs 29 crore people. That is more than the population of most countries!

What is heartening in 2026 is the rise of Women-owned MSMEs, which now account for 22% of rural units. Through the “Yashasvini” campaign, we are seeing a focus on “formalization with mentoring.” It’s not enough to just give a woman a loan; we must give her the digital skills and the market access to compete.

Furthermore, over 51% of recognized startups are now coming from Tier II and Tier III cities. The era of

“The evolution of the Indian MSME from a “credit-starved unit” to an “equity-funded corporation” is the most significant structural shift in our economy since 1991.”

“Everything happens in Mumbai or Bangalore” is over. Whether it’s a food processing unit in Nagpur or a tech startup in Kochi, the Indian growth story is now truly decentralized.

Preparing for the Future – The ZED Standard

If you want to be part of the global supply chain, you must understand ZED (Zero Defect, Zero Effect).

By late 2025, over 2.83 lakh enterprises had been ZED certified. This is not just a fancy certificate to hang on your wall. It tells a global giant like Apple or Walmart that your factory:

1. Produces zero defective goods (Quality).
2. Has zero negative impact on the environment (Sustainability).

In 2026, ESG (Environmental, Social, and Governance) is no longer a buzzword for big companies; it is a survival requirement for small ones. Investors on the SME Exchange are now looking for “Green MSMEs.”

Checklist for Entrepreneurs

As we wrap up this masterclass, I want to leave you with a concrete “Action Plan.” If you are an MSME owner, here is what your dashboard should look like for the next 12 months:

1. **Audit Your Classification:** With the new ₹500 crore turnover limit, are you still calling yourself “Small”? Re-classify on Udyam to take advantage of the new “Medium” category benefits.
2. **Clean Up the Books:** If you have even a 1% dream of going



public, stop treating your company account like your personal wallet. Transparency is the only way to get a high valuation.

3. **Invest in Technology:** Use the MSME-TEAM incentives to automate your production line. Remember, productivity is your only shield against rising labor costs.
4. **Explore Equity:** Don’t be afraid to dilute your ownership. It is better to own 70% of a `500 crore company than 100% of a `5 crore company.
5. **Go Global:** Check the EPM guidelines today. If your product has quality, there is a buyer in Japan, Europe, or the USA waiting for you.

Final Thoughts

The evolution of the Indian MSME from a “credit-starved unit” to an “equity-funded corporation” is the most significant structural shift in our economy since 1991. The “Safety Net” of the new classification limits, the “Launchpad” of the SME Exchange, and the “Wind in the Sails” from the Export Mission have created a perfect storm for growth.

The question is: Are you ready to stop surviving and start scaling? Keep your compliances high and your dreams high!

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

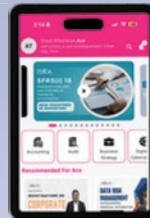
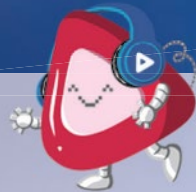
YOUR CONFERENCE ACCESS JUST GOT BETTER

Extend your conference experience with exclusive access to our digital learning platforms and flagship programmes

ISCAccountify

S\$30 for 3 months

S\$108 for 12 months



Boardflix

S\$60 for 3 months

S\$192 for 12 months



Certification Courses



ISCA Financial Forensic Accounting (FFA) Qualification



ISCA Sustainability Professional Certificate

Email to qualifications@isca.org.sg for exclusive early-access rate for newly revamped programmes

Pre-launch price

S\$650
per course

Scan to Unlock
Conference-Exclusive Offers



Arohan Maggo

Valuation and Banking Expert

Valuation of Distressed Real Estate Assets in India: Challenges, Evolving Practices and Methodology

As a result of the increasing occurrences of non-performing assets, deferred projects, and insolvency proceedings under the Insolvency and Bankruptcy Code, the valuation of distressed assets has taken on paramount importance in India. As opposed to regular evaluation assignments, the valuation of distressed assets demands the valuer to evaluate the achievable value of the asset

while considering factors such as economic constraints, juridical ambiguity, restricted commercial value, and scrapping in a time-sensitive manner.

Through this article, the author analyses the features of distressed real estate assets along with the realistic difficulties that valuers are faced with, as well as the modifications needed when applying the market, income, cost and hybrid methods. The article aims to shed light on expert perceptiveness, recognizable premises, and techniques of hybrid valuation that are necessary for reaching a reasonable market and feasible worth by making use of case studies and empirical judgments.

Various ascending shifts and suggestions to help fortify the valuation methods in India's progressing landscape of insolvency and asset recovery have also been brought forth in the article.

Introduction

The valuation of real estate is crucial and of supreme significance to the economy as it has a strong influence on the outcomes related to expenditure, loan, and asset redemption. In recent times, the financial system in India has observed an exceptional increase in the numbers of stressed and non-performing assets (NPAs), particularly in the real estate sector. Due to several half-done projects, partial establishments, and unpurchased supplies, the careful valuation of distressed real estate assets has evolved as a backbone to reach a judicious decision, followed by insolvency processes, asset restoration, and monetary reorganization.

Therefore, the practice of valuation is not merely limited to an arithmetical

application but rather a systematic examination of skillful discernment, remunerative judgment, and jurisprudence. The valuation of distressed assets persists as one of the most strenuous domains of practice and, at the same time, also as one of the least recorded areas within India's valuation profession.

This article examines the core difficulties, advancing standard procedures, and techniques in assessing distressed real estate assets, and suggests the means to reinforce the infrastructure for more accountable and responsible valuations.

Understanding Distressed Real Estate Assets

A distressed real estate asset refers to any property that is under any stress, whether-

- a. Financial
- b. Legal
- c. Operational

In the case where the possessor or maker are inadequate to meet:

- a. commitments relating to debt
- b. conclude an undertaking
- c. conserve commercial price

Distressed assets comprise NPA properties, halted plans that are under development, tracts of land under litigation, and holding confined to auctioneering as a result of derelictions or disputes. The Insolvency and Bankruptcy Code (IBC), SARFAESI Act, Debt Recovery Tribunals (DRT), and procedures directed by banks are some of the central statutory groundworks. Some usual examples encompass:

- a. Projects undergoing insolvency under the *Insolvency and Bankruptcy Code (IBC), 2016*
- b. Assets seized or auctioned under the SARFAESI Act, 2002
- c. Stalled or incomplete construction projects
- d. Properties entangled in legal disputes or regulatory non-compliance

Consequently, there lies a contrast between how valuation is conducted in conventional market conditions as opposed to stressed market conditions. Accordingly, marketplace fluctuations and managerial compositions are certain factors that a valuer is required to take into consideration when gauging attainable worth in cases of obligatory clearance, defeasance merit, or a just price for restructuring, hinging on the determined instructions laid down by financial institutions, insolvency professionals, or courts of law.

The distressed value of a property refers to the diminished value at which a building might be sold under critical and disadvantageous situations, such as expropriation, economic hardships, or sudden necessity for money.

Distress sale usually occurs in the case of non-payment of loans, enforced selling, litigation, or monetary exigencies. For a creditor, distress value constitutes the lowest estimate they can retrieve if the property is auctioned to recover payables, thus acting as an essential criterion in the course of loan disbursement for asset-based lending.

Challenges in Valuation of Properties under Distressed Conditions

There are various distinctive hurdles that come along the way when the valuation of distressed property is concerned which usually goes beyond traditional valuation procedures:

i. Data Deficiency

When distressed projects are concerned, there are several

“It is difficult to find comparable sales for distressed assets since such transactions are rarely reported, which constrains benchmarking. Modifications should be made for distress discount, legal risk, and the forced-sale nature of the transaction.”

instances of irretrievable agreements, authorised proposals, certification of finalization, and deed paperwork that may be deficient or lost. Such occurrences can lead to difficulties in authentication of possession, confirmation, and impediments.

ii. Legal Complexities

There are various intricacies involved in stressed assets in the form of lawsuit, unsettled sanctions, collateral, contentions, ambiguous titles, and infringements that cause unpredictability. If a property is under NCLT proceedings or with numerous charges, it can also substantially influence the attainable merit of the asset.

iii. Market Illiquidity

There is often a comparatively decreased requirement for distressed assets with disgrace attached to “distress” and a detrimental opinion severely effects the worth of assets, therefore leading to little interest from buyers. An involuntary sale condition necessitates depreciation for lower liquidity, exigency to auction, unpredictability, and consumer sentiment.

iv. Incomplete Development

Properties that are partially established or vandalized present valuation problems as a result of

inflation in prices, degradation of holdings, and digression from the initial blueprint or official order.

v. Time-Bound Valuations

Insolvency procedures frequently decree speedy assessments which put pressure on the valuers to stick to harsh schedules enforced by IBC. This results in a restricted thorough examination of the area as well as consumer analysis which leads to difficulties.

vi. Standardization Gap

The disparity between the evaluation of “fair value” and “liquidation value”, selection of valuation method, ascertainment of concession, acclimatization to devaluation and outdatedness.

Every single one of these elements represents an obstacle associated with valuation, requiring the valuer to act with expert astuteness, communicate constraints, and distinctly elucidate postulation in their record.

Valuation Methodologies and Practical Adaptations

Valuers often make use of three conventional methods:

- a. Market
- b. Income
- c. Cost,

Often times, they also take on a hybrid strategy.

a. Market Approach

The market approach decides the value by comparing similar assets that have been recently sold and have been adjusted for differences in size, location, condition, and other attributes. It is difficult to find comparable sales for distressed assets since such transactions are rarely reported, which constrains benchmarking. Modifications should be made for distress discount, legal risk, and the forced-sale nature of the transaction.

Practical Adaptation for Distressed Assets:

■ **Scarcity of Comparable Sales:** Distressed sales are uncommon and frequently have failures of communal declarations. Valuers should extend beyond the existent position using extensive regional or sectoral comparables, while adjusting for liquidity discount.

■ **Distress Discounting:** Compulsory sales, auctioneering realizations, or retrieval from banks lead to decreased rates. The valuer should regulate a markdown for distress (often stretching from 10%–40%) contingent upon consumer inclination and regulatory distinctness.

■ **Regulatory Reference:** The value of liquidation is generally arrived at by making use of adapted market benchmarks, indicating realizable merit under time-sensitive requirements of sale, as per the IBBI Regulations.

■ **Use of Proxy Data:** In the absence of direct comparables, information from SARFAESI auctions, IBC resolution plans, or Registrar of Assurances data can serve as useful proxies.

Case Study: Stressed Property (Market Approach)

Asset Details

- **Type:** Commercial office unit
- **Location:** Secondary business district (India)
- **Area:** 20,000 sq. ft.
- **Status:** Under SARFAESI (bank auction)
- **Condition:** Average, partly vacant
- **Legal:** No title defect, but possession risk
- **Marketing period expected:** 3–6 months

STEP 1: Identify Comparable Sales

Comparable	Sale Price (₹/sq. ft.)	Nature	Sale Date
Comp 1	9,000	Normal sale	6 months ago
Comp 2	8,500	Distressed sale	4 months ago
Comp 3	9,200	Normal sale	9 months ago

STEP 2: Adjust Comparable Prices

If market is **stable**, **no time adjustment** is applied.

Physical & Location Adjustments

Comparable	Adjustment
Comp 1	–5% (better location)
Comp 2	0% (similar)
Comp 3	–7% (better building quality)

Adjusted Prices:

- **Comp 1:** $9,000 \times 0.95 = ₹8,550$
- **Comp 2:** $8,500 \times 1.00 = ₹8,500$
- **Comp 3:** $9,200 \times 0.93 = ₹8,556$

STEP 3: Apply Distress / Forced Sale Discount

Since the subject asset is under **SARFAESI auction**:

- **Distress Discount: 25%**

Comparable	Pre-Distress (₹/sq. ft.)	After Distress
Comp 1	8,550	6,413
Comp 2	8,500	6,375
Comp 3	8,556	6,417

STEP 4: Liquidity / Absorption Discount

Large Commercial Unit + Auction risk → **10% Liquidity Discount**

Comparable	Value after Distress	After Liquidity
Comp 1	6,413	5,772
Comp 2	6,375	5,737
Comp 3	6,417	5,775

STEP 5: Indicated Market Value (Stressed)

Take weighted average

Indicated Value ≈ ₹5,761 per sq. ft. (say ₹5,750)

STEP 6: Final Value of Asset

- **Area:** 20,000 sq. ft.
- **Market Value (As-Is,**

Distressed) ₹5,750 × 20,000 = ₹11.50 crore

STEP 7: Reporting Disclosure (Very Important)

In valuation report:

“The value represents Market Value under distressed sale conditions on an ‘as-is, where-is, and what-is’ basis, considering SARFAESI proceedings, limited buyer pool, and reduced marketing period.”

Optional: Dual Value Presentation (Best Practice)

Value Type	Amount
Normal Market Value	₹18 crore
Distressed Market Value	₹11.5 crore
Liquidation Value (if forced within 60–90 days)	₹9.5–10 crore

b. Income Approach

The Income Approach converts anticipated future economic benefits into a present value using an appropriate discount or capitalization rate. In cases where the project is stalled or non-operational, future cash flows are uncertain. In such cases, scenario-based projections or discounted cash flows (DCF) based on revival assumptions can be used, supported by sensitivity analysis.

Practical Adaptation for Distressed Assets:

- **Uncertain Cash Flows:** In many cases, past financial statements are unreliable or unavailable. Valuers must construct projected cash flows based on industry averages, replacement demand, or stabilized earnings assumptions.
- **Higher Risk Premiums:** Discount rates are typically increased to reflect business risk, illiquidity, and legal uncertainty. A risk premium of 4–8% over the industry Weighted Average Cost of Capital (WACC) is often used.
- **Normalization of Earnings:** Temporary losses due to insolvency should be adjusted to reflect potential earning capacity post-resolution.
- **Terminal Value Sensitivity:** As distressed entities face uncertain long-term viability, valuers often use conservative terminal growth assumptions or even zero-growth perpetuity models.
- **Hybrid Use with Market Data:** For income-producing real estate (e.g., leased offices), a blended approach combining market capitalization rates and distressed yield adjustments provides a more realistic measure.

Case Study: Stressed Property (Income Approach)**Asset Details**

- **Asset Type:** Commercial office building
- **Location:** Secondary business district (India)
- **Total Leasable Area:** 20,000 sq. m.
- **Status:** Under SARFAESI / ARC resolution
- **Occupancy (current):** 45%
- **Market Occupancy (normal):** 85%
- **Valuation Basis:** *As-Is, Where-Is, What-Is*

STEP 1: Estimate Gross Potential Income (GPI)**Market Rent Evidence**

- Prevailing market rent (normal asset): ₹900 / sq. m. / month

Calculation

- Monthly GPI = 20,000 × 900 = ₹1.80 crore
- Annual GPI = 1.80 × 12 = ₹21.60 crore

STEP 2: Vacancy & Collection Loss (Stress Adjustment)

Since asset is **stressed**:

- Higher vacancy
- Delayed rent collection

Applied:

- Vacancy & collection loss: **40%**
- 40% of 21.60 = ₹8.64 crore

Effective Gross Income (EGI)

21.60 – 8.64 = ₹12.96 crore

Expense	% of EGI	Amount (₹ Cr)
Maintenance & Repairs	12%	1.55
Property Management	5%	0.65
Insurance & Admin	3%	0.39
Statutory / Municipal	6%	0.78
Total Expenses	26%	3.37

STEP 3: Operating Expenses (Higher for Stressed Assets)**Net Operating Income (NOI)**

12.96 – 3.37 = ₹9.59 crore

STEP 4: Capitalization Rate (Stressed Cap Rate)**Market Cap Rate (normal office)**

- **8.5%**

Stress Premium Add-ons:

Risk Factor	Add
Vacancy risk	+1.5%
Legal / ARC risk	+1.0%
Liquidity risk	+0.5%
Management risk	+0.5%

Stressed Capitalization Rate

8.5% + 3.5% = **12.0%**

STEP 5: Capitalization of NOI

Value = NOI ÷ Cap Rate
9.59 ÷ 12% = ₹79.92 crore

STEP 6: Lease-Up / Stabilization Discount (Critical)

Time required to stabilize: **3 years**

Estimated lease-up & holding cost impact:

Discount applied: **10%**

10% of 79.92 = ₹7.99 crore

Final Income Approach Value (Stressed, As-Is Basis)

₹71.9 crore (Rounded to ₹72 crore)

STEP 7: Disclosure Language (Bank / IBC Ready)

“The valuation under the Income Approach reflects actual achievable rentals, elevated vacancy and operating costs, and a stressed capitalization rate incorporating legal, liquidity, and leasing risks. The value is derived on an ‘As-Is, Where-Is, and What-Is’ basis assuming a prolonged stabilization period.”

c. Cost Approach

The Cost Approach estimates the value of an asset based on the principle of substitution i.e., what it would cost to replace or reproduce the asset, less depreciation and obsolescence. This approach often becomes the most practical. The valuer estimates **land value** based on available benchmarks and adds **depreciated replacement cost** for existing structures, adjusted for incomplete works and deterioration.

Practical Adaptation for Distressed Assets:

- **Reproduction vs. Replacement:** For obsolete or idle assets, valuers often rely on the *replacement cost* rather than *reproduction cost*, as the latter may not reflect the asset's actual utility or resale potential.
- **Higher Physical Deterioration:** Distressed assets are frequently neglected, under-maintained, or vandalized. Site inspections often reveal significant wear and tear, which must be captured through higher physical depreciation rates.
- **Functional Obsolescence:** Machinery or property layouts designed for a discontinued process or outdated design should be discounted further to reflect loss of economic utility.
- **External Obsolescence:** Factors like regulatory restrictions, environmental non-compliance, or encroachment should be considered explicitly since these are common in insolvency cases.
- **Land & Building Specific Issues:** The *cost to cure* irregularities (like unauthorized construction or environmental penalties) should be deducted to arrive at realistic fair value.

Case Study: Stressed Property (Cost Approach)

STEP 1: Estimate Land Value (As-Is)

Land is always valued **separately**.

Methods:

- Comparable land sales (preferred)
- Ready reckoner / circle rate (supporting)
- Recent auction land rates (if available)
- If land has **legal or zoning issues**, apply a **land risk discount**.

Example

- Land area: 20,000 sq. ft.
- Market land rate: ₹9,000/sq. ft.
- Gross land value = ₹18.00 crore
- Legal / distress discount (15%) = ₹2.70 crore

Adjusted Land Value = ₹15.30 crore

STEP 2: Estimate Replacement Cost New (RCN)

Calculate **current cost to build a similar structure** (not historical cost)

Include:

- Civil construction
- MEP services
- External development
- Professional fees
- Contingency (3–5%)

Example

- Built-up area: 20,000 sq. ft.
- Construction cost: ₹2,500/sq. ft.
- Base cost = ₹5.00 crore
- Professional & contingency (5%) = ₹0.25 crore

RCN = ₹5.25 crore

STEP 3: Deduct Depreciation (Critical in Stressed Assets)

a. Physical Depreciation

Due to age, wear, neglect.

- Building age: 10 years
- Economic life: 40 years

Depreciation = $10 \div 40 = 25\%$

Physical depreciation = ₹1.31 crore

b. Functional Obsolescence

Poor design, outdated specs, inefficient layout.

Typical range: 5% – 15%

Assume 10% = ₹0.53 crore

c. External / Economic Obsolescence (Stress Factor)

This captures **distress impact**:

- Vacancy
- Market downturn
- Legal uncertainty
- Stalled project stigma

Typical range:

- Mild stress: 5–10%
- SARFAESI / NCLT: 15–30%

Assume 22.5% = ₹1.18 crore

Total Depreciation

₹1.31 + ₹0.53 + ₹1.18 = ₹3.02 crore

STEP 4: Depreciated Replacement Cost (DRC)

DRC = RCN – Total Depreciation
₹5.25 – ₹3.02 = ₹2.23 crore

STEP 5: Add Land Value

Cost	Approach	Value
=	Land Value	+ DRC
₹15.30	+ ₹2.23	= ₹17.53 crore

Step 6: Apply Distress / Realizability Adjustment (If Required)

For forced sale or liquidation:

Scenario	Additional Discount
Orderly distressed sale	5–10%
SARFAESI auction	10–20%
Liquidation (IBC)	20–30%

Assume 10% realizability discount:

Final Stressed Value = ₹17.53 – ₹1.75 = ₹15.8 crore

STEP 7: Reporting & Disclosure

Always specify:

- Value is “**As-Is, Where-Is, What-Is**”
- Assumed marketing period
- Nature of stress
- Depreciation assumptions
- That cost approach sets an **upper bound**, not liquidation floor

When Cost Approach Is Most Reliable for Stressed Assets

- Incomplete / stalled projects
- Special-purpose properties
- Limited market data

When income approach is not viable

d. Hybrid Approach

In practice, valuers rarely rely on a single method. IBBI and international standards encourage *reconciliation of multiple approaches* to derive a defensible valuation range.

For distressed assets:

- **Cost Approach** provides a *floor value* (minimum recoverable).
- **Market Approach** captures *current realizable value*.
- **Income Approach** offers a *potential going-concern value* (if revived).

A reasoned professional judgment, supported by documentation of assumptions, reconciles these to arrive at both **Fair Value** and **Liquidation Value**, as required under Regulation 35 of IBBI (CIRP) Regulations, 2016.

Consider a stalled residential project under IBC proceedings in Gurugram. The project comprises two completed towers and one half-built structure. The land is leasehold, and several homebuyers have pending claims.

The valuer, in this case, should:

- Verify the **title, encumbrances, and approvals** from official records.
- Assess the **construction completion percentage** and cost-to-complete.
- Determine **market value** of completed units and **realisable value** under distress.

- Apply appropriate **discounts for litigation and delay**.

- Clearly state **assumptions, disclaimers, and limitations** in the report.

This structured approach ensures transparency and defensibility if challenged before NCLT or financial institutions.

Emerging Trends and Opportunities

Despite the challenges, distressed asset valuation is a growing area of opportunity:

- **Asset Reconstruction Companies (ARCs) and Private Equity Funds** are actively acquiring NPAs.
- The establishment of the **National Asset Reconstruction Company Limited (NARCL)** has further expanded the demand for independent valuation.
- **Technology integration**, including drone surveys, GIS-based mapping, and AI-driven property data analysis, is transforming accuracy and efficiency.
- **Regulatory and Structural Changes** driving market expansion like reforms allowing financial institutions to securitize stressed retail and corporate loans for market sale thus standardising valuation.
- **Sector and Geographic Specialisation** resulting increase in funding specialising in distressed situation in technology, healthcare, energy, transition and real estate sectors.
- There is also a rising emphasis on **ESG (Environmental, Social, and Governance)** considerations, as sustainability factors increasingly influence asset value even in distress contexts.

For registered valuers, this segment represents both a professional challenge and a chance to contribute meaningfully to financial sector recovery.

Recommendations

To strengthen the framework and enhance credibility of distressed asset valuation, the following measures are suggested:

1. **Issue of Specific Guidelines** by IBBI or RVOs for valuation in insolvency and distress contexts. Develop and implement clear, standardized valuation guidelines for distressed assets.
2. **Mandatory Disclosure Format** for key assumptions, limitations, and risk factors.
3. **Capacity Building** of valuers through specialized training programs on IBC and forensic aspects. Champion the independence of professional valuers to strengthen stakeholder trust.
4. **Cross-disciplinary Collaboration** between valuers, lawyers, and insolvency professionals.
5. **Development of a National Database** for distressed real estate transactions to improve comparability and benchmarking. Promote greater transparency in valuation disclosures to aid fair outcomes.
6. **Encourage Hybrid Approaches** integrating income, market, and cost methods, with special attention to asset risks.

Conclusion

The valuation of distressed real estate assets in India is both an art and a science, requiring a balance of financial analysis, legal understanding, and ethical integrity. As India's insolvency and restructuring ecosystem matures, valuers will play an increasingly central role in determining outcomes for creditors, investors, and developers.

By promoting professional rigor, transparency, and continuous learning, valuers can transform the challenges of distressed asset valuation into a platform for excellence and credibility.

Distressed real estate valuation in India is both challenging and vital for economic stability and asset recovery. By embracing best practices, technological innovations, and transparent standards, valuers can facilitate financial restructuring and play a key role in India's economic revival.

Author may be reached at
arohan.maggo71@gmail.com
 and eboard@icai.in



BUSINESS LOAN

Aapke Business Ka
GAME CHANGER



**DIGITISED
PROCESS**



**QUICK LOAN
DISBURSAL**



**APP-BASED
WITHDRAWAL FACILITY**

INTEREST RATE STARTING @**11.25% p.a.*** | TENURE UP TO **60 MONTHS***

LOAN AMOUNT **7 LAKHS TO 1 CRORE***

*T&C Apply

APPLY NOW TO CHANGE YOUR GAME | [LTFINANCE.COM](https://ltfinance.com)

☎ 740-000-6789



CA. Bajjul Anand Mehta
Member of the Institute

Unlocking Kaizen Costing: Methods, Classifications, and AI-Driven Strategies for Sustainable Cost Reduction

'Kaizen' comprises two Japanese words: *Kai* (change) and *Zen* (for the better), together meaning *continuous improvement*. The term Kaizen is about consistent improvement that assists with making long-term progress and doesn't require enormous ventures. It is additionally significant for the executives and collaborators to take an interest in the progress.

In today's rapidly evolving industrial landscape, organizations are under constant pressure to reduce costs, improve efficiency, and enhance productivity. Kaizen Costing, with its foundation in continuous incremental improvement, has long served as a strategic tool for sustainable cost reduction and operational excellence. However, with the advent of advanced technologies, particularly Artificial Intelligence (AI), there is a growing opportunity to enhance the effectiveness of traditional Kaizen practices. AI helps reduce process time, automate repetitive tasks, and streamline operations through data-driven decision-making. When integrated with Kaizen, AI not only strengthens the pace and accuracy of continuous improvement but also unlocks new potential for real-time monitoring, predictive analysis, and smart optimization. This powerful combination offers organizations the dual advantage of human-centric innovation and intelligent automation, driving faster development, improved production quality, and significant cost savings. This article explores this evolving synergy, presenting a structured review of Kaizen Costing methods and examining how AI integration is reshaping its role in modern cost management.

Sub-Classification of Kaizen Costing

To better understand the ideas of Kaizen/Continuous Improvement, this section provides brief explanations of the following four classifications.

I. The Kaizen's Objective Category

i. The Concept of Productivity

Productivity, as defined by Tangen (2002), is the ratio of output to input in manufacturing, reflecting how efficiently resources like labour, capital, materials, and energy are used. It's often misunderstood as mere production

volume; however, true productivity requires consideration of both outputs and inputs. It is relative and is evaluated through comparisons over time or against competitors.

Productivity improves in five ways, such as by increasing output more than input or by reducing input while maintaining the same level of output.

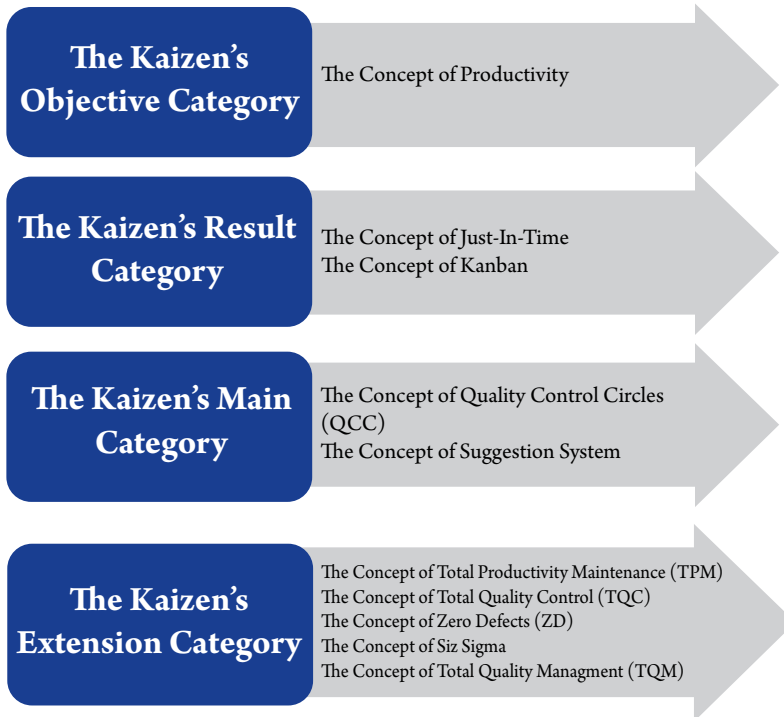
Over time, productivity has been confused with performance, efficiency, and effectiveness. Performance includes factors like cost and quality, efficiency means "doing things right" with minimal resources, and effectiveness means "doing the right things" to create

customer value. High productivity results from a combination of both efficiency and effectiveness.

The Kaizen philosophy of continuous improvement supports productivity growth by enhancing efficiency and effectiveness, especially at the shop-floor level, through incremental gains and better resource utilization. Waste reduces productivity and should be systematically eliminated to achieve sustainable improvement.

AI perspective:

The integration of Artificial Intelligence (AI) into the Kaizen framework significantly enhances

Figure 1: Kaizen Sub-Classification

Sources: Adapted from Imai (1983)

its core objective of continuous improvement. AI transforms traditional manual systems into smart, proactive processes that can detect inefficiencies, reduce waste, and drive sustainable productivity. With the use of advanced tools such as sensors, IoT devices, and AI-based analytics, organizations can now monitor operations in real time, gaining deeper visibility into performance metrics. Through predictive analytics and machine learning, AI can anticipate potential issues before they occur, enabling timely, preventive actions. Additionally, AI systems are capable of processing large volumes of data, recommending optimal solutions, and helping prioritize improvement initiatives. This not only reduces the cognitive load on human decision-makers but also ensures more consistent, accurate, and data-driven strategies to support ongoing operational excellence.

II. The Kaizen's Result Category

This category comprises two key concepts: **Just-In-Time (JIT)** and the **Kanban system**. These are often

regarded as outcomes or by-products of Kaizen initiatives implemented during the initial stages of continuous improvement.

i. The Concept of Just-In-Time

According to Imai (1986), Just-In-Time (JIT) ensures that each stage of production receives the exact number of units required at the right time. Ohno's system at Toyota reduced inventory by reversing the traditional supply flow. Shingo (1981) further linked JIT to minimize the time between order and delivery through small-lot production, faster tool

changes, and one-piece flow. Ishikawa and Lu (1985) emphasized that quality control is vital for JIT success, as poor quality disrupts the flow of inventory. Kaizen supports JIT by helping suppliers deliver quality products on time. JIT is also closely tied to the **Kanban system** (Monden, 1983), which helps synchronize production.

ii. The Concept of Kanban

According to Imai (1986), Kanban is a communication tool within the JIT production and inventory control system developed by Taiichi Ohno at Toyota Motor Corporation. A Kanban, or signboard, is attached to specific parts in the production line, signifying the delivery of a given quantity. The concept of the Kanban system was inspired by the supermarket system, as noted by Shingo (1981).

Shingo (1981) and Imai (1986) further observed that Kanban coordinates the inflow of parts and components to the assembly line, minimizes process delays and enables rapid throughput. For example, an engine block brought into the plant in the morning can be assembled into a completed automobile by evening. However, the Kanban system cannot be effectively implemented in isolation; it must operate alongside other TQC components as part of an integrated production system.

According to Gross and McInnis (2003), the benefits of Kanban can become a driver for creating a culture of continuous process

Just-In-Time (JIT) & Kaizem



Right quantity, right time (Imai, 1986)

Reserve traditional flow (Ohno)



Ohno



Shingo



Ishikawa



Kanban

- ✓ Reduced Inventory
- ✓ Faster Delivery
- ✓ High Quality

“The integration of Artificial Intelligence (AI) into the Kaizen framework significantly enhances its core objective of continuous improvement. AI transforms traditional manual systems into smart, proactive processes that can detect inefficiencies, reduce waste, and drive sustainable productivity”

improvement. They also offered the Kanban implementation method, which enables management to assess the existing state of the business, its goals, and the best way to get there.

AI perspective:

The integration of AI allows JIT systems to leverage real-time data and advanced demand forecasting, enabling them to respond instantly to changing market conditions. In the context of Kanban, AI enhances efficiency by intelligently monitoring workflow signals and automatically regulating the number of work-in-progress (WIP) items. It adjusts task flow based on real-time capacity and demand patterns, an otherwise complex task to handle manually. As a result, organizations benefit from faster production cycles, reduced bottlenecks, and more efficient resource utilization, all of which reinforce Kaizen's core principle of creating lean, adaptable, and continuously improving processes.

III. The Kaizen's Main Function Category

Under this category, there are two key concepts: **Quality Control Circles** and the **Suggestion Sheet System**. The details of these concepts are discussed below.

i. The Concept of Quality Control Circles (QC Circles, QCC)

a. Small Groups for Quality Improvement:

QCCs are small, voluntary groups of frontline workers focused on continuously improving quality in products, services, and processes.

b. Ideal Group Size:

An effective QCC typically consists of around five members to allow better interaction and teamwork.

c. Same Workshop Participation:

Members usually belong to the same workshop or department, which enables them to address relevant, shared problems through regular communication.

d. Based on PDCA Cycle:

QCCs perform quality control tasks using the PDCA (Plan-Do-Check-Act) method, aiming at continuous process improvement rather than supervision.

e. Voluntary Participation (Jishusei):

Activities are self-initiated, internally motivated, and go beyond regular job responsibilities without formal compulsion.

f. Part of Company-Wide QC:

QCCs align with broader organizational quality goals and are supported by management to ensure strategic improvement.

g. Personal and Social Development:

Participation in QCCs helps members grow through skill development, teamwork, and increased engagement.

h. Data-Driven Methods:

QCCs rely on Statistical Quality Control (SQC) tools and logical analysis, avoiding decisions based on mere opinions or feelings.

i. Workshop-Focused Issues Only:

The topics tackled must relate directly to the circle's

work area and not to broader organizational or labour matters.

j. Continuous Activity:

QCCs are expected to operate continuously, regardless of staffing changes, supporting the Kaizen principle of ongoing improvement.

k. Universal Staff Participation:

All employees should be involved, promoting collective responsibility for quality across all organizational levels.

ii. The Concept of Suggestion System

According to Lillrank and Kano (1989), the suggestion system is the bottom-up channel through which improvement ideas and proposals are presented to management. Fundamentally, the suggestion system is unrelated to QCC activities. It is frequently used before circular activity, even in businesses without QCCs. The suggestion system can serve as a systematic tool within the QCC process to generate and refine workers' ideas by integrating closely with QCC activities. Imai (1986) proposed that the suggestion system is an integral part of individual-oriented Kaizen. Additionally, when QCCs are viewed collectively as a group-oriented system of improvement suggestions, their role and function become more clearly understood.

The suggestion system was historically introduced to Japan by TWI (Training Within Industries) and the U.S. Air Force following the conclusion of World War II. A Japanese-style suggestion system replaced the American-style approach.

The suggestion sheet is commonly used as the primary medium through which employees communicate their ideas to management within the suggestion system. When they discover difficulties with their working procedures, employees can document them on the

suggestion sheet form, develop possible remedies, and propose them to their supervisors. Direct supervisors typically review these suggestions, assessing their economic value and feasibility for implementation. Following their approval, supervisors will present the employees' ideas to management for implementation consideration. The ideas made by the employee will be carried out if the approvals are given.

To build the appropriate mindset and sustain momentum for suggestion activities, supervisors play a crucial role in sharing successful cases as best practices, encouraging wider employee participation. About half of small and medium-sized businesses and the majority of large manufacturing organisations use suggestion systems as part of their Kaizen programmes. According to Imai (1986: 112), common areas for suggestions in Japanese companies include improvements in work methods, working environments, machinery and processes, jigs and tools, office operations, product quality, and customer service.

AI perspective:

AI improves the way data is collected and analyzed by offering real-time insights, visualizing trends, and identifying root causes of problems. This helps Quality Control Circles (QCCs) make quicker and better decisions. It also allows teams from different departments or locations to work together more easily through AI-powered dashboards, removing the barriers of time and place. In the case of suggestion systems, AI can automatically gather, sort, and analyze employee ideas using natural language processing (NLP). It not only helps prioritize the most useful suggestions but also spots patterns and recommends practical actions. This makes the entire process faster, more efficient, and more impactful.

IV. The Kaizen's Extension Category

Under this category, there are five key concepts: **TPM, TQC, ZD, Six**

Sigma, and TQM. The details of these concepts are discussed below.

i. Concept of Total Productive Maintenance (TPM)

According to Imai (1986: xxv), Total Productive Maintenance aims at maximizing equipment effectiveness throughout its entire life cycle. TPM is now used at a sizable number of Japanese manufacturing organisations, and is strongly promoted by the Japan Institute of Plant Maintenance, although it is less well known outside Japan as compared to TQC.

While TPM is focused on equipment improvements, TQC's primary goal is to raise overall management quality. TQC is more focused on software, whereas TPM is more focused on hardware. Like TQC, training is a crucial component of TPM, with emphasis placed on fundamental knowledge such as machine operations and maintenance practices at the shop-floor level.

Just as organizations excelling in TQC are recognized through awards such as the Deming Prize and the Japan Quality Control Prize, the Japan Institute of Plant Maintenance honors successful TPM implementation through the PM (Plant Maintenance) Distinguished Plant Award and other recognitions.

AI Perspective:

AI improves TPM by using predictive maintenance systems powered by IoT sensors and machine learning. These tools can forecast equipment failures before they occur, reducing downtime and improving machine reliability, perfectly aligning with TPM's goal of maximizing equipment effectiveness.

ii. The Concept of Total Quality Control (TQC)

The concept of quality has evolved from a narrow production focus to a comprehensive management philosophy valued at all organizational levels. The most critical factor is customer

satisfaction, which directly influences company profits. The idea is simple: happy customers lead to business success.

A TQC (Total Quality Control) manager, it can be argued, is more concerned with customer complaints than with stock prices or return on assets. TQC covers not just product quality, but also manufacturing processes, delivery, customer support, planning, and internal practices. In this context, quality in Japan aligns with the Western idea of "excellence."

Despite much discussion, the Japanese quality movement has not reached a uniform definition of quality. Therefore, each company promotes TQC based on its unique conditions, competitive situation, and top management preferences. No single pattern fits all; TQC evolves through trial and error. It is guided by principles and tools, without which it would be a mere spiritual idea. Both management and shop-floor operations participate in TQC, with QCC (Quality Control Circles) and PDCA cycles being key elements.

Most firms using TQC also implement QCCs, which are often seen as a foundation for broader TQC efforts. According to Feigenbaum, quality control must be part of a system for development, maintenance, and improvement, and should be defined by the customer.

Feigenbaum stressed that if data from QC tools, like control charts and sampling, aren't used in decision-making, they do not guarantee quality. TQC is a decision-making framework combining data processing with managerial actions. He cautioned that if quality is everyone's responsibility, it could end up being no one's responsibility.

From a Western perspective, TQC has shifted quality from an operational to a strategic

“ In the case of suggestion systems, AI can automatically gather, sort, and analyze employee ideas using natural language processing (NLP). It not only helps prioritize the most useful suggestions but also spots patterns and recommends practical actions. ”

concern, gaining importance as top management becomes involved. If quality is seen only as an engineering issue, it will be ignored by top leaders. However, in competitive markets, defining product features has become essential. Related concepts like productivity, turnaround time, responsiveness, and operational effectiveness are now central to strategic thinking. Innovations like JIT (Just-in-Time) have redefined competition by boosting efficiency and quality.

iii. The Concept of Zero Defects (ZD)

According to Calvin (1983), Zero Defects (ZD) means producing products that perform flawlessly in the field, with zero operational failures, not necessarily zero flaws. Flaws may exist, but must not cause failures. Achieving zero faults requires “designing it right the first time” and ensuring specifications support performance, reliability, and manufacturability. Statistical methods like process capacity studies and design of experiments help, but traditional tools like control charts and sampling need re-evaluation for near-zero failure levels. Both Kaizen and Zero Defects aim to reduce defects, emphasizing continuous improvement and process excellence to minimize product failures.

AI Perspective:

AI enhances TQC and ZD by enabling real-time quality monitoring using computer vision and deep learning. Defects can be detected automatically during production, and root causes can be identified quickly, helping maintain high-quality standards and achieve zero-defect goals.

iv. The Concept of Six Sigma

Imai (1986) did not discuss the relationship between Kaizen and Six Sigma, as Six Sigma emerged

as a management concept at a later stage. According to Klefsjö et al. (2001), *sigma* is a statistical measure of process variation, commonly referred to as the standard deviation. The term *Six Sigma* generally implies the occurrence of defects at a rate of 3.4 defects per million opportunities (DPMO).

The sigma value indicates how often defects are likely to occur; however, according to Hahn et al (1999) and Linderman et

Total Quality Control (TQC)

Key Concepts

Quality has expanded from a narrow production focus to a key management concepts

The most critical factor is customer satisfaction

Happy customers lead to business success

TQC covers

- ✓ Product quality
- ✓ Manufacturing process
- ✓ Delivery
- ✓ Customer support
- ✓ Planning

Key Elements

- ✓ QCC
- ✓ PDCA cycles

Quality in Japan aligns with the Western idea of ‘excellence’ TQC evolves through trial and error

Key Elements

al (2003), Six Sigma has not been carefully defined in either the practitioner or academic literature. Six Sigma uses unique metrics, including Process Sigma measurements, critical-to-quality metrics, defect measures and 10× improvement measures (Hahn et al., 1999; Harry, 1998; Hoerl, 1998). Whatever method is chosen, however, it is essential that the technique is carefully followed, and a solution should not be offered until the problem is clearly defined. Common features of Six Sigma programmes include a top-down implementation approach, a highly disciplined methodology, and a data-driven framework that makes extensive use of statistical decision-making tools. These programmes typically follow the DMAIC cycle—Measure, Analyse, Improve, and Control—to achieve sustainable process improvement.

AI Perspective:

Six Sigma is supported by AI techniques like data mining and statistical learning algorithms, which enhance the Define-Measure-Analyse-Improve-Control (DMAIC) procedure. AI makes Six Sigma projects quicker and more accurate by accelerating data collection, identifying hidden patterns, and suggesting process improvements.

v. The Concept of Total Quality Management (TQM)

Even Total Quality Management was not mentioned by Imai (1986); however, when analysing the components and definition of this concept, we found the similarity between the concept of Kaizen and the idea of TQM. Therefore, this research provided some basic idea of the concept of Total Quality Management (TQM). Powell (1995, 16) further noted that the TQM must be capable of having a mentality of zero defects. Instead of having to check and redo the task, it needs to be able to detect defects as they happen. When comparing the TQM and Kaizen

“Statistical methods like process capacity studies and design of experiments help, but traditional tools like control charts and sampling need re-evaluation for near-zero failure levels. Both Kaizen and Zero Defects aim to reduce defects, emphasizing continuous improvement and process excellence to minimize product failures.”

philosophies, TQM's core idea might be considered as Kaizen. When businesses prioritise the fundamentals of Kaizen from the start, TQM implementation may produce more significant results.

AI perspective:

AI facilitates organization-wide quality improvement within the larger context of TQM by means of continuous feedback loops, real-time dashboards, and automated insights. It supports long-term quality excellence by enabling teams and management to make data-driven decisions and rapidly monitor performance metrics.

Conclusion

To sum up, the continuous improvement concept of Kaizen is still an essential tactic for attaining long-term cost effectiveness and operational excellence. The integration of AI into Kaizen Costing amplifies its impact by enabling real-time monitoring, predictive analytics, and process automation. Without making major expenditures, this synergy enables firms to realize considerable cost reductions, improved quality, and speedier advancements. As industries continue to evolve, leveraging both human-driven innovation and AI-driven intelligence will be key to maintaining competitiveness. In

the end, the combination of AI with Kaizen is a revolutionary strategy for contemporary cost control and sustained company performance.

Reference

- Tangen, S. (2002, December). *Understanding the concept of productivity. Proceedings of the 7th Asia-Pacific Industrial Engineering and Management Systems Conference, Taipei Tech, Taiwan* (pp. 18–20)
- Imai, M. (1986) *Kaizen: The Key to Japan's Competitive Success*. McGraw-Hill Education, New York.
- Shingo, S. (1981). *A Study of the Toyota Production System: From an Industrial Engineering Viewpoint*. Productivity Press.
- Ishikawa, K. (1985) *What Is Total Quality Control? The Japanese Way*. Translated by Lu, D.J., Prentice-Hall, Englewood Cliffs, New Jersey
- Monden, Y. (1983) *Toyota Production System*. Institute of Industrial Engineers Press, Norcross.
- Hahn, G., Hill, W., Hoerl, R., Zinkgraf, S., 1999. *The impact of Six Sigma improvement—a glimpse into the future of statistics*. *The American Statistician* 53 (3), 208–215
- Harry, M.J., 1998. *Six Sigma: a breakthrough strategy for profitability*. *Quality Progress* 31 (5), 60–64
- Hoerl, R.W., 1998. *Six Sigma and the future of the quality profession*. *Quality Progress* 31 (6), 35–42.
- Gross, J. M., & McInnis, K. R. (2003). *Kanban made it simple: Demystifying and applying Toyota's legendary manufacturing process*. New York: AMACOM
- McLeod, A. D. (1991). *Continuous Improvement: Quality Control Circles in Japanese Industry*. By Paul Lillrank and Noriaki Kano. *Michigan Papers in Japanese Studies* 19. Ann Arbor: The University of Michigan Center for Japanese Studies, 1989, xvi, 294 pp. \$13.95. *The Journal of Asian Studies*, 50(2), 416–418. doi:10.2307/2057250.
- Powell, T. C. (1995). *Total quality management as competitive advantage: A review and empirical study*. *Strategic Management Journal*, 16(1), 15–27.

Author may be reached at
kananibaijul@yahoo.com and
eboard@icai.in



WE CARE

FOR A CONNECTED, PROSPEROUS AND SHARED FUTURE

Reliance Industries Limited, India's largest private corporation, touches the lives of over a billion people every day.

With operations spanning New Energy, Refining & Marketing, Petrochemicals, Exploration & Production, Retail, Digital Services, and Media & Entertainment, Reliance is driving sustainable and inclusive growth at the forefront of India's economy.

Reliance is among "Time100 Most Influential Companies" for 2024, ranking 45th on the Forbes Global 2000[®] list, and 88th on Fortune's Global 500[®] list for 2025.

Along with Reliance Foundation – India's largest corporate philanthropic organization, which has touched the lives of over 87 million people – the one common unifying thread that runs through everything we have ever done at Reliance is the spirit of care and empathy.

Because Reliance was founded as, and will always be, a corporate that cares.



www.ril.com



Om Prakash Prasad
Finance Expert

Cloud-Based Accounting: Transforming Financial Management In The Digital Era

This paper explores the evolution, benefits, and challenges of cloud-based accounting systems in the digital economy. Cloud-based accounting offers flexibility to manage finances anytime, anywhere, enabling real-time collaboration, automation, cost savings, and regulatory compliance. Its popularity stems

from mobile access, scalability, and integration with other business tools. However, issues such as cybersecurity, vendor lock-in, and internet reliance persist. Case studies highlight its impact on operational efficiency across sectors. Emerging trends point to the growing influence of AI, blockchain, and stricter regulations, underscoring the strategic importance of cloud-based accounting in modern financial management.

Concept and Architecture of Cloud-Based Accounting

Financial software hosted on remote servers, as opposed to local desktop computers, is referred to as cloud-based accounting systems. These systems utilise cloud computing technologies to deliver accounting functions on a subscription-based basis, encompassing bookkeeping, financial reporting, invoice management, and payroll.

Three layers make up the core architecture:

- **Infrastructure-as-a-Service (IaaS):** Provides foundational IT resources, including storage and servers.
- **Platform-as-a-Service (PaaS):** Provides a platform for developers to build customised applications.
- **Software-as-a-Service (SaaS):** Delivers the actual accounting applications used by end-users.

The article highlights the role of cloud-based accounting in improving operational efficiency with an exhaustive list of case studies from across various industries. Future trends appear to revolve around AI

and blockchain playing a larger role, with tighter regulation, underlining the influential role they play in the current financial era.

Cloud vs Traditional Accounting Software: A Quick Comparison

The basic difference lies in collaboration and accessibility. Cloud-based accounting helps people to collaborate from any location with an internet connection. It allows for multiple users to work simultaneously without any paperwork. Conventional software, in contrast, is installed on a single system, which limits access to that specific location and device.

Need for Cloud-Based & Online Accounting Software

The adoption of cloud-based accounting systems varies by business type and size. Online accounting software provides a centralised, real-time solution for businesses operating from multiple locations, such as retail chains, large audit firms, and multinational corporations (MNCs).

Cloud-based accounting helps members to communicate easily from anywhere, unlike desktop accounting systems, which improves operational efficiency, especially in digital-first businesses. One industry expert expressed it well:

“Cloud is no longer a choice; it is the default.”

Outdated legacy technologies, frequently located in remote locations, can impede corporate agility and responsiveness in today’s fast-paced world. Modern company continuity requires remote access and issue resolution, which offline technologies inhibit. If their operating demands are simple and localised, a traditional configuration may work for relatively tiny enterprises or those with minimal digital infrastructure.

The rise of SaaS accounting models presents an attractive cloud-based alternative to traditional systems, such as Tally, now known as Tally Prime. Due to their affordability, automation capabilities, and compliance readiness, these online platforms are popular among medium-sized firms, microenterprises, and small businesses in India.

When Should a Business Adopt Cloud-Based Accounting?

Businesses seeking flexibility, real-time information, and cost-effective financial administration should use cloud-based accounting. Due to their low cost and simplicity, startups and modern organisations use cloud solutions early.

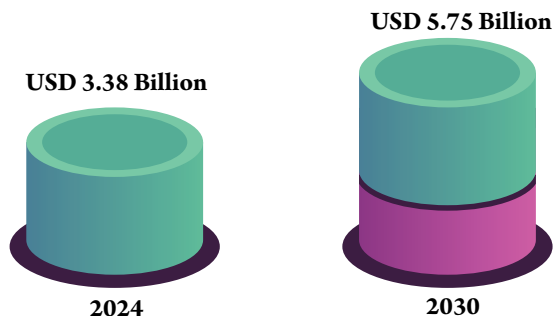
As small businesses grow, spreadsheets and manual bookkeeping become error-prone and inefficient. Cloud-based accounting systems automate, improve accuracy, and ensure tax and financial compliance to avoid such complications.

Cloud-based accounting is a good alternative for almost every firm, regardless of size or industry, due to its scalable options.

India's Accounting Software Market

India's Accounting Software Market was valued at USD 3.38 billion in 2024 and is expected to reach USD 5.75 billion by 2030, exhibiting a compound annual growth rate (CAGR) of 9.1% during the forecast period. This is fueled by increased digitisation, demand for real-time financial reporting, regulatory compliance, and operational efficiency. SMEs are increasingly adopting cloud-based accounting tools for their scalability and cost-effectiveness. Government initiatives, such as the integration

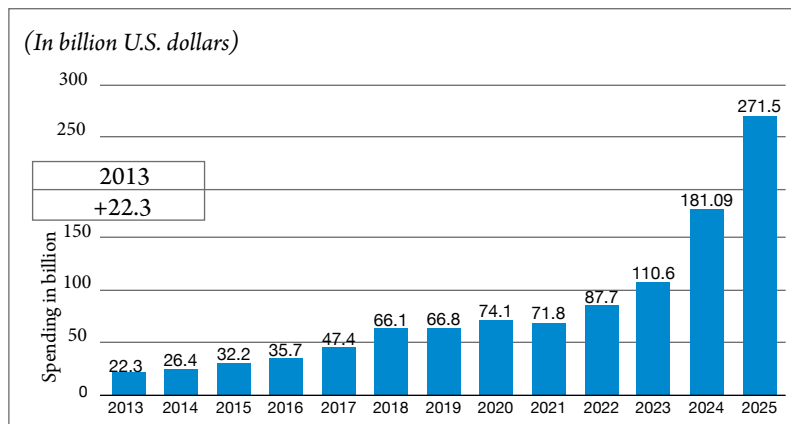
Indian Accounting Software Market Market forecast to grow at a CAGR of 9.1%



Source: <https://www.researchandmarkets.com/report/india-accounting-software-market?>

of GST and digital payments, also support market expansion. Key players are innovating with AI and machine learning to enhance automation and predictive insights, positioning the market for continued growth and technological advancement.

Annual spending on Cloud IT Infrastructure worldwide from 2013 to 2025



Source: Statista

Key Drivers of Cloud-Based Accounting Adoption

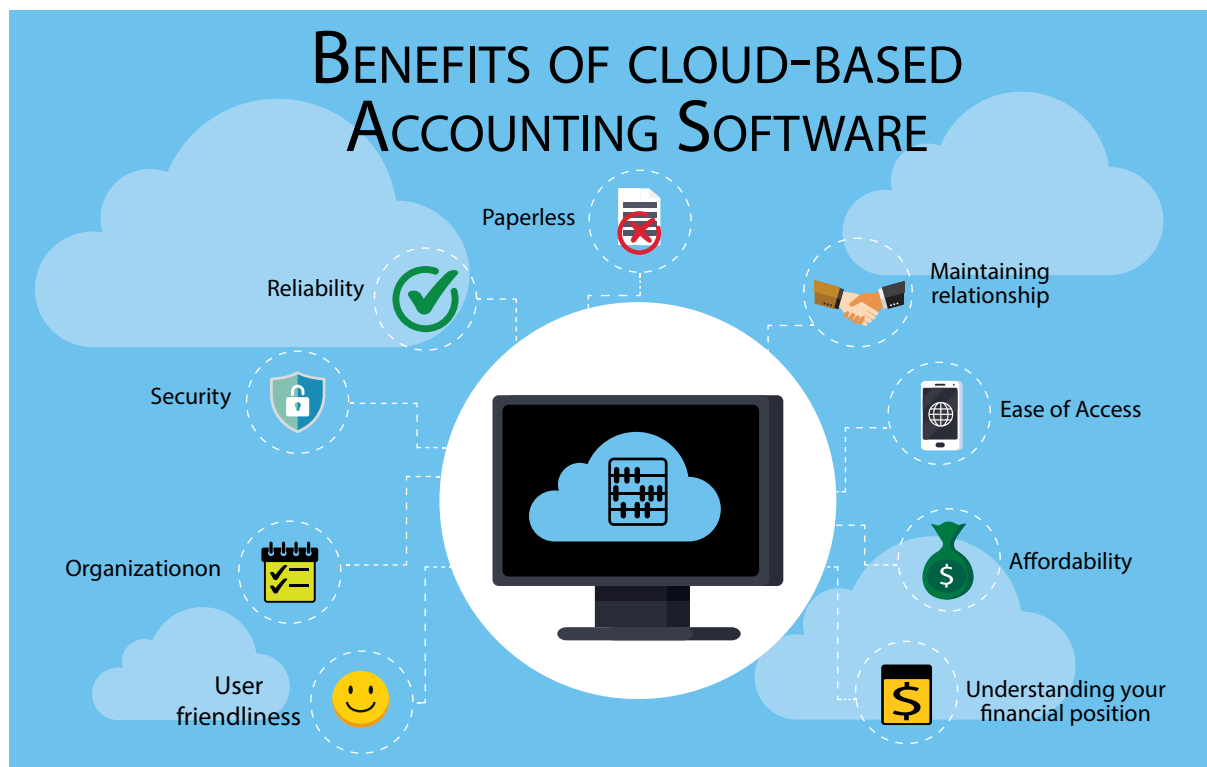
- Cost Efficiency**
 Cloud-based accounting reduces capital expenditure on IT infrastructure and decreases operational costs associated with system upgrades and maintenance. The pay-as-you-go pricing model is particularly attractive for startups and small businesses with limited budgets. There is no more requirement for dedicated IT support staff to manage on-premise servers.
- Accessibility and Mobility**
 The ability to access financial data from any device connected to the

internet enhances mobility for accountants and business owners. This feature became especially crucial during the COVID-19 pandemic, which accelerated the adoption of remote work models. Cloud-based systems facilitated remote auditing and virtual financial closing.

- Scalability and Flexibility**
 Cloud-based solutions enable businesses to scale their operations quickly without requiring significant changes to their IT infrastructure. This is very helpful for seasonal businesses or firms undergoing rapid expansion.
- Integration Capabilities**
 Cloud platforms often provide API connectivity with other business tools, such as ERP, CRM, and inventory management systems, enabling a seamless flow of information and facilitating better decision-making. Integration with banking APIs also allows automatic bank reconciliations and cash flow forecasting.
- Innovation and Automation**
 Cloud-based accounting tools aid in categorising transactions, identifying unusual activity, and

generating audit trails through the use of AI. This type of automation not only reduces human errors but also saves time, enabling businesses to focus more on strategic planning and informed decision-making.

Benefits to Business Performance and Efficiency



Source: <https://anadea.info/blog/benefits-of-cloud-based-accounting-software-for-your-business/>

Cloud-based accounting enhances the speed, accuracy, and transparency of financial data. Cloud computing in accounting enhances decision-making by providing real-time analytics and dashboards, which in turn lead to improved operational and strategic outcomes.

■ Real-Time Financial Reporting

Businesses can now monitor real-time cash flows, receivables, and payables, resulting in more effective working capital management. Cloud-based tools generate interactive dashboards, scenario models, and visual financial summaries that help in quick decision-making.

■ Enhanced Collaboration

Multiple stakeholders, such as accountants, tax advisors, and auditors, can simultaneously access

“Businesses seeking flexibility, real-time information, and cost-effective financial administration should use cloud-based accounting. Due to their low cost and simplicity, startups and modern organisations use cloud solutions early.”

financial records, and thereby reduce information asymmetry and facilitate collaboration. Cloud-based accounting fosters collaborative budgeting and planning processes, especially for multinational teams.

■ Environmental Sustainability

By minimising the use of paper and physical infrastructure, cloud-based accounting supports corporate sustainability initiatives. Digitised invoicing, e-signatures, and electronic archiving help firms reduce their carbon footprint.

■ Improved Auditability and Compliance

Audit trails, version histories, and permission logs in cloud systems enhance regulatory compliance. Auditors can review data remotely and conduct real-time verifications. Many platforms also issue alerts for overdue tax filings or suspicious transactions.

Sectoral Applications

■ SMEs and Startups

SMEs form the largest segment of cloud-based accounting users. The low entry cost and simple

user interface enable smaller firms to access sophisticated financial tools previously reserved for larger corporations. These tools help SMEs manage vendor payments, customer billing, and tax compliance efficiently.

■ Public Sector and NGOs

Government agencies and NGOs have started using cloud systems for budget tracking, grant management, and regulatory compliance. The transparency of these platforms helps donors to check fund utilisation and support audit purposes.

■ Educational Institutions and Research Organizations

Academic institutions use cloud-based accounting to manage grants, research funding, and payroll operations with transparency and efficiency. It also helps align educational budgets with national guidelines and reporting requirements.

■ Healthcare and Retail Sectors

In the healthcare industry, cloud-based accounting facilitates insurance reimbursements, inventory management, and patient billing. In retail, it enables dynamic pricing, supply chain visibility, and multi-channel transaction reconciliation.

Drawbacks of Cloud-Based Accounting

■ Cybersecurity and Data Privacy

Despite the numerous advantages, cloud-based accounting raises critical concerns about data security and privacy. Service Level Agreements (SLAs) must be clearly defined to protect against data breaches and ensure compliance with data protection regulations such as GDPR and India's DPDP Act.

■ Risk of Data Breaches

Financial information is a favourite target of hackers. Companies need to evaluate the security practices of

their service providers, including encryption policies, multi-factor authentication (MFA), and zero-trust environments.

■ Regulatory Compliance

Cloud providers are also subject to compliance and regulations across multiple jurisdictions. It is important to comply with ISO standards (such as ISO 27001) to establish trust in the system. Nations such as the US, EU members, and India have enacted strict rules for data localisation and audit.

■ Disaster Recovery and Redundancy of Data

The majority of cloud platforms include automated backup and disaster recovery features, which keep your data safe from hardware failure and ransomware. Data availability is also guaranteed, even in worst-case scenarios, due to the geo-redundant storage.

■ Internal Controls and Access Rights

User access permissions must be strictly followed. There should be a proper system for role-based access, audit trails and user authentication.

Challenges in Implementation

■ Internet Dependency

A stable internet connection is a prerequisite. This can be a limiting factor in rural or underdeveloped regions. Network outages or latency issues can temporarily halt accounting operations.

■ Resistance to Change

Old firms and traditional accountants often resist cloud-based systems due to a lack of digital literacy and concerns about job loss. Effective training and change management programs are needed.

■ Vendor Lock-In

Firms should use platforms having data portability and open API

“Businesses can now monitor real-time cash flows, receivables, and payables, resulting in more effective working capital management. Cloud-based tools generate interactive dashboards, scenario models, and visual financial summaries that help in quick decision-making.”

facilities, as it is challenging to switch between cloud vendors due to different data formats.

■ Hidden Costs

Initial installation costs for cloud-based accounting are relatively low. However, with the growth of business, renewal fees and the addition of the latest features can be costly. Businesses should do a total cost of ownership (TCO) analysis before adopting a cloud-based system.

Comparative Case Studies

■ Case Study 1: Cloud-based accounting in South African SMEs

The examination of key drivers of cloud-based accounting in South Africa found that perceived ease of use, technological readiness, and top management support significantly influenced adoption decisions. SMEs that use cloud-based accounting report better tax compliance and operational efficiency.

■ Case Study 2: Adoption in Manufacturing Firms

It was found that cloud server deployment resulted in significant cost savings and operational efficiency in Chinese manufacturing firms that integrated their accounting and production planning systems. AI-based

scheduling further optimised inventory levels and payroll management.

■ Case Study 3: Cloud-based accounting in the Middle East

It was found that cloud computing improved sustainability accounting practices in Jordanian companies by enhancing transparency and stakeholder engagement. It also enabled digital audits and ESG reporting for investors.

■ Case Study 4: Non-profit Sector in the United States

U.S.-based non-profits leveraged cloud-based accounting for managing large donor networks, grant compliance, and program funding. Tools like Sage Intacct and QuickBooks enabled real-time fund tracking and audit preparation.

Way Forward

■ AI and Machine Learning Integration

Cloud-based accounting platforms are integrated with the latest AI features, which help in early fraud detection, invoice categorisation, and predictive analytics. Chatbots are used to answer accounting queries.

■ Blockchain for Enhanced Transparency

Blockchain-based accounting systems help eliminate double entries and provide non-alterable audit trails.

■ Customised Solutions for Niche Industries

Businesses are now obtaining industry-specific solutions tailored to sectors such as construction, e-commerce, and healthcare from the market.

■ Increased Regulation and Standards

International accounting bodies are releasing new standards for cloud-based accounting, which will help harmonise global practices.

“The low entry cost and simple user interface enable smaller firms to access sophisticated financial tools previously reserved for larger corporations. These tools help SMEs manage vendor payments, customer billing, and tax compliance efficiently.”

New guidelines on cloud-based audits, the ethical use of Artificial Intelligence, and transparent ESG (Environmental, Social, and Governance) reporting are needed in the current context.

Conclusion

Cloud-based accounting is more than just a technological upgrade; it represents a strategic shift in how financial data is accessed, interpreted, and acted upon. It enables organisations to be more agile, data-driven, and collaborative. It is not easy to adopt cloud-based accounting, but from a cost-efficiency, real-time view, and operational scalability perspective, companies must start using cloud accounting. The power of these new advances in AI, blockchain and cybersecurity will add another layer of trust, reliability and functionality to cloud-based accounting systems in the future. As the digital transformation continues to evolve, redefining business ecosystems, the use of cloud-based accounting has become a necessity for firms to remain competitive and compliant in the ever-changing financial landscape.

References

- Bala, H., Zomaya, A. R., Omar, R., Al-Absy, M. S. M., Ya'u, A., Sani, A. U. A., & Khatoon, G. (2024). Effect of Cloud Accounting Computing on Firm Performance. In *Harnessing AI, Machine Learning, and IoT for Intelligent Business: Volume 2* (pp. 593-

609). Cham: Springer Nature Switzerland.

- Dlamini, B. (2025). Key Drivers of Cloud Accounting Utilization by Small and Medium Enterprises in Zimbabwe. *International Journal of Economics and Financial Issues*, 15(2), 183.
- Esawi, K. A. M., Shehab, L. S., & Benzerrouk, Z. S. (2025). The Impact of Cloud Computing on Achieving the Quality of Financial Reports. A Case Study of Egypt Bank. *WSEAS Transactions on Business and Economics*, 22, 48-57.
- Golec, M., Zhu, L., Hatay, E. S., Wang, H., & Gill, S. S. (2025). Music Emotion Recognition-Based Business-Oriented Visualization Framework Using AI-driven Serverless Cloud Computing. *International Journal of Business Analytics (IJBAN)*, 12(1), 1-26.
- Liu, R. P., Mellou, K., Gong, E. X. Y., Li, B., Coffee, T., Pathuri, J., ... & Menache, I. (2025). Efficient Cloud Server Deployment Under Demand Uncertainty. *Manufacturing & Service Operations Management*.
- Moustakas, T., & Kolomvatsos, K. (2024). Drift-based task management in support of pervasive edge applications. *Internet of Things*, 27, 101277.
- Zamani, A. S., Jagadish, R. M., Kumar, B., Ghori, A. S., & Bhyratae, S. A. (2025). Perspectives of Machine Learning in the Convergence of Artificial Intelligence and Edge Computing. In *Advances in AI for Cloud, Edge, and Mobile Computing Applications* (pp. 189-211). Apple Academic Press.
- <https://cloudcomputing.media/adoption/the-evolution-of-cloud-computing-a-comprehensive-overview/>, John Connor, October 9, 2023
- <https://dclouds.in/cloud-based-accounting-software-india/>, Biplob Dev
- <https://www.netsuite.com/portal/resource/articles/accounting/cloud-accounting.shtml>, Ian McCue |, September 3, 2025.
- <https://silvermicrosystems.com/New-Digital-Ideas-Strategies-To-Accelerat-The-Business-Growth.html>

Author may be reached at
muna.moonstar1987@gmail.com
and eboard@icai.in

Who We Are

Steadfast Business Consulting (SBC) is a dominant force in the world of finance & tax consulting, with a global footprint, operating with 250+ professionals across India, Middle East and the USA.

We work with businesses to address complex tax, advisory, regulatory and cross-border challenges, delivering clarity, structure and enterprise-grade execution.

Our Core Services & Technology Enabled Offerings

 <p>Global Transfer Pricing & Cross-Border Tax</p>	 <p>Taxation & Regulatory Advisory</p>	 <p>GCC Setup & Hand Holding (Global Capability Centre)</p>	 <p>Litigation & Dispute Resolution Support</p>
 <p>Transactions Advisory including M & A, Business Combinations</p>	 <p>Valuations & Corporate Finance</p>	 <p>Outsourcing & Virtual CFO Services</p>	 <p>Secretarial, Legal & Financial Reporting</p>

TAX MATE

- AI-driven tax software. Smart compliance. Audit-ready.



TP DOC GEN AI

- End-to-end AI TP documentation



LITIGATION COMMAND CENTRE

- Built for modern tax complexity.



FIXTAG

- 360° Fixed Asset Management

Powered by our Group Entities

WeAudit

DeskAudit

gstzen
Peaceful GST Compliance

Papilio

An ITR World – Recognised Firm

ITR WORLD TAX

- Recommended Firm 2026
- Recognised Corporate Tax Firm 2026
- Notable Transfer Pricing Firm 2026
- Notable Practitioner- Transfer Pricing 2026
- Tier 2 Firm 2026
- Notable Transfer Pricing Firm 2024

Our Global Locations



Connect With Us

+91 90140 79600 | +971 58 606 0939 | info@sbcllp.in | www.sbcllp.in



An Independent Member of





CA. Rajesh Chaplot
Member of the Institute

Navigating the Complexities of Work-Life Balance

Work-life balancing is approached differently among sportspeople, students, decision makers, politicians, researchers, artists, businesspeople, workers, office staff, etc. Different phases of life have different impacts on work-life balance. For certain persons, worktime is protected by law to avoid exploitation.

Work is composed of career-related work and home-related work. Life is composed of time for recharging the body, time for family and society and time for passion.

Saving time is an important component of work-life balance. Save time by reducing unproductive time, idle time and improving efficiency, from work as well as from home, and devote that saved time to quality family time or quality office work.

With every work-life choice one makes, there are consequences accordingly. One wrong choice or decision can ruin your career opportunity or your life at home.

Introduction

The concept of “work-life balance” is fast becoming a cornerstone of modern discourse, a siren song promising harmony amidst the cacophony of professional and personal demands. However, the reality is often far more complex, a delicate dance between the pressure of the work, the need for a livelihood, ambition and well-being. Achieving a truly sustainable balance requires a nuanced understanding of its components and a commitment to enact meaningful change.

It was during the Industrial Revolution that the concept of separation between work and home became more defined. However, the challenges we face today are vastly different from those of the previous generations.

Firstly, it is crucial to dispel the misconception that work-life balance is a perfectly symmetrical division of time; neither a rigid 50/50 split is right, nor any other fixed formula like 8 hrs work is right. It also can't be governed solely by law, but yes, law can help in some cases.

Work-life balance is not a static state but a dynamic equilibrium. Work-life balance is not a destination but a journey. It is a continuous process of evolution, adaptation and adjustment. It is the ability to effectively manage, balance and prioritize responsibilities across various domains of life, including career, family, personal interests, sleep, entertainment, society time, time for daily errands, time for health, time for children, and time for knowledge update, among others. It is about feeling content and fulfilled in each area without sacrificing one for another. Importantly, it is a subjective experience; what constitutes balance for one person may be entirely different for another.

The topic of work-life balance has generated significant discussion both in India and abroad over the past decade, with varying perspectives emerging from business leaders, policymakers, and social commentators. When some industry leaders made some statements with regard to longer working hours, or working on Sundays to increase productivity, this created some controversy among some sections of

people. The statement released was not well understood, as given in what context, why made, and for whom.

Life is important in terms of mental, physical, social and emotional well-being. At the same time, life without a good career is a life without a purpose. Without a career, affording luxury for oneself and one's family can remain a pipe dream. Clearly, according to little time for work, must not be paraded as work-life balance – it is, instead, a recipe for ruining one's career.

The statement made by Jack Welch, former CEO of General Electric, is very interesting and most relevant to this era of life.

*“There's no such thing as work-life balance. There are work-life **choices**, and you make them, and they have **consequences**.”*

I have tried to analyse this statement in depth in this article.

Defining the Components of “Work-Life Balance”

Human beings have a limited time out of the unlimited time available in the universe. And since the time is limited for human beings, the question or discussions

WORK-LIFE BALANCE ● THE CHARTERED ACCOUNTANT

of work-life balance come into the picture, as we all have to make our lives purposeful. This phrase “work-life balance” is much more complex than it looks.

It has two components, i.e.,

1. Work

a. Career-related work

Activities undertaken for achieving the purpose or goals of life. Career-related work can be done from both the workplace and home.

b. Home-related work

Work related to household management and daily errands, such as grocery shopping, laundry, home cleaning, dropping off and picking up children from school, and providing medical care to one's spouse and children, etc.

2. Life

a. Activities undertaken to remove fatigue, or to recharge the body and mind.

Recharging the body and mind through sleep, entertainment, exercise, and health is primarily possible only at home, but has its own presence at the workplace, in the form of small breaks, etc.

b. To devote time to your family, friends and community.

c. Time for knowledge update or personnel interest.

Now, since time is limited for the human being, and life needs to have a purpose, all aspects of work life need to be managed in the best optimal manner, as all are correlated and have an impact on each other.

Challenges to Work-Life Balance:

Several factors contribute to the difficulty of achieving work-life balance in today's world:

■ **Technological Intrusion:** The constant connectivity because of smart phones etc., has blurred the lines between work and personal time.

■ **The “Always-On” Culture:** Many workplaces foster a culture that values constant availability and responsiveness. This can lead to burnout and stress. The rising cost of living and job insecurity can force individuals to work longer hours or take on multiple jobs, leaving little time for personal pursuits.

■ **Societal Expectations:** Societal norms often place unrealistic expectations on individuals to excel in both their careers and personal lives.

■ **The Rise of Remote Work:** Although remote work can offer flexibility but fails in establishing boundaries between work and home.

■ **Personal Ambitions:** Driven individuals may struggle to prioritize personal life over career goals.

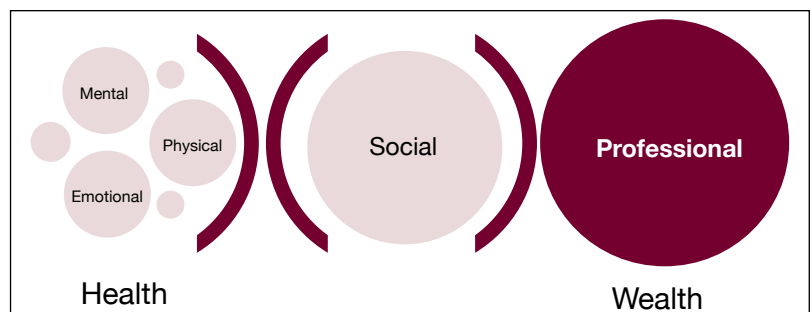
■ **Changing Family Structures:** Dual income households, single parenthood or caring for elderly relatives are responsibilities, making it difficult to manage work and family life effectively.

■ **Globalization:** The globalized economy has intensified competition in the workplace, leading to longer working hours and increased pressure to perform.

■ **Infrastructural Challenges:** Especially for India and in many other countries, the road, rail, or metro network is not streamlined for fast commuting. The precious working hours are lost in traffic jams, and this severely hampers work-life balance.

Employer's Role in Work-Life Balance

Employers play a critical role in fostering a culture that supports work-life balance. This can be achieved through the following measures:



Why the Need for Work-Life Balance?

Work-life balancing means balancing the following aspects of life:

* **Mental, physical and emotional well-being:** This involves prioritizing sleep, nutrition, and exercise. Neglecting these fundamental needs can lead to burnout, decreased productivity, and compromised overall health. It can impact physical, mental and emotional health.

* **Social Well-being:** This encompasses nurturing relationships with family and friends, participating in community activities, and maintaining a sense of belonging. Time dedicated to family and friends strengthens bonds and provides essential social support.

* **Professional Well-being:** This involves finding meaning and purpose in work, setting realistic goals, and maintaining healthy boundaries between work and personal life.



- **Promoting a Culture of Flexibility:** Offering flexible work arrangements, such as remote work, flexible hours, and compressed workweeks.
- **Encouraging Time-off:** Promoting the importance of taking vacations and time-off to recharge.
- **Providing Employee Wellness Programs:** Offering programs that support employee physical and mental well-being, such as stress management workshops and fitness classes.
- **Leading by Example:** Leaders should model healthy work-life balance practices and encourage their employees to do the same.
- **Reducing Workload:** Where possible, workloads should be reduced to prevent burnout.
- **Providing Adequate Time for Breaks:** Breaks during the day are very important for mental and physical well-being.
- **Changing the Method of Wages:** Focus on outcome-based work instead of time-based work. Instead of traditional in-time/out-time calculations, performance and deliverables become the primary basis for remuneration.
- **Good HR policies:** Clear policies are required for workers and general office staff, including defined limits on overtime hours and assured minimum wages for overtime work.

However, a negative practice observed in some Indian workplaces is the expectation that subordinates should not leave the office before their seniors. Often, employees remain at work without productive tasks

merely to comply with this unwritten convention, even when supervisors may be engaged in personal activities. Such unproductive time-wastage in the name of hierarchy or tradition should not be encouraged.

Work-Life Balancing during Different Phases of Life

Life is fluid, and our needs fluctuate. Some weeks, work may demand more attention, while personal commitments may dominate on other days. Similarly, the phase of life also determines where the weightage of the work-life balance will lie — it will differ for students or for someone just building their career. Similarly, one with toddlers to manage will have a different equation from one at retirement age. Irrespective of any phase of life, a minimum time is needed towards life well-being, otherwise a person can get burned out and ruin the other remaining phases of life.

Defining the Importance or the Role of Time in Work-Life Balancing

Both work and life are affected by:

a. Quality or Efficiency of Doing Things

There is a continuous need to improve the efficiency and quality of the time spent either at work or in life.

b. Unproductive Work

Time consumed in activities with no contribution towards one's purpose of life, like too long commuting time between home and workplace, wasteful/excessive scrolling of social media or watching excessive TV etc need to be reduced as it is unproductive work.

c. Idle Time

Time consumed in doing nothing, like too long sleep, etc, may be termed as idle time, and it needs to be converted into usable time.

Improving efficiency, identifying and reducing unproductive time, and idle time is a continuous process, and one will always find areas of improvement.

This extra time generated by improving efficiency, or by reducing unproductive time or by reducing idle time can be used for either work or for life.

Explaining Work-Life Balancing among various Categories of Persons

Category 1:

For Students / Sports Persons / Self-Employed Businessmen or Professionals / Scientists or Researchers / Investors / Experts like Individual Contributors / Artists / Authors, etc.

For such individuals, there is no question of an employer as they are self-employed, or career-oriented students and sportspeople. Their work is not monotonous. This category of personnel is not governed strictly by rules and law. These individuals are passionate about developing extraordinary skills and hence are self-motivated.

At some point in their life, such individuals, because of the nature of their work, have to get more inclined towards work to produce outstanding results. But while achieving their goal, they are also supposed to give enough time to their health and well-being.

Category 2:

For Decision Makers / CEOs / Government Bureaucrats / Politicians, etc.

For such individuals, there is always an employer or the voter who has elected them for a specific period. Such individuals are career-oriented, passionate and self-motivated about what they do. They are not governed strictly by the rules of the employer but rather more by deliverables and targets of performance. Their work is not monotonous; it is rather creative. They have liberty or flexibility in their working schedule. Their working hours cannot be protected by law.

This class of employees are normally working at senior positions, and their decisions or work impact a large section of society. They are supposed to think about business or ways of

improving service to their beneficiaries 24 hrs and are supposed to be available physically or on call at any point of time, to the service of their beneficiary. And because of the nature of their work, their work-life balance should be more inclined towards work at the cost of other activities, but not at the cost of their health and well-being.

Category 3:

For Workers

For such individuals, there is always an employer. They are governed strictly by the rules of the organisation in terms of time, output and quality standards. On many occasions, these individuals do work for their living only, and the element of passion is minimal. Employers need to keep their workers motivated by providing job security and career opportunities, as their work is very monotonous.

The role of the employer is highly significant here. It is critical to balance all three, i.e., (a) employees' wellness, (b) wages and (c) efficiency, to achieve the win-win position for both employer and employee. While the employer should not exploit this category of workers or staff, the employee should also see that they give the maximum output for the time spent at the organisation. And because of the nature of their work, the work-life balance for them must be protected by law. Also, it is equally important for this class of employees that the time they get after work is well spent. Otherwise, the meaning of work-life balance would be wasted even if the law protects it.

Category 4:

General Office or Sales Staff / Supervisors / Jr Managers / Jr Government Employees, etc.

For such individuals, there is always an employer. Normally, their working time is not regulated by law. A good number of these individuals are working only for a living. Like workers in category 3, their work is mostly monotonous, and so by giving job security, providing career opportunities can make staff motivated, which in turn can result in better output.

It is this class of personnel who often talk or make noise about work-life balance. Sometimes they feel they are not paid enough, or sometimes they themselves are not career-oriented or sometimes their employer is exploiting them as they are more vulnerable.

Category 5:

For Spouse

How spouses can help each other in work-life balance:

So, while we talk of work-life balancing, we also need to talk of sharing responsibility among spouses.

a. When both husband and wife are working

If the spouse is also working, then dividing the work at home between both, according to one's expertise, would be a smart approach. Cooking, household chores, parenting responsibilities and caregiving often fall on women's shoulders in many societies. Women who try to juggle both home and office without spouse support either over-stress themselves or fail to achieve their best at either one or both fronts. The task of striking a balance between home and office is, therefore, a more enormous challenge for the women workforce who have less support at home from their spouses.

"I have so much admiration for women who are mothers, who balance family and work." - Beyonce

b. When the husband is only working, or the wife is only working

In case one is working, and the other is staying at home, he or she who is not working should take more responsibility for work at home, as much as possible. This will generate more quality free time for each other, and chores will not feel like a burden to either partner.

Summarising Work-Life Balancing

We all talk about saving the environment, emphasizing on energy, water, and soil, but hardly anyone talks about saving time. I would say, instead of talking too much about work-life balance, we should learn to save time by reducing

unproductive time, minimising idle time, and improving efficiency—both at work and at home—and devote that saved time to quality family time or meaningful office work.

Work-life balance is an art. Demanding fewer working hours, i.e., working 48 hrs a week, does not guarantee a better work-life balancing as one may waste it as idle time or unproductive time. Even working 70 hrs a week, you can balance your home life and achieve excellence in office work. One needs to master this art. We need to make our lives better by effectively utilizing the time we have at home, with family and to recharge ourselves. It's not just about the quantity of time you spend with your loved ones or staying at home. It is the quality time spent that will matter to achieve the best result of work-life balancing.

Let us not look at work and life as if they are opposed to each other. Let us not over-negotiate work time and ruin one's career. Let us not stress out and burn out, while compromising health and family. Both aspects are equally important, and we need to integrate them to give a feeling of satisfaction with the time spent in each area of life. It is important to note that the debate surrounding work-life balance is complex and evolving, with varying perspectives on the optimal approach. Work-life balance is not a luxury but a necessity for thriving in today's fast-paced world.

"When you have balance in your life, work becomes an entirely different experience." - Cara Delevingne.

One may choose work with limited working hours, or one may work hard to gain expertise or financial stability; however, balancing these choices with mental, social, and physical well-being, based on one's personal dynamics, is equally important. With every work-life choice one makes, there are consequences. A single wrong choice or decision can adversely impact one's career opportunities or life at home.

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

Core Financial
Management

Billing & Revenue
Management

Banking &
Payments

Supply Chain
Management



One Platform Complete Business Control

Advanced
Platform
Capabilities

HR & Payroll

Budget &
Forecasting

Spend
Management



zoho.com/erp





Q Can a Chartered Accountant in practice allow any person to practice in his name as a Chartered Accountant?

No, Clause (1) of Part-I of the First Schedule to the Chartered Accountants Act, 1949 prohibits a Chartered Accountant in practice to allow any person to practice in his name as a Chartered Accountant unless such person is also a Chartered Accountant in practice and is in partnership with or employed by him.

Q Can a Chartered Accountant in practice pay to any person any share, commission or brokerage in the fees or profits of his professional business?

No, Clause (2) of Part-I of the First Schedule to the Chartered Accountants Act, 1949 prohibits a Chartered Accountant in practice from paying or allowing any share, commission or brokerage in the fees or profits of his professional business, to any person other than a member of the Institute or a partner or a retired partner or the legal representative of the deceased partner or a member of any other professional body or with such other persons having such qualifications as may be prescribed, for the purpose of rendering such professional services from time to time in or outside India.

Q Can a practicing Chartered Accountant secure any professional business through the services of a person who is not his employee or partner?

No, Clause (5) of Part-I of First Schedule to the Chartered Accountants Act, 1949 prohibits a practicing Chartered Accountant from securing any professional business, either through the services of a person who is not an employee of such Chartered Accountant, or who is not his partner.

Q Whether a member in practice may pay or receive a referral fees or commission?

As per Paragraph 2.14.1.3(ii) under Clause (3) of Part-I of First schedule to the Chartered Accountants Act, 1949 appearing in Volume-II of Code of Ethics, it is not prohibited for a member in practice to charge referral fees, being the fees obtained by a member in practice from another member in practice in relation to referring a client to him. The above should be read with the applicable provisions mentioned in Paragraph 330.5 A1 and A2 of Volume-I of Code of Ethics, which provide that a self-interest threat to compliance with the principles of objectivity and professional competence and due care is created if a professional accountant pays or receives a referral fee relating to a client. Examples of actions that might be safeguards to address such a self-interest threat include disclosing to clients any referral fees paid to, or received from, another professional accountant for recommending services might address a self-interest threat.

Q Can a Chartered Accountant in practice share his fees with the Government in respect of Government Audit?

The Institute came across certain Circulars/Orders issued by the Registrar of various State Co-operative Societies wherein it has been mentioned that certain amount of audit fee is payable to the concerned State Govt. and the auditor has to deposit a percentage of his audit fee in the State Treasury by a prescribed challan within a prescribed time of the receipt of Audit fee. In view of the above, the Council considered the issue and while noting that the Government is asking auditors to deposit such percentage of their audit fee for recovering the administrative and other expenses incurred in the process, the Council decided that as such there is no bar in the Code of Ethics to accept such assignment wherein a percentage of professional fees is deducted by the Government to meet the administrative and other expenditure.

Q What is the procedure to be followed for transfer of goodwill of Firm of Chartered Accountants?

The following procedure is to be followed for transfer of goodwill of Firm of Chartered Accountants: -

1. An application in writing should be forwarded by a member, holding Certificate of Practice, intimating his intention to purchase goodwill.
2. The application should be made within 1 year from the date of death of the member.
3. The application should be sent along with the following details: -
 - a. "Death Certificate" of the deceased member; and
 - b. (i) A draft sale deed for sale/transfer of goodwill entered into between the legal heir/s of the deceased and the member intending to purchase goodwill.
(ii) The sale of goodwill deed must be very clear as to the amount of consideration and payment thereof in one or more instalment(s) to be paid within a specified period. The consideration should not be contingent upon future profits.
4. Documents, such as, Succession Certificate or Will, Legal Heir Certificate or an Affidavit sworn by all legal heir/s stating that there is/ are no other legal heir to the deceased member.
5. Legal heir, in this context, means spouse, child/children and parents.
6. If the agreement is entered into by one of the legal heirs, 'No Objection' from the other legal heirs, except those minor, are also required to be submitted. In case of minor, 'No Objection' is to be obtained from the guardian.
7. The member intending to purchase the goodwill should give an advertisement about his intention to purchase such goodwill, and the advertisement should spell out that anyone having objection thereto should send the objection directly to the respective Regional Office/Decentralised Office (address of which shall be indicated in the advertisement). A copy of the advertisement so published should be sent by the intending purchaser to the concerned Regional Office/Decentralised Office.
8. Within 30 days of the receipt of the approval, for transfer of goodwill, Form '18' is required to be filed by the member purchasing the goodwill.

Q Can a practicing Chartered Accountant solicit clients or professional work by advertisement?

No, Clause (6) of Part-I of the First Schedule to the Chartered Accountants Act, 1949 prohibits a practicing Chartered Accountant from soliciting clients or professional work either directly or indirectly by circular, advertisement, personal communication or interview or by any other means.

However, there are following exceptions to it: -

- (i) A member can respond to tenders or enquiries issued by various users of professional services or organizations from time to time and securing professional work as a consequence. In this regard, attention is invited to Council Guidelines dated 7th April 2016.
- (ii) A member may advertise changes in partnerships or dissolution of a firm, or of any change in the address of practice and telephone numbers, the advertisement being limited to a bare statement of facts and consideration given to the appropriateness of the area of distribution of newspaper or magazine and number of insertions.
- (iii) A member is permitted to issue a classified advertisement in the Journal/Newspaper of the Institute intended to give information for sharing professional work on assignment basis or for seeking professional work on partnership basis or salaried employment in the field of accounting profession provided it only contains the accountant's name, address, telephone, fax number, e-mail address and address(es) of Social Networking Sites of members. However, mere factual position of experience and area of specialization, relevant to seek response to the advertisement, are permissible.

Q Whether a practicing Chartered Accountant can be a partner or designated partner in a Limited Liability Partnership, which is not doing professional work, but is in the commercial activities?

No, a practicing Chartered Accountant cannot be a partner or designated partner in a Limited Liability Partnership, which is not doing professional work, but is in the commercial activities. Please refer Paragraph 2.14.1.4(ii) under Clause (4) of Part-I of First Schedule to the Chartered Accountants Act, 1949, appearing in Volume-II of Code of Ethics.



Accounting for commission paid for performance bank guarantees, under Ind AS framework.

A. Facts of the Case

1. A company (hereinafter referred to as 'the Company') was incorporated as a joint venture company (JV) of two public sector undertaking (PSU) Companies, viz, H Ltd. and O Ltd. (hereinafter referred to as 'investors' or 'promoters') to lay, build & operate City Gas Distribution (CGD) networks in Ambala-Kurukshetra Geographical Area (GA), Haryana and Kolhapur GA, Maharashtra after obtaining authorisation from Petroleum and Natural Gas Regulatory Board (PNGRB), the regulatory body for City Gas distribution (CGD) entities in India.

2. The querist has stated that PNGRB authorisation mentioned hereinabove inter-alia required the Company to furnish upfront Performance Bank Guarantee (PBG) of Rs. 1948 crore for timely completion of the following Minimum Work Programme (MWP) committed by the Company in bidding:

Particulars	Targets	Extended Target Date
Ambala-Kurukshetra GA (Cumulative)		
Total inch-Km of Pipeline to be Laid	1142 Inch KM	31st March 2025
Infrastructure for PNG Domestic Connections	20624 Connections	
Kolhapur GA (Cumulative)		
Total inch-Km of Pipeline to be Laid	1800 Inch KM	31st May 2025
Infrastructure for PNG Domestic Connections	38760 Connections	
Other Condition (for both GA):		
Bid Bond/ Performance Bank Guarantee	Rs. 1,948 Crores	

The promoters/investors having 50:50 share in the Company furnished PBG worth Rs. 974 crore each to PNGRB. The PNGRB's authorisation further gives the bid-winning CGD entity exclusive rights over the infrastructure created/developed within the designated geographical areas for a period of 300 months and marketing exclusivity for a period of 60 months. Under the authorisation, the Company is required to implement the project and meet the Minimum Work Programme (MWP) targets set by PNGRB for both the GAs during the project period. These MWP targets outline the minimum number of domestic households to be connected and the pipeline infrastructure to be laid in order to achieve these connections within the first 5 year period from the date of authorisation (referred to as the MWP period in normal terms). The MWP period was later extended by 2 years due to the COVID-19 outbreak and flooding in Kolhapur (i.e., for execution of MWP targets till 31st March 2025 for Ambala-Kurukshetra GA and 31st May 2025 for Kolhapur GA).

3. Financing arrangement of the Company:

As per the Detailed Feasibility Report (DFR), the total project cost is Rs. 641.00 crores to complete the entire work programme including MWP targets enumerated in the table above. The Company's financing arrangement, basis the financial closure achieved as per PNGRB authorisation, provides for a debt-equity ratio of 70:30, comprising equity infusion of Rs. 192.00 crores by the promoters and Rs. 449.00 crores as term loan from the lending bank.

4. In the 8th round of bidding held in 2018 for the Ambala-Kurukshetra GA and Kolhapur GA, all successful bidders were required to submit an additional bid bond (hereinafter referred to as PBG/ bid bond/ bank guarantee). The bidder offering the highest additional bid bond would be declared the successful bidder.

As stipulated by the PNGRB (Regulations for Authorising Entities to Lay, Build, Operate, or Expand City or Local Natural Gas Distribution Networks) Regulations, 2008 (hereinafter referred to as 'PNGRB Regulations'), the Company is obligated to submit an additional bank guarantee to the PNGRB within a specified timeline from

the receipt of the authorisation letter. The authorisation is liable to be cancelled in case the PBG is not furnished within the stipulated timeline.

5. In accordance with PNGRB Regulations and the bidding documents, the promoters were allowed to provide the required PBG on behalf of the Company. As a result, the total PBG of Rs. 1,948 crores (*approximately three times the project cost*) was equally shared between the promoters, with each promoter (H Ltd. and O Ltd.) contributing Rs. 974 crores each. Since the PBG had been funded out of the non-fund based limits of the promoters, the commission (hereinafter referred to as 'BG commission') thereon since beginning is being charged to the Company by way of debit notes on quarterly/monthly basis along with GST.

6. The Company in its books has been consistently treating the BG commission as a cost eligible for capitalisation as per paragraph 16(b) of Indian Accounting Standard (Ind AS) 16, 'Property, Plant and Equipment', which states about costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. While the BG commission, when charged initially is booked as Capital Work-in-Progress (CWIP), the entire capitalised value of the asset including the BG commission, upon commissioning is depreciated at rates provided for in the Companies Act.

7. The Company maintains complete record of BG commission capitalised through the CWIP route and corresponding charging of depreciation upon commissioning of the assets. According to the querist, the assets being created by the Company, namely, the pipeline network, PNG-Domestic facilities inside the kitchen of the household consumers, CNG stations etc. are all qualifying assets (in terms of Ind AS 23, 'Borrowing Costs') which in PNGRB's own estimation require an average of 5 years to be created.

8. In 2023, in an effort to reduce the financial burden arising from BG commission, the Company approached PNGRB for partial release of PBG, stating that approximately 80% of the total project targets had been completed, with a portion of the physical targets capitalised in the books of account, and that the project would be completed by the MWP date. Therefore, it was requested to PNGRB to return the proportionate amount of PBG, based on the completion of the committed MWP. The Company's request was rejected by PNGRB stating that the PBG would be returned only if the following two conditions are complied with:

- (i) Achievement of MWP Targets; and
- (ii) Expiry of exclusivity from purview of common carrier or contract carrier.

9. *Comptroller and Auditor General of India's (C&AG's) comment on supplementary audit for financial year (F.Y.) 2023-24:*

Basis their supplementary audit, conducted under section 143(6)(b) of the Companies Act, 2013 for the financial year 2023-24, C&AG (Government Auditors) commented that capitalisation of the bank guarantee commission in the books of the Company has resulted in over statement of profit to the extent of Rs. 235.93 lakhs for F.Y. 2023-24 and a consequent overstatement of the non-current assets (property, plant & equipment (PPE), CWIP, intangible assets and intangible assets under development). Further, capitalisation of BG commission since inception, has resulted in an overstatement of PPE by Rs. 1344.28 lakhs out of which Rs. 235.93 lakhs is on account of the current financial year, i.e., F.Y. 2023-24.

As per C&AG, the above accounting treatment of BG commission by the Company is a contravention of paragraph 8 of Ind AS 23, 'Borrowing Costs' which stipulates that borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognised as an expense.

C&AG, in conclusion, commented that the Company, having resorted to capitalisation of BG commission on a year-on-year basis, has committed a material prior period error which calls for restatement of the financials statements of the previous years.

According to the querist, it appears that the C&AG considered the bank guarantee commission to be associated with PBG, which is typically issued towards contractual arrangements of goods/service. In such cases, PBGs are usually issued by the vendors as per the contract agreement, generally ranging from 5% to 10% of the total annualised contract value and such BG commissions are revenue expenditure for vendors.

In its response, the Company informed C&AG that BG commission expenses were capitalised in accordance with Ind AS 16, 'Property, Plant and Equipment' which clearly outlines the capitalisation of expenditures directly attributable to preparing the asset for its intended use, including bringing it to the necessary location and condition for operation as intended by management.

Further, the Company clarified to the C&AG that the extant case is not comparable to typical cases, as mentioned during the discussion. In such cases, the PBG amount is generally calculated as a percentage of the annualised contract value, and the PBG itself does not serve as the deciding factor for awarding the contract or tender, which is not the situation in the extant case.

Furthermore, in the extant case, the bank guarantee amount was more than three times the total project cost (Rs. 1,948.00 crores of PBG as against Rs. 641.00 crores project cost), which is a significant deviation from the typical scenario discussed with the auditors. Moreover, this large bank guarantee was the primary awarding criterion in this case,

unlike the usual practice where it is only a smaller percentage of the total contract value. This substantial amount of the bank guarantee is not in line with the usual practice where the guarantee is typically a smaller percentage (5-10%) of the total annualised contract value. Such bank guarantee will only be returned to us after completion of MWP targets and completion of exclusivity period i.e., project period.

While submitting the responses during the supplementary audit, the responses were reviewed and confirmed by the statutory auditor of the Company, who affirmed that the accounting practice followed by the Company regarding the treatment of bank guarantee commission is in accordance with the provisions of Ind AS 16. The Standard allows capitalisation of costs directly attributable to the creation of assets or facilities. The statutory auditor also reinforced this position and noted that, in a similar situation, the Expert Advisory Committee (EAC) had opined in favour of capitalising insurance premiums in an earlier opinion (published as Query No. 25 of the Compendium of Opinions, Volume XLI).

10. Management's stand on the matter:

In response to the final comment from the C&AG, the Company also submitted its representations to the CAG, requesting a review of the comment.

The following is submitted for kind consideration of EAC of ICAI:

The context for submission of the PBG has already been explained in the foregoing. However, the Company reiterates that the submission of PBG for a value of Rs. 1,948 crore was an unavoidable precondition of the authorisation granted by PNGRB under the 8th round of bidding. Accordingly, the PBG was furnished by the promoters jointly with equal share in the total PBG value, i.e. Rs. 974 crore.

PNGRB, as the regulatory body of the Government of India (GoI) for CGD entities, is duly authorised under the Regulation to collect PBGs from all bid-winning entities under 8th round of bidding as a guarantee against possible delay in the completion of the prescribed targets given to the entities. Hence, completion of physical targets given in the authorisation letter formed the sole basis for the CGD entities to furnish the PBG. For greater clarity on the matter, attention of EAC is hereby invited to following paragraph of PNGRB:

- Paragraph 9 of the PNGRB (Authorising Entities to lay, build operate or expand City or Local Natural Gas Distribution Networks) Regulations, 2008 which inter alia reads below –

“(1) Grant of authorisation shall be issued to the successful entity after it furnishes the performance bond in the form of a demand draft or pay order or bank guarantee from any scheduled bank ..., whichever is later.

(2)***

(3) The performance bond has been prescribed for guaranteeing the timely completion of the proposed CGD network as per the prescribed targets and also for meeting the services obligations by the selected entity during the operating phase of the project.”

As per the foregoing regulation, PNGRB, as the regulator, has to ensure that the GoI's mission of bringing gas to each household and transforming India into a gas-based economy, is actually accomplished by putting the obligation on the successful entities to not just complete the project but to complete it within the prescribed timeline.

Accordingly, as part of the Company's obligation to complete the project within the prescribed timeline (For Ambala–Kurukshehra - 31st March 2025 and for Kolhapur – 31st May 2025), the promoters on behalf of the Company furnished PBG worth Rs. 1,948.00 crores to PNGRB.

- The guarantee has been given for timely completion of physical targets, in terms of laying of steel and medium density polyethylene (MDPE) pipelines in both the GAs, setting up of facilities within the kitchens of the domestic household consumers etc. Since all these assets would require substantial period of time to be created, the Company has consistently treated the assets created/to be created, as qualifying assets under Ind AS 16. Since the guarantee of Rs. 1,948 crore is directly linked to the timely creation/commissioning of the qualifying assets, any cost arising from the PBG so furnished, would by its very nature, qualify as a direct cost of the asset. Further, the principle for recognition of such cost as per Ind AS 16 requires future economic benefits to flow from the said assets. Hence, the Company's capitalisation of BG commission is in compliance with the provisions of Ind AS 16.
- In C&AG's interpretation, BG commission is a borrowing cost and therefore needs to be charged off to revenue as per Ind AS 23. In this connection, it is mentioned that borrowing cost includes the following:
 - (a) Interest expense calculated using the effective interest method as described under Ind AS 109, 'Financial Instruments' as the case may be.
 - (b) Interest in respect of lease liabilities recognised in accordance with Ind AS 116, 'Leases'.
 - (c) Exchange differences arising from foreign currency borrowings to the extent that they

are regarded as an adjustment to interest costs.

It is submitted that the BG commission does not fall in any of the above 3 types of costs. Further, Ind AS 23 also provides for capitalisation of borrowing costs directly attributable to acquisition, construction and production of qualifying assets. Since the PBG under reference is inseparably connected to construction of the pipeline network and PNG - domestic connections, commission on PBG cannot be treated as normal revenue expenditure to be charged off to Profit and Loss Account.

- Schedule III to the Companies Act, 2013 requires BG to be disclosed under contingent liabilities in the books of the borrowing entity, which is again a reiteration of the fact that BG is not borrowing of funds. It is hereby submitted that both the promoters are disclosing the aforesaid PBG as contingent liability in their respective annual accounts. Further, the Company has been disclosing the fact that the promoters had arranged PBG worth Rs. 1948 crore since inception in its annual accounts by way of a distinct note (Note 50 of the Company's Annual Report for the F.Y. 2023-24). As per paragraph 16(b) of Ind AS 16, "any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management." A plain reading of the PNGRB Regulation mentioned above makes it abundantly clear that submission of PBG is a necessary and unavoidable precondition for grant of authorisation to commence CGD project activities. BG commission in the extant case is a cost being incurred during implementation phase, which for the Company, is valid till March 2025 for Ambala-Kurukshetra GA and till May 2025 for Kolhapur GA. Hence treating this cost as a directly attributable project cost eligible for capitalisation under Ind AS 16, 'Property, Plant and Equipment' is correct interpretation of Ind AS in the Company's view. Directly attributable expenditures are those which would have been avoided if the project construction had not been made. Without these expenses being incurred, construction of the CGD project would not have proceeded. Moreover, furnishing of performance bank guarantee is mandatory and cost of the same is an inbuilt item of the project cost.
- The bank guarantee expenses incurred by the promoters are periodically charged to the Company through debit notes. While CAG is of the view that bank guarantee commission is an expense to be charged to revenue and

capitalising the same contradicts paragraph 8 of Ind AS 23, the Company feels that Ind AS 23 is not applicable in the case of the Company for reasons elucidated in the foregoing paragraphs. Therefore, *equating BG commission to borrowing is clearly outside the scope and ambit of Ind AS 23.* (Emphasis supplied by the querist.)

- Further, Expert Advisory Committee (EAC) of the Institute of Chartered Accountants of India, has provided opinions on various occasions on such expenditures incurred during project period:
 - (a) In the case of an opinion on 'Capitalisation of insurance premium in construction projects under Ind AS framework', EAC opined that "As regards the nature of insurance expenses in the extant case, the Committee notes from the facts of the case that the insurance premium has been included as a part of the approved or allowable expenditure under various approvals (including that from CCEA and CWC); and is an inbuilt element of the project cost and not an optional expenditure. From this, it appears that in the extant case, the incurrence of insurance expense is essential or a pre-condition for obtaining such approvals, without which construction activity cannot be commenced and the project/concerned asset(s) cannot be brought to the location and condition necessary for it to be capable of operating in the manner intended by management, as discussed above. Accordingly, the Committee is of the view that in the extant case, the insurance expenses can be considered as directly attributable expenditure to bringing the project/asset(s) to the location and condition necessary for it/them to be capable of operating in the manner intended by the management and therefore, can be capitalised with the cost of an item of PPE". As explained in the forgoing, submission of the PBG was a mandatory pre-requisite for obtaining PNGRB authorisation, which, in turn, grants the right to create infrastructure assets and facilities as required by PNGRB Regulations. Therefore, the Company, in its humble view, believes that the capitalisation of PBG commission aligns with the aforementioned opinion of the Institute.
 - (b) In the case of another opinion on 'Accounting treatment of Spectrum Charges, Project Promotion Expenses, and Research & Development Expenditure incurred for construction of High-Speed Rail Project by the Company, under Ind AS

framework', EAC opined that fees/ charges paid for obtaining licences (i.e., Spectrum Charges) or seeking mandatory approvals/ clearance for construction etc. should be capitalised. This opinion further supported the fact that the capitalisation of such PBG commission is appropriate.

B. Query

11. On the basis of above, the opinion of the Expert Advisory Committee is sought on the following issues:

- (i) Whether the accounting treatment of the expenditure (capitalisation of bank guarantee commission in the books of account) of Rs. 13.44 crore as bank guarantee commission related to the PBG of Rs. 1,948.00 crore, incurred for the project by the Company up to 31st March 2024, is correct and in line with the provisions of Ind AS 16.
- (ii) If not the above, what should be the treatment as per the applicable Ind AS?
- (iii) If there is any different accounting treatment other than the treatment being done by the Company in its financial statements, should these changes be treated as changes in estimate, changes in accounting policy, or prior period errors?

C. Points considered by the Committee

12. The Committee notes that the basic issue raised by the querist relates to accounting for BG commission paid by the Company to its promoter companies in respect of performance bank guarantee (PBG) arranged by them. 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 guarantee/PBG provided in the financial statements of the Company, accounting for project cost incurred by the Company, accounting for equity infusion by the promoters and term loan from the lending bank, accounting for the guarantee arranged along with BG commission received in the books of the promoter companies, whether the pipeline network, PNG-Domestic facilities inside the kitchen of the household consumers, CNG stations etc. can be considered as 'qualifying assets' as per Ind AS 23, accounting for PPE, CWIP, intangible assets and intangible assets under development including depreciation thereon, disclosures as per Ind AS 24, 'Related Party Disclosures', requirements of Schedule III to the Companies Act, 2013, whether the CGD project needs to be accounted for as a 'Service Concession Arrangement' under Appendix D, 'Service Concession Arrangements' of Ind AS 115, 'Revenue from Contracts with Customers' including appropriateness of treatment of the infrastructure being developed as property, plant and equipment, etc. Rather, the Committee presumes that the management has

appropriately evaluated and concluded that the CGD project is not to be accounted for as a 'Service Concession Arrangement' under Appendix D of Ind AS 115 and it is appropriate to treat the infrastructure being developed as property, plant and equipment under Ind AS 16. Further, the Committee has expressed its opinion purely from the accounting perspective and not from the perspective of legal interpretation of PNGRB Regulation, authorisation letter from PNGRB, Income-tax Act or GST Act, Companies Act 2013, etc. Further, the Accounting Standards referred hereinafter are Indian Accounting Standards, notified under the Companies (Indian Accounting Standards) Rules, 2015, as amended/revised from time to time.

The Committee notes that earlier EAC opinions issued on similar subjects have been referred to by the querist in the Facts of the Case. In this regard, it may be mentioned that the Committee's opinions are based on the specific facts provided to it and may not necessarily apply in scenarios/ situations with different facts. Therefore, the Committee has independently examined the issues referred by the querist in the facts and circumstances of the extant case and the extent to which the earlier opinions are applicable or are relevant has not been examined by the Committee.

13. The Committee notes from the Facts of the Case that during the bidding held for the CGD project, all successful bidders were required to submit an additional bid bond/ performance bank guarantee (PBG) to obtain the project. As stipulated by the PNGRB Regulations, the Company was obligated to submit the bank guarantee to the PNGRB within a specified timeline from the receipt of the authorisation letter. The authorisation is liable to be cancelled in case the PBG is not furnished within the stipulated timeline. Further, in accordance with PNGRB Regulations and the bidding documents, the promoters/investors of the Company were allowed to provide the required PBG on behalf of the Company. Thus, the Committee understands that the total PBG was equally shared between both the promoters/ investors of the Company and the BG commission thereon incurred by them since beginning is being charged to the Company by way of debit notes on quarterly/monthly basis by the promoters/investors and therefore, the BG commission charged by the promoter/investor companies is at fair value. Now, the issue that has been raised is with respect to accounting for such BG commission in the separate financial statements of the Company.

At the outset, the Committee notes that in the extant case, there is no borrowing taken by the Company and/ or the BG commission referred in the fact pattern does not pertain to borrowings taken for the qualifying asset. Therefore, the BG commission referred in the fact pattern is not covered under the requirements of Ind AS 23, 'Borrowing Costs', and, consequently, Ind AS 23 will not be applicable in the extant case. Further, the Committee notes that it has also been stated in the Facts of the Case that "the Company has consistently treated the assets

created/to be created, as qualifying assets under Ind AS 16". In this regard, the Committee wishes to point out that the concept of 'qualifying asset' is not contained in Ind AS 16, rather contained in Ind AS 23, which is not applicable in the extant case.

The Committee also wishes to mention that various expenses are incurred prior to the construction phase, which are necessary to be incurred before construction can commence. However, it is not necessary that all such expenses are eligible to be capitalised to the asset/project being constructed. Further, the Committee wishes to mention in this regard that merely because an expenditure is significant or large does not make it eligible for capitalisation. The capitalisation of an item of cost to a plant/project depends upon the nature of such expenses in relation to the construction activity in the context of requirements in this regard laid down in the applicable Indian Accounting Standards.

14. Further, in the context of issue raised, the Committee notes the following paragraphs of Ind AS 16, 'Property, Plant and Equipment':

"16 The cost of an item of property, plant and equipment comprises:

- (a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- (b) any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- (c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

17 Examples of directly attributable costs are:

- (a) costs of employee benefits (as defined in Ind AS 19, *Employee Benefits*) arising directly from the construction or acquisition of the item of property, plant and equipment;
- (b) costs of site preparation;
- (c) initial delivery and handling costs;
- (d) installation and assembly costs;
- (e) costs of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition (such as samples produced when testing equipment) ...; and

(f) professional fees."

"19 Examples of costs that are not costs of an item of property, plant and equipment are:

- (a) costs of opening a new facility;
- (b) costs of introducing a new product or service (including costs of advertising and promotional activities);
- (c) costs of conducting business in a new location or with a new class of customer (including costs of staff training); and
- (d) administration and other general overhead costs."

From the above, the Committee notes that the basic principle to be applied while capitalising an item of cost to a property, plant and equipment (PPE) is that it is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The Committee is of the view that 'directly attributable' costs are generally such costs which are necessary to enable or contribute to the construction activity, i.e. these costs are directly related to the construction activity and without the incurrance of which the asset cannot be brought to the location and condition necessary for it to be capable of operating in the manner intended by management.

With regard to BG commission, the Committee notes that it is incurred to obtain the PBG for receipt of authorisation letter and not in relation to any construction activity as such. Further, although furnishing of PBG may be an essential part of getting the authorisation to lay the CGD networks and thus, to obtain the project, BG commission does not attribute to or add any value to the construction of the project or for bringing the project into the condition and location necessary for it to be capable of operating. Therefore, the Committee is of the view that BG commission cannot be said to be directly attributable to bringing the asset/project to the location and condition necessary for it to be capable of operating in the manner intended by the management.

Thus, it cannot be capitalised with the project or the assets being constructed/created. Moreover, since the BG commission does not result into any resource controlled by the Company, the same cannot also be capitalised as an individual asset of the Company. Accordingly, it should be expensed in the Statement of Profit and Loss as and when incurred.

15. The Committee is also of the view that since the Company's accounting treatment in the extant case is not in accordance with the accounting treatment discussed above, the same should be rectified in the current reporting period, considering it as an accounting error, as per the following requirements of Ind AS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors':

“Prior period errors are omissions from, and misstatements in, the entity’s financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- (a) was available when financial statements for those periods were approved for issue; and**
- (b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.**

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.”

“41 Errors can arise in respect of the recognition, measurement, presentation or disclosure of elements of financial statements. Financial statements do not comply with Ind ASs if they contain either material errors or immaterial errors made intentionally to achieve a particular presentation of an entity’s financial position, financial performance or cash flows. Potential current period errors discovered in that period are corrected before the financial statements are approved for issue. However, material errors are sometimes not discovered until a subsequent period, and these prior period errors are corrected in the comparative information presented in the financial statements for that subsequent period (see paragraphs 42–47).

42 Subject to paragraph 43, an entity shall correct material prior period errors retrospectively in the first set of financial statements approved for issue after their discovery by:

- (a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or**
- (b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.”**

D. Opinion

16. On the basis of above, and subject to statements and assumptions stated in paragraphs 12 and 13 above, the Committee is of the following opinion on the issues raised in paragraph 11 above:

- (i)&(ii) The Company’s accounting treatment (capitalisation) of the BG commission is not appropriate and the same should be recognised as an expense in the Statement of Profit and Loss, as and when incurred, as discussed in paragraph 14 above.
- (iii) Since the Company’s accounting treatment in the extant case is not in accordance with the accounting treatment discussed above, the same should be rectified in the current reporting period, considering it as an accounting error, as per the requirements of Ind AS 8, ‘Accounting Policies, Changes in Accounting Estimates and Errors’, as discussed in paragraph 15 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 28th January, 2025. The Opinion must, therefore, be read in the light of any amendments and/or other developments subsequent to the issuance of Opinion by the Committee.
3. The Compendium of Opinions containing the Opinions of Expert Advisory Committee has been published in forty-three volumes. These volumes are available for sale and can be procured online through CDS Portal at <https://icai-cds.org/>.
4. Opinions of the Committee may be accessed at the following link: <https://eacopinion.icai.org/>
5. Opinions can be obtained from EAC as per its Advisory Service Rules which are available on the website of the ICAI, under the head ‘Resources’. For further information, write to eac@icai.in.

Accountant's Browser

PROFESSIONAL NEWS & VIEWS PUBLISHED ELSEWHERE

Index of some useful articles taken from Periodicals received during December 2025 – January 2026 for the reference of Faculty/Students & Members of the Institute.

1. Economics

Cryptocurrency Implied Volatility as a Driver of the Interlinkages Across Cryptocurrencies' Returns: A Wavelet Analysis by Vandana Dangi. *Vikalpa: The Journal for Decision Makers, October-December 2025, PP. 322-350.*

Foreign Exchange Legislation in India: Role of Professionals by A. P. K. Chettiar. *Chartered Secretary, December 2025, PP. 66-70.*

India's Fiscal Discipline: A Path to Economic Stability and Growth by Brijesh Kumar Shukla. *Banking Finance, December 2025, PP. 35-37.*

Health Insurance and Customer's Willingness to Engage Digitally by Sandeep Pande and Shailesh Kasande. *The Journal of Insurance Institute of India, October-December 2025, PP. 10-16.*

2. Education

Higher Education Not Only to Survive Today, But Also Get Ready for the Challenges of Tomorrow by H A Ranganath. *University News, December 22-28, 2025, PP. 63-65.*

3. Information Technology

Match Your AI Strategy to your Organization's Reality by Cyril Bouquet, Christopher J. Wright and Julian Nolan. *Harvard Business Review, January-February 2026, PP. 106-115.*

Transformative Impact of Artificial Intelligence on Educational Landscapes: Applications, Challenges and Future Directions by Sagar B Londhe. *University News, December 22-28, 2025, PP. 142-147.*

4. Law

Independent Director: Perspectives as to Appointment, Re-appointment and Cooling off Period by K. R. Chandratre. *Chartered Secretary, December 2025, PP. 79-85.*

5. Management

Marketing at the Speed of Culture: A Guide to Creating Fastvertising—Quick Response Ads that go Viral by Ayelet Israeli, Leonard A. Schlesinger, Matt Higgins and Ryan Reynolds. *Harvard Business Review, January-February 2026, PP. 97-105.*

Role of Insurance in Promoting Financial Inclusion, Advancing Social Equity, and Strengthening Risk Resilience by Shivani Pandey and Umme Ara. *The Journal of Insurance Institute of India, October-December 2025, PP. 72-79.*

Synergistic Financing: Unlocking Co-Lending Potential by Arun Kumar Gupta. *Banking Finance, December 2025, PP. 41-46.*

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.

Become a CPA.

Three letters in your title, recognised anywhere.

Pathway to CPA Australia membership for ICAI Members.



Eligible ICAI members may receive exemptions for up to 11 of the 12 Foundation and CPA Program subjects. Scan the QR code to learn more.

Apply now and receive AUD 205* off the application fee, exclusively for WOFA participants.

*AUD pricing GST inclusive.



For more information, please contact your local CPA Australia office in India:
Scan the QR code above or visit cpaaustralia.com.au/contact-us/contact-us-india

CPA Australia
C/O EPR Solutions Pvt. Ltd. 115, 1st Floor, Square One,
C2 - Saket Place, Saket District Centre, New Delhi – 110017, India

P: +91 11 2 6544 723 E: india.ro@cpaaustralia.com.au



THREE
LETTERS TO
LIMITLESS



LEGAL Decisions



INCOME TAX

LD/74/73 ITAT Delhi: ITA No. 1579/Mum/2024 Intermesh Shopping Network Pvt. Ltd Vs. The Income Tax Officer 07th December 2025

ITAT deleted addition made u-s/ 56(2)(viib) holding that Revenue was not justified in rejecting the valuation report submitted by the Assessee determining the FMV of shares as per DCF method as per Rule 11UA; Rejecting the valuation report merely based on the disclaimer clause provided in the valuation report is not sustainable, as per ITAT; AO was not justified in rejecting DCF method merely because the projected turnover was not achieved; Reliance placed on ruling in Cinestaan Entertainment P. Ltd.

LD/74/74 Bombay High Court: ITA No. 34357 of 2024 Principal Commissioner of Income Tax, Central Vs. Citron Infraprojects Limited 26th November 2025

HC held that no substantial question of law arose since the assessment order u/s 143(3) r.w. Section 153A was quashed due to mechanical approval u/s 153D; Proposals seeking approval were submitted to ACIT at 5:02 PM and more than 30 approvals were issued the same day which demonstrated non application of mind; Approvals must reflect some degree of independent satisfaction and mechanical approvals vitiate the assessments; Since the foundational jurisdiction of a lawful Section

153D approval was absent, assessments were invalid.

LD/74/75 ITAT Ahmedabad: ITA No. 388/Ahd/2025 Rajsheel Jitendra Patel Vs. Income Tax Officer 25th November 2025

ITAT allowed exemption u/s 54 and 54EC observing that once the receipt is explained and eligible for capital gains computation, the corresponding exemption cannot be denied; AO's conclusion cannot be sustained since assessee furnished requisite documentation that conclusively established that the Assessee's wife transferred her 50% share in the property to Assessee in 1995, by entering his name as a joint holder in the share certificate, which is also reflected in the society's approved resolution; Also, AO failed to demonstrate that how a receipt arising from a registered transfer of a capital asset, already subjected to capital gains computation, could fall within the ambit of Section 56.

LD/74/76 ITAT Ahmedabad: ITA No. 1352/Ahd/2025 Suyog Electricals Limited Vs. The Dy. Commissioner of Income Tax 25th November 2025

Book profit on sale of a depreciable asset forming part of a block cannot be taxed separately once the sale consideration is duly reduced from the block under Section 32 and 43(6)(c); During assessment, AO treated the book profits on sale of car as taxable business income merely because it appeared in the accounts, thus, overlooked the computation; Computation of business income must follow the statutory method and cannot be overridden merely because account standards require recognition of profit on sale of assets.

LD/74/77 ITAT Ahmedabad: ITA No. 715/Ahd/2023 Aashka Hospitality Pvt. Ltd. Vs. The Income Tax Officer 25th November 2025

ITAT held that Assessee is not entitled to challenge AO's jurisdiction in light of Section 124(3); Assessee failed to respond to any of

the notices served by the Revenue, including notices u/s 143(2), 142(1), 274 r.w. Section 271; Assessee is not entitled to question the jurisdiction of the AO after the expiry of one month from the date on which he was served with the notice u/s 142(1) or after the completion of assessment, whichever is earlier; Revenue's ex-parte assessment order confirming addition on account of LTCG, thus upheld by the ITAT.

LD/74/78 ITAT Ahmedabad: ITA No. 2018/Ahd/2024 The Dy. Commissioner of Income Tax Vs. Sameep Fabrics Pvt. Ltd. 24th November 2025

ITAT quashed reassessment notice u/s 148 for AY 2017-18 issued beyond period of three years due to improper/incorrect sanction as mandated under Section 151(ii)(new regime); Specified authority must be PCCIT, however, in the present case, the notice u/s 148 was issued after obtaining approval from PCIT, which rendered the assessment void ab initio.

LD/74/79 ITAT Bangalore: ITA No. 585/Bang/2025 Mr. Abdul Jaleel Vs. The Income Tax Officer 24th November 2025

ITAT deleted addition u/s 68 in the absence of corroborative material discrediting the Assessee's fruit-selling business; AO failed to accept the Assessee's contention to be fruit dealer since no corroborative evidence was submitted, and treated cash deposit of Rs. 1.29 Cr as unexplained cash deposits; Assessee being a fruit dealer was exempted under Karnataka VAT; Confirmation letters of Assessee's dealers confirmed Assessee's fruit selling business; Ad-hoc addition of 8% to be done by AO rather than adding entire Rs. 1.29 Crores u/s 68.

LD/74/80 Kerala High Court: WP(C) No. 43816 of 2025 Thekkee Cherupillil Sarada Vs. The Income Tax Officer 21st November 2025

HC quashed CIT(A) order passed without merits; None of the provisions in Section 250 of the Act permit the appellate authority to reject the appeal on the ground of non-appearance of

the appellant, without going into the merits of the case; Section 250(6) specifically stipulates that, the appellate authority shall state the points for determination and the decision thereon in the order; HC directed the CIT(A) to reconsider the Assessee's appeal and to pass fresh orders on merits.

LD/74/81 Telangana High Court: W.P.No.25121 of 2024 Cyberabad Citizens Health Services Private Limited Vs. The Income Tax Officer 17th November 2025

HC quashed order u/s 148A(d) and consequential reassessment notice u/s 148 for AY 2017-18, holding that the same is issued beyond the period of limitation as per the first proviso to Section 149 (as amended with effect from April 01, 2021); For AY 2017-18, four years would end on 31.03.2022 and notice was issued on 22.04.2024; No notice u/s 148 of the Act for AY 2017-18 could be issued on or after 1st April 2021 based on the first proviso to Section 149; HC Rejected Revenue's reliance of fifth or sixth proviso and opines fifth proviso cannot apply where the first proviso applies because, if a notice u/s 148 could not be issued beyond the time period provided in the first proviso, then the fifth proviso could not save such notices;

LD/74/82 Calcutta High Court: WPO/646/2024 Shiv Kumar Saraf Vs. The Prin Commissioner of Income Tax 10th November 2025

HC ruled against the assessee where assessee contended that impugned assessment proceedings ought to have been initiated and concluded u/s 153C, and not u/s 147; As per HC, if incriminating material during a search and seizure procedure is not found, then in that case assessment is to be completed under Section 147 and not u/s 153A or 153C; HC remarked that although the jurisdictional issues can be raised at any point of time, yet raising of such issue for the first time in the second round of writ proceeding, gives an impression that the Assessee only seeks to avoid the statutory forum of appeal and delay final adjudication of the matter.

The section on Legal Decisions has been contributed by CA. Sahil Garud, Disciplinary Directorate.

DISCIPLINARY CASE

Issuance of false Utilization Certificates without verification of records - Failure to maintain and retain working papers in certification assignment involving Government grants - Lack of due diligence - Violation of documentation requirements under AAS-3 - Held, Respondent guilty of Professional Misconduct under Clause (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

Held:

A complaint was received against the Respondent pursuant to an investigation conducted by the CBI in relation to fraudulent sanction and disbursement of Government grant amounting to Rs. 86.23 lakhs. The investigation disclosed that the Respondent had issued 14 Utilization Certificates in Form GFR 19-A in the names of 14 applicants, without verification of authentic records and for a professional fee of Rs. 20,000/-. The Respondent was named as an accused in the CBI investigation report, wherein it was recorded that the certificates were issued without inspection of supporting documents and formed part of a larger fraudulent scheme. The Committee noted that the Respondent admitted to having issued and signed the said 14 Utilization Certificates and also certified the Receipts and Payment Accounts for the relevant period. However, the Respondent failed to produce any working papers or documentary evidence in support of the certificates issued by him. The Respondent contended that due to shifting of his office, the records could not be traced and that SA-230 on Audit Documentation was not applicable for the relevant period. The Committee observed that AAS-3, 'Documentation', which was applicable at the relevant time, required retention of working papers for a reasonable period sufficient to meet professional and legal requirements. The Respondent failed to demonstrate adoption of any reasonable procedures for custody and retention of working papers, particularly when the CBI investigation commenced. Accordingly, the Committee held the Respondent GUILTY of Professional Misconduct falling within the meaning of Clause (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

PR/ PR-48/15-DD/88/2015-DC/759/18

Statutory Auditor of the Companies simultaneously providing bookkeeping services to auditee; retaining documents and passwords of the Companies; raising additional professional bill over and above the contracted professional fee; failure to conduct audit despite receipt of audit fees and not resigning as Statutory Auditor—Respondent acted in violation of auditor's independence and professional ethics—Held, Respondent is guilty of Professional and Other Misconduct under Clause (1) of Part II of the Second Schedule and Clause (2) of Part IV of the First Schedule to the Chartered Accountants Act, 1949.

Held:

Respondent firm was the statutory auditor of the Companies since their incorporation. It was alleged that the Respondent was engaged in statutory audit as well as bookkeeping services of the Companies, had retained their documents and passwords, raised an additional professional bill over and above the agreed contractual fee and despite receipt of audit fees, neither completed the audit nor resigned as Statutory Auditor. The Committee examined the Contracts of Services executed for Financial Year 2009-10 and for the period from April 2011 to March 2013 and observed that the scope of work included maintenance of books of accounts and allied services and that monthly bills were raised and paid in accordance with the agreed annual professional fee of Rs. 4 lakhs, indicating that the said contracts were subsisting during subsequent years as well. The Committee further noted from the email correspondences that despite repeated requests by the Complainant for return of documents and passwords, the Respondent did not deny possession thereof and merely demanded payment of professional fees. The Committee observed that members are not permitted to write the books of accounts of their auditee clients, and reliance was placed on the Guidance Note on Independence of Auditors. Regarding the demand of additional fees amounting to Rs. 2,12,500/-, the Committee observed that most of the services claimed as additional were already covered under the existing contract of services, and such demand was unjustified. The Committee further observed that despite receipt of audit fees for Financial Year 2014-15, the Respondent failed to complete the audit, and even if irregularities were noticed, he was duty-bound to complete the audit and report the same by appropriately modifying his audit opinion in accordance with Standard on Auditing (SA) 705 or alternatively resign or disclaim his opinion. Accordingly, the Committee held the Respondent GUILTY of Professional and Other Misconduct falling within the meaning of Clause (1) of Part II of the Second Schedule and Clause (2) of Part IV of the First Schedule to the Chartered Accountants Act, 1949.

PR/218/2015-DD/233/2015-DC/807/2018



FEMA UPDATES

Foreign Exchange Management (Guarantees) Regulations, 2026

A.P. (DIR Series) Circular No. 19/2025-26 dated January 12, 2026

The Reserve Bank of India has issued [Foreign Exchange Management \(Guarantees\) Regulations, 2026](#). These regulations superseded earlier guarantee regulations of [Notification No. FEMA 8/2000-RB dated May 3, 2000](#).

The regulations provide for comprehensive reporting of all guarantees – issued, modified or invoked, to the authorised dealer banks, in form GRN annexed to the regulations. The manner and format in which authorised dealer bank shall compile and submit the returns received will be communicated in due course.

Below is summary of changes as compared to previous regulations:

Clause	2000 Regulations	2026 Regulations	Key Change / Impact
Clause 2: Definitions	Minimal definitions; guarantee not specifically defined.	Detailed definitions of guarantee, surety, creditor, principal debtor and IFSC.	Greater clarity; wider and unambiguous scope.
Clause 3: Prohibition	Resident prohibited from giving guarantees to non-residents except as permitted.	Any party (surety, debtor or creditor) restricted unless compliant with regulations.	Expanded coverage and clearer responsibility for all parties.
Clause 4: Exemptions	No consolidated exemption clause.	Specific exemptions for AD branches abroad, IFSC, IPCs and ODI guarantees.	Codifies exclusions and recognises modern financial structures.
Clause 5: Permission to act as surety / principal debtor	Permissions based on specific listed transactions.	Allowed if underlying transaction is FEMA-compliant and parties eligible under Borrowing & Lending Rules.	Shift from approval-based to principle-based framework.
Clause 6: Permission to obtain guarantee as creditor	No explicit provision.	Resident creditors permitted to obtain guarantees subject to FEMA compliance.	New clarity for inbound guarantee arrangements.
Clause 7: Reporting requirements	No structured reporting mechanism prescribed.	Mandatory quarterly reporting of issuance, modification and invocation in Form GRN.	Significant new compliance obligation introduced.
Clause 8: Late Submission Fee	No provision for delayed reporting.	Explicit Late Submission Fee formula prescribed.	Regulatory certainty and alignment with other FEMA filings.
Annex / Forms	No prescribed standard form.	Detailed Form GRN with granular disclosures.	Enhanced RBI monitoring and data collection.

Export and Import of Goods and Services

A.P. (DIR Series) Circular No. 20/2025-26 dated January 16, 2026

The Reserve Bank has comprehensively reviewed the regulations and directions governing export and import of goods and services, under FEMA, 1999, in consultation with stakeholders, and issued [Foreign Exchange Management \(Export and Import of Goods and Services\) Regulations, 2026](#). The Regulations are intended to promote ease of doing business, especially for small exporters and importers, and to empower authorised dealers to provide quicker and more efficient service to their customers. The Regulations will be effective from October 01, 2026.

Particulars	2015 Regulations	2026 Regulations (Key Change)
Export realisation period	9 / 12 months with extensions via circulars	Uniform 15 months; 18 months for INR-invoiced exports.
Reporting mechanism	EDF for goods; SOFTEX for software	Single EDF for goods and services including software.
Service export reporting	Limited statutory clarity	EDF filing within 30 days from invoice month-end.
Advance against exports	Prescriptive rules, interest caps	Risk-based thresholds set by AD banks
Write-off / reduction	RBI approval with percentage caps	AD banks empowered based on satisfaction
Set-off of receivables	Highly restrictive	Permitted with same/group overseas parties
Third-party payments	Allowed with strict conditions	Permitted under AD bank approval
Small value closure	Documents generally required	Up to INR 10 lakh per invoice on declaration
Import payment timeline	Generally 6 months from shipment	Aligned to contractual terms subject to AD satisfaction
Extension of timelines	RBI/AD approvals on case basis	AD banks empowered to grant extensions
Advance import remittance	Allowed with monitoring	Structured framework; BG/SBLC if not adjusted
Import of services	No codified timelines	Payment as per underlying contract
Import reporting	IDPMS via circulars	Mandatory IDPMS and FETERS reporting
INR trade settlement	Via circulars (Vostro route)	Formally codified in regulations
Merchanting trade	Complex and restrictive	Simplified; AD bank risk-based oversight

The above is gist of comparative summary of changes. Full regulation can be viewed at –

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NRAR23R16012026C1272B8B66944ED5A53741840B973363.PDF>

Matter on FEMA has been contributed by CA Manoj Shah, Mumbai, CA Hinesh Doshi, Mumbai, CA Sudha Bhushan, Mumbai and CA Viral Satra, Mumbai.

ANNOUNCEMENT

Invitation for Empanelment as Examiners for Chartered Accountants Examinations

Applications are invited from eligible members of the Institute and other professionals including academicians of reputed educational institutions, tax and legal practitioners etc., having a flair for academic activities including evaluation of answer books and willing to undertake confidential assignments as a dedicated examiner, for empanelment as examiner in respect of the following papers of the Chartered Accountants Examinations.

Foundation Examination

Paper - 1	Accounting
Paper - 2	Business Laws

Intermediate Examination

Paper - 2	Corporate and Other Laws
Paper - 3	3A: Income Tax Law
	3B: Goods and Services Tax (GST)
Paper - 5	Auditing and Ethics

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, MBA (Finance) and other professionals with at least five years experience, either in academic position or in practice or in employment are eligible to apply. Those with work experience having direct relevance to the aforesaid subjects(s) of examination(s) will be preferred.
- Persons above 65 years of age are not eligible.
- Persons who are visually impaired or suffer from such other physical disability that might necessitate taking the assistance of any other person for evaluation of answer books are not eligible.
- Persons who are undergoing CA Course of the Institute are not eligible.

- Persons whose applications were rejected earlier from the Panel are eligible to apply again after a gap of 1 year from the date of rejection.
- Those who are already empanelled with ICAI as examiners need not apply. Their candidature will be considered in the normal course, at the appropriate time.
- Persons associated with the coaching activities are not eligible. Those who have ceased to be associated with the coaching activity are permitted to apply after a gap of 5 years.

Scales of honorarium for evaluation of answer books

Examination	Paper	Rate (for Digital Evaluation)
Foundation	1 & 2	Rs. 160/- per answer book
Intermediate (IPC)	1, 2, 4 & 5	Rs. 200/- per answer book
Intermediate (IPC)	Sectional papers (Paper 3A, 3B, 6A & 6B)	Rs. 130/- per answer book
Final examination	1, 2, 3, 4, 5 & 6	Rs. 250/- per answer book

Application for empanelment as examiner can be made online at <http://examinerspanel.icaiaexam.icaai.org>.

ICAI has implemented the Digital evaluation (Online Evaluation) of answer books in all the papers of Foundation, Intermediate and Final examinations. Hence, applicants are expected to be comfortable working on computers and also evaluating answer books online. However, requisite training will be provided, before online evaluation assignments are undertaken. Please fill the application online, take a print out, affix your photograph, sign it and send with all the requisite enclosures to the following address:

CA. Anand Kumar Chaturvedi
 Joint Secretary (Exams)
 The Institute of Chartered Accountants of India
 ICAI Bhawan
 Indraprastha Marg
 New Delhi – 110002

Deferment of Phase IV of Peer Review Mandate

The Council of the ICAI has decided that Phase IV of the Peer Review mandate which is applicable from 01.01.2026 be extended to 31.12.2026.

Accordingly, the revised date of implementation is as under:

Phase	Category of Practice Units (Firms) covered for Mandatory Peer Review	Date from which Peer Review is Mandatory
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.	31.12.2026

CLASSIFIEDS

- 6146 Mumbai-based 15-year-old CA firm invites proposals for Merger from Partnership/Proprietorship Firms and partnership from new/senior/retired members. For more details, contact: vinay@vbaconsult.com; 9769134554
- 6147 A 38-year-old Lucknow-based CA firm invites proposals for partnership from new/senior/retired members. Interested may contact: 9415101759, 9120130708, shivnarainabha@yahoo.co.in.
- 6148 A Hyderabad-based CA firm is expanding and opening new branches in Vijayawada, Visakhapatnam, Bangalore, and Delhi. Committed CA members are invited to associate with us and join this growth opportunity. For details or to express interest: Mobile: 8008357999; Email: vishnudevanna@gmail.com
- 6149 We are a CA firm, just opened our new branch in Mumbai. We are looking for young, practising CAs (Max 40yrs with practising experience) as partners on full-time basis, purely on revenue-sharing model, for Mumbai and its suburbs. Contact: vinayak030167@gmail.com
- 6150 We are an Ahmedabad-based Firm with 10 partners, inviting proposals for merger from sole-proprietorship or partnership firms across India – preferred locations: Hyderabad, Bangalore, and Delhi. (No fixed remuneration) Email: firms@shahteelani.com
- 6151 We are a 57+ years old Chartered Accountancy firm having Head Office in Delhi, invite merger proposals from female proprietorship or partnership firms (2 partners only) that are 5 years or older, located in Bengaluru, Bhubaneswar, Chennai, Hyderabad, Jaipur, Kanpur, Lucknow, Ranchi, Kolkata, or Guwahati. Interested firms may send their proposal along with their profile to: jk.sarawgi@jksco.in.
- 6152 A CA firm requires CAs only as full-time Partners (purely on a revenue-sharing basis and with no fixed remuneration) for Kolkata, Mumbai, New Delhi, Navi Mumbai, Pune, Bhopal, Indore, Ahmedabad, Chennai, Hyderabad, Bengaluru, Chandigarh, Jaipur, Guwahati, Agartala, Bhubaneswar, and Port Blair. hoaps1980@gmail.com
- 6153 We are a firm of Chartered Accountants having 10 Partners and approximately 100 Professional Staff, Head Office at Mumbai and branches in New Delhi and Bengaluru. We are interested in Merger/Networking with an existing CA practicing firm at NEW DELHI Branch in the areas of Audits & Assurance, Direct Tax, Indirect Tax, Transfer Pricing, International Taxation, FEMA, etc. Proposals are invited from interested firms from NCR, to be sent either under sealed cover or by email: **Shridhar and Associates, Chartered Accountants, 101, 1st Floor, Hemkunt Tower, 98, Nehru Place, New Delhi – 110019**. Contact: Devender Kumar Khurana, Mobile: 9810204104, Email: khurana@shridharandassociates.com
- 6154 Wanted CA/CA Inter/Income Tax expert for preparing, compiling, editing/checking books as per new Income Tax law and on other commercial laws. Good remuneration. Apply with CV to editornabhipublications@gmail.com or WhatsApp on 9810945410.

BENEVOLENCE

VOLUNTARY CONTRIBUTION TO THE CHARTERED ACCOUNTANTS' BENEVOLENT FUND (CABF)

**Kailash Chand Jain and Co**

Firm No.: 112318W
Amount: ₹21,00,000
Place: Mumbai

Maheshwari Kaushik and Associates

Firm No.: 022769C
Amount: ₹1,11,111
Place: Durg, Chhatisgarh

PARSHVM & CO

Firm No.: 004415C
Amount: ₹1,01,000
Place: Bhilai, Chhatisgarh

S M R & CO

Firm No.: 006098C
Amount: ₹1,11,000
Place: Bhilai, Chhatisgarh

P S A C & Associates

Firm No.: 012411C
Amount: ₹1,01,000
Place: Bhilai, Chhatisgarh

Guttikonda & CO LLP

Firm No.: 013740S/S000215
Amount: ₹1,00,000
Place: Vijayawada

Members	Membership No.	Amount ₹	Place
CA. Ramakrishnan B	201023	5,00,000	Non Branch City
CA. Akhilesh Jain	072604	5,00,000	Bhopal
CA. Ashish Khandelwal	076306	1,11,111	Raipur
CA. Vinit Kumar Jain	510765	1,11,000	Bhilai Branch of CIRC of ICAI
CA. Sunil Talwar	030392	1,00,000	Non Branch City
CA. Sathish R	226648	1,00,000	Coimbatore
CA. Amit Jain	077986	1,00,000	Bhopal
CA. Darshak Maganlal Thakkar	103762	1,00,000	Rajkot
CA. Sourav Pargal	528090	1,00,000	Jammu and Kashmir

**CA. Jaydeep Narendra Shah**

Past President ICAI (2012-13)
5 May 1956 - 30 January 2026

OBITUARY

ICAI expresses its deep sorrow on the passing away of CA. Jaydeep Narendra Shah, Past President of ICAI (2012-13). His invaluable contribution to the profession and his exemplary leadership will always be remembered. His guidance and commitment towards strengthening the Institute and upholding professional values have left an enduring legacy. ICAI extends heartfelt condolences to his family and prays for eternal peace to the departed soul.

Profession in Headlines...

Business Standard

ICAI clarifies accounting norms under new labour codes

RUCHIKA CHITRAVANSHI
New Delhi, 18 December

Companies would have to recognise the increase in gratuity liability arising from new labour codes in their interim financial statements and results for the period ending December 31, the Institute of Chartered Accountants of India (ICAI) has said in its FAQs on the new labour codes. The institutes said that any change in leave obligation arising from the New Labour Codes should also be stated as an expense in the Statement of Profit and Loss immediately.

Earlier, gratuity was payable to an employee only if the person had completed five years of con-

tinuous service. Under the new Labour Codes, fixed-term employees, which include contract employees, will be entitled to gratuity on completing one year of service.

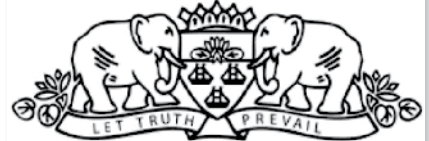
"Under AS 15/Ind AS 19, the changes to gratuity benefit resulting from the New Labour Codes are plan amendments and they are required to be treated as past service costs," ICAI has clarified.

"These FAQs certainly bring in clarity in terms of accounting treatment-related aspects for various provisions linked to gratuity and leave obligations. But the larger uncertainty regarding the effective period of calculation of gratuity, inclusions of terms like

ESOP (Employee Stock Ownership Plan), variable pay, etc. are still left unanswered," Anshul Jain, National Leader, Regulator, PwC India.

On November 21, the government announced the implementation of the four Labour Codes — the Code on Wages, 2019, the Industrial Relations Code, 2020, the Code on Social Security, 2020 and the Occupational Safety, Health and Working Conditions Code, 2020.

ICAI stated that the increase in gratuity liability is a past service cost as this results in changes to the benefits payable under the plan. This has to be immediately recognised as an expense in the Statement of Profit and Loss as per accounting standards Ind AS, Ind AS 19.



THE TIMES OF INDIA

Pocket-money budgeting to basics of banking, ICAI chalks out commerce curriculum for class VI students

Debasmita Dasgupta
@timesofindia

Commerce education is set to be introduced from class VI to improve financial literacy and employability among students. The subject will be offered either as a skill-based option or integrated into Social Science. The initiative, titled 'Project Vasu' — Shaping the Future of Students for Bharat as a Developing Country, is being rolled out by the Institute of Chartered Accountants of India (ICAI) through its Committee on Career Counselling (CCC) to strengthen commerce education from the early stages of schooling. According to ICAI, around 28 education boards across nearly 28 states have been invited to adopt the framework, with many responding positively. In several states, the initiative has been launched as a pilot initiative, while West Bengal, Punjab, Assam, and Goa have already confirmed to introduce it in the next academic session.



Across classes VI to X, the proposed curriculum will place life skills at its core, using age-appropriate, real-world learning to build financial awareness

for over two decades, resulting in only about 5-7% of students nationwide opting for the stream. "Commerce is as fundamental as history or geography, yet it has been ignored for years. Today, even government accountant posts are often filled by graduates who do not fully understand commerce, which affects budgeting and financial planning within organisations," Kabra says.

While the proposal is currently at a trial stage, formal implementation could begin soon. "Some boards will soon start the implementation process. Until final approval is granted, some states will introduce commerce as a skill-based subject, while others may include it as a 25-mark component under Social Science from class VI onwards," Kabra adds.

Long-standing Gaps
Commerce education has been systematically neglected

and value — that is commerce. Early exposure to these concepts can benefit students personally and help them make informed career choices before they reach class XI. When academic preferences are often fixed," he adds.

"Moreover, early introduction of commerce will be beneficial for students who cannot afford expensive coaching. Learning the subject in the early years will give them a better understanding of the subject, encouraging them to pursue it in their future," Kabra says. Across classes VI to X, the proposed commerce curriculum will place life skills at its core, using age-appropriate, real-world learning to build financial awareness and decision-making abilities. The CCC chairman says, "Students will progress from understanding profit and loss through pocket money in middle school to learning budgeting, digital payments, credit, taxation and investment planning in senior classes through activity-based learning."

AI Integration
The proposal also includes age-appropriate integration of artificial intelligence (AI) into commerce education. ICAI has already trained over 30,000 Chartered Accountants through a dedicated AI certification programme.

मयूर सँवाद

आईसीएआई ने भारत के सहकारी इकोसिस्टम को सशक्त करने के लिए कोऑपरेटिव चिंतन शिविर का आयोजन किया; चार्टर्ड अकाउंटेंट्स की विस्तारित भूमिका पर मंथन

द इंस्टीट्यूट ऑफ चार्टर्ड अकाउंटेंट्स ऑफ इंडिया (आईसीएआई) ने अपनी कमेटी ऑन कर्पोरेट लॉज, इकोनॉमिक एडवाइजरी एवं एनपीओ को ऑपरेटिव के माध्यम से कोऑपरेटिव चिंतन शिविर का आयोजन किया। यह मंच सहकारी क्षेत्र को सशक्त बनाने तथा भारत के आर्थिक विकास में उसके योगदान को मजबूत करने में चार्टर्ड अकाउंटेंट्स की बढ़ती भूमिका पर गहन विचार-विमर्श के लिए समर्पित रहा। कार्यक्रम में शासन, वित्तीय प्रबंधन, अनुपालन, ऑडिट एवं परामर्श सेवाओं जैसे क्षेत्रों में पेशेवर विशेषज्ञता के माध्यम से सहकारी संस्थाओं में पारदर्शिता, जवाबदेही और दक्षता बढ़ाने पर विशेष ध्यान दिया गया। चार्टर्ड अकाउंटेंट्स की विस्तारित भूमिका के माध्यम से भारत के आर्थिक भविष्य का रूपांतरण विषय के अंतर्गत आयोजित इस चिंतन शिविर में सहकारी संस्थाओं को बदलते निवामकीय ढांचे के अनुरूप हलने, वित्तीय अनुशासन मजबूत करने और राष्ट्रीय विकास प्राथमिकताओं के अनुरूप सर्वोत्तम प्रथाओं को अपनाने में पेशे की अहम भूमिका को रेखांकित किया गया।

कार्यक्रम का उद्घाटन श्री भूपेंद्र यादव,

माननीय केंद्रीय कैबिनेट मंत्री (पर्यावरण, वन एवं जलवायु परिवर्तन), श्री कृष्ण पाल गुर्जर, माननीय केंद्रीय राज्य मंत्री (सहकारिता) तथा श्री सुरेश प्रभु, पूर्व केंद्रीय मंत्री एवं ब्रिजहृद विश्वविद्यालय के संस्थापक कुलाधिपति द्वारा किया गया। यह कार्यक्रम सीए. चरणजित सिंह नंदा, अध्यक्ष, आईसीएआई और सीए. प्रसन्न कुमार डी, उपाध्यक्ष, आईसीएआई की गरिमामयी उपस्थिति में आयोजित हुआ। इस अवसर पर सीए. अभय छाजेड़, अध्यक्ष, सीसीएलईएनसी तथा सीए. प्रमोद जैन, उपाध्यक्ष, सीसीएलईएनसी भी उपस्थित रहे। इस अवसर पर श्री भूपेंद्र यादव ने कहा, चार्टर्ड अकाउंटेंट्स पारदर्शिता, वित्तीय अनुशासन और नैतिक आचरण के माध्यम से जनविश्वास बनाए रखने में महत्वपूर्ण भूमिका निभाते हैं। पेशेवर शासन, समयबद्ध ऑडिट, सुदृढ़ वित्तीय प्रबंधन और प्रौद्योगिकी-आधारित प्रणालियों के माध्यम से सहकारी संस्थाओं को सशक्त करना अधिक जवाबदेही सुनिश्चित करेगा, समुदायों के भीतर आर्थिक मूल्य को बनाए रखेगा और समावेशी व सतत आर्थिक विकास को समर्थन देगा। श्री कृष्ण पाल गुर्जर ने कहा, सहकारी संस्थाएँ

भारत के आर्थिक विकास की प्रमुख प्रेरक शक्ति के रूप में उभर रही हैं। शासन और वित्तीय प्रबंधन में चार्टर्ड अकाउंटेंट्स की विशेषज्ञता इन संस्थाओं को सशक्त कर सकती है, पारदर्शिता और जवाबदेही सुनिश्चित कर सकती है तथा समुदायों को समावेशी और सतत विकास का लाभ दिला सकती है।

श्री सुरेश प्रभु ने कहा, सहकारी क्षेत्र में भारत के सामाजिक-आर्थिक विकास को गति देने की अपार संभावनाएँ हैं। चार्टर्ड अकाउंटेंट्स अपने कौशल, अनुशासन और नैतिक मानकों के माध्यम से इन संस्थाओं को सशक्त करते हैं। पारदर्शी और जवाबदेह शासन सुनिश्चित कर सीए सहकारिताओं को व्यक्तियों और समुदायों तक ठोस लाभ पहुंचाने में मदद कर सकते हैं। सीए. चरणजित सिंह नंदा, अध्यक्ष, आईसीएआई ने कहा, चार्टर्ड अकाउंटेंट्स नैतिकता का पाठन करते हुए और विकास को सक्षम बनाकर हर क्षेत्र को मजबूत बना रहे हैं। 2014 से आईसीएआई विशेष प्रशिक्षण, तकनीकी मार्गदर्शन, एकरूप ऑडिट ढांचे और सतत क्षमता निर्माण के माध्यम से सहकारी क्षेत्र को सशक्त बनाने में महत्वपूर्ण भूमिका निभा रहा है।



Cooperative sector helps in democratic empowerment, says Bhupender Yadav

PRESS TRUST OF INDIA
New Delhi

The country's cooperative sector helps not only in economic growth but also in democratic empowerment, Union minister Bhupender Yadav said on Monday.

Highlighting the importance of financial literacy and AI-based governance, he also said that the cooperatives sector can play a major role in making India a developed country.

Yadav, who is in charge of the Ministry of Environment, Forest and Climate Change, also emphasised the need for faster audits of cooperative organisations as well as boost their internal controls. According to him, the cooperative sector helps in economic growth and in democratic empowerment.

The Government has democratised the cooperative sector, bringing benefits at the grassroots level, he said and added that the sector, unlike the corporate sector, ensures development and employment opportunities in the rural areas. Around 32 crore people are involved in the cooperative sector and there are more than 8.5 lakh cooperative organisations, Yadav said. The minister was speaking at the Cooperative Chintan Shivir organised by the Institute of Chartered Accountants of India (ICAI) in the national capital.

Minister of State for Cooperation Krishna Pal

Gujar said the ministry has done excellent work in the last four years. Bharat Tasi will be launched soon in the cooperative sector wherein farmers will benefit more and around 1.2 lakh drivers have already registered for the initiative, he said. Former Union minister Suresh Prabhu said the cooperative sector will be the driver of the country's economic growth in the next 10 to 15 years.

At the event, ICAI President Charanjit Singh Nanda said chartered accountants are financial soldiers working for the progress of the country.

Bhupender Yadav



THE TIMES OF INDIA

ICAI E-Diary to record professional experience

Priydarshini Gupta
@timesofindia.com

To digitise the CA practice system, the Institute of Chartered Accountants of India (ICAI) has introduced a mandatory E-Diary system for students undergoing articleship and industrial training. The E-Diary will function as a centralised digital platform that will enable real-time recording, monitoring, and verification of a trainee's daily work, learning outcomes, leave records, and spend details.



The digital platform was important after the reduction of the articleship duration from three years to two years

dated digital document that covers their entire training journey as a certified work-experience record. This document will be useful for students while applying for jobs, pursuing higher education, or seeking opportunities abroad.

The E-Diary would act as an authenticated record of an articled trainee's professional experience. Charanjot Singh Nanda, president, ICAI, says, "It enables students to demonstrate the tasks performed, expertise gained during training. The platform will save valuable manhours for both students and principals, ensuring timely approvals, and helping identify emerging areas of training. The new initiative makes articleship more structured and future-ready."

Daily Work Logging

CA students will be required to log their daily work on a real-time basis. Speaking to Education Times, Pankaj Shah, deputy convener, Members and Students Services Directorate, ICAI, says, "The students are required to log their daily work, including the type of assignments handled, client details, and hours spent on each task. This will create a day-to-day record of the student's practical training experience."

Entries will be reviewed every fortnight. Shah says, "One of the key advantages of the digital format is its authenticity. Since the diary is updated in real time and must be periodically approved by the principal, it cannot be edited later. Upon completion of the two-year articleship, students will be able to generate a consoli-

Nanda adds, "Clear digital records minimise ambiguity and disagreements related to incomplete diaries or delayed signatures. Defined timelines, system validations, and deemed approval mechanisms further streamline processes and prevent avoidable friction. By eliminating follow-ups, the platform helps save time and mental bandwidth, allowing students to focus more meaningfully on learning and examinations." The diary will also help principals to assess performance and analyse time being spent across different types of work.

हिन्दुस्तान

सहकारी संस्थाओं की मजबूती में सीए महत्वपूर्ण

नई दिल्ली। भारतीय चार्टर्ड अकाउंटेंट्स संस्थान (आईसीएआई) की ओर से सहकारी क्षेत्र को सशक्त बनाने के उद्देश्य से सोमवार को कोऑपरेटिव वित्त शिबिर आयोजित किया गया। इसमें सीए की विस्तारित भूमिका पर मंथन किया गया। इस मंच पर सहकारी संस्थाओं में पारदर्शिता, वित्तीय अनुशासन और सुशासन को मजबूत करने पर गहन मंथन हुआ। कार्यक्रम का उद्घाटन केंद्रीय पर्यावरण, वन एवं जलवायु परिवर्तन मंत्री भूपेंद्र यादव ने किया।

'Cos must recognize impact of labour codes in Dec qtr P&L statements'

Green/Chanchal Pooja

green.p@gmail.com

C

ompanies must recognize the impact of the new labour codes in their December-quarter profit and loss statements, even as the Institute of Chartered Accountants of India (ICAI) has issued compliance requirements for unlisted subsidiaries in the profession's self-regulator.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Charanjot Singh Nanda, president of the Institute of Chartered Accountants of India (ICAI), said in an interview regarding a guidance note issued by the accounting rule-maker. The labour codes mandate that at least 50% of an employee's total remuneration be treated as wages, the basis for gratuity calculation. This may raise gratuity and leave benefit liabilities for many employers, who currently compute gratuity on a smaller base because of allowances accounting for a larger share.



Charanjot Singh Nanda, president of the Institute of Chartered Accountants of India.

The guidance note, reviewed by Mint, says that any increase in gratuity liability due to the application of the new labour codes is 'past service cost' and results in benefits payable. It is to be included in the P&L and the accounting for employees

benefits that based and large unlisted firms are required to follow, per the note.

For smaller companies, accounting standard 15 mandates that the additional cost has to be immediately recognized in the case of workers who have completed the required service period, which can be ascertained over the vesting period for others.

While unlisted firms prepare only annual financial statements, and not account quarterly, disinformation will be used in their parent's consolidated accounts. Additionally, unlisted firms preparing to go public and

preparing their quarterly results for this purpose must take into account the impact of the labour code, experts say.

Experts say the accounting standard 15 mandates that the additional cost has to be immediately recognized in the case of workers who have completed the required service period, which can be ascertained over the vesting period for others.

While unlisted firms prepare only annual financial statements, and not account quarterly, disinformation will be used in their parent's consolidated accounts. Additionally, unlisted firms preparing to go public and

preparing their quarterly results for this purpose must take into account the impact of the labour code, experts say.

Experts say the accounting standard 15 mandates that the additional cost has to be immediately recognized in the case of workers who have completed the required service period, which can be ascertained over the vesting period for others.

While unlisted firms prepare only annual financial statements, and not account quarterly, disinformation will be used in their parent's consolidated accounts. Additionally, unlisted firms preparing to go public and

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Businesses are required to reflect any additional gratuity liability arising from the labour codes up till the December-quarter results.

Treat Codes-led Gratuity Liability as Expense: ICAI

Most companies need to treat any increase in gratuity liability due to their adoption of new labour codes as a 'past service cost' and recognise it as an expense in profit and loss statements immediately. The Institute of Chartered Accountants of India said this could weigh on near-term profitability of companies. Bankinkar Pattanayak reports. >>>

REDEFINING WAGES AND RELAXING ELIGIBILITY CRITERIA

Higher Gratuity Liability Due to Labour Codes Must be Treated as Expense: ICAI

Liability needs to be recognised in interim financial statements for December quarter

Bankinkar Pattanayak

New Delhi: Most companies need to treat any increase in the gratuity liability due to their adoption of new labour codes as a 'past service cost' and recognise it as an expense in their profit and loss statements immediately. The Institute of Chartered Accountants of India (ICAI) has said. This could weigh on the near-term profitability of companies.

The gratuity liability is expected to rise, as the new labour codes have redefined wages and eased the eligibility for such a benefit for fixed-term workers, including the contractual ones.

This liability, the ICAI said, needs to be recognised in interim financial statements/results of companies for the December quarter, in sync with relevant accounting requirements.

These clarifications are part of a set of frequently asked questions (FAQs) issued by the Accounting Standards Board of the ICAI to sensitive stakeholders about key accounting implications of the new labour codes.

Cost Count

RULES THAT COULD RAISE GRATUITY LIABILITY

Wages to be at least 50% of total remuneration

Gratuity to be calculated on last drawn wages

PERMANENT EMPLOYEES ELIGIBLE AFTER 5 YEARS

Earlier, only those completing five years were eligible

The government last month consolidated 29 existing labour laws into a unified framework comprising four codes and made these effective from November 21, although supporting rules are yet to be notified.

NEW GRATUITY RULES

As per the new codes that have subsumed the Payment of Gratuity Act, 1972, gratuity payments to employees have to be calculated on

ACCOUNTING IMPLICATIONS

Most cos have to treat extra gratuity liability as 'past service cost'

Need to recognise it as an expense in interim results for Dec quarter

ACCOUNTING PRACTICES

The Indian Accounting Standard (Ind AS) 19 and Ind AS 15 govern rules on employee benefits and how companies need to report and recognise them in their financial statements.

The Ind AS 15, which is aligned with the global standards, requires the 'past service cost' of companies to be immediately recognised as an expense in the profit and loss statements. This standard is adopted by listed companies, unlisted entities beyond a certain size, banks, large shadow lenders and insurers.

Under the Ind AS 15, adopted mainly by smaller entities, this cost is recognised immediately for vested benefits and amortised for unvested ones.



ICAI for joint taxation scheme for couples

DIPAK MONDAL @ New Delhi

THE Institute of Chartered Accountants of India (ICAI) has proposed introduction of an optional joint taxation scheme for married couples, as part of its pre-Budget consultation with the finance ministry, arguing that the move would better reflect household realities and curb income-splitting practices.

In its representation, ICAI said under the existing income-tax framework, individuals are taxed separately, with each taxpayer entitled to a basic exemption limit of ₹4 lakh under the default tax regime and ₹2.5 lakh under the optional regime. While this structure works well for dual-income households, a large section of Indian families continue to rely on a single earning member.

"This creates an incentive to artificially transfer income to other family members to utilise individual exemption limits," ICAI said, adding that an op-



Optional joint taxation framework could address this distortion.

Under the proposed scheme, married couples would be allowed to file a joint return and opt for joint taxation, provided both have valid Permanent Account Numbers (PANs). Taxpayers would retain the choice to continue under the current individual taxation system or switch to the joint scheme.

ICAI has suggested that under joint taxation, the basic exemption threshold should be doubled and tax slabs broadened proportionately to reflect

Proposes surcharge threshold at ₹1.5 crore

ICAI has proposed raising the surcharge threshold under default regime to ₹75 lakh. Under the scheme, surcharge threshold could be raised to ₹1.5 cr, with graded surcharge rates thereafter. It also recommended that in cases where both spouses are salaried employees, standard deductions should be available separately

combined household income. As per the slab structure proposed by the institute, income up to ₹8 lakh would be tax-free, with progressively higher slabs culminating in a 30% tax rate for income above ₹48 lakh.

The institute stated that similar taxation models are already operational in developed economies such as the US. ICAI has flagged concerns over the surcharge structure under the default tax regime. It said while tax rates have been rationalised, the surcharge threshold for individuals and Hindu Un-

divided Families (HUFs) continues to remain at ₹50 lakh of total income. Since default regime allows fewer deductions, total income tends to be higher, triggering surcharge even when tax liability is lower.

ICAI has proposed raising the surcharge threshold under the default regime to at least ₹75 lakh. Under the joint taxation scheme, the surcharge threshold could be increased to ₹1.5 crore, with graded surcharge rates thereafter. The institute also recommended that in cases where both spouses are salaried employees, standard deductions should be available separately and thresholds for alternate minimum tax should be proportionately enhanced.

ICAI said joint taxation would be a socially equitable reform, recognising the economic contribution of non-earning spouses as homemakers, while also boosting household purchasing power, domestic consumption and long-term savings.



ICAI CONVOCATION ● THE CHARTERED ACCOUNTANT

CA. Charanjot Singh Nanda, President, ICAI, and CA. Prasanna Kumar D., Vice-President, ICAI, along with the Chief Guest, Shri Vivek Bharadwaj, IAS, Secretary, Ministry of Panchayat Raj and Central Council Members, inspired and addressed the newly qualified Chartered Accountants at the ICAI Convocation, held simultaneously across 15 centres on 29 December 2025.



“Convocation marks your formal entry into the professional journey. Membership of ICAI is not merely an achievement; it is a pledge and a promise to uphold independence of thought, ethical conduct, and professional excellence in every sphere of your work.”

- Shri Vivek Bharadwaj,
IAS, Secretary, Ministry of Panchayat Raj





**CHARTERED ACCOUNTANTS'
BENEVOLENT FUND [CABF]**



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).

During the Financial Year 2024-25, CABF has given assistance of Rs. 2.54 Crore to 145 beneficiaries. The available funds with CABF is not sufficient to continue to support all the beneficiaries. To meet the demand, Management Committee of CABF desires to augment funds through a "SPECIAL DRIVE". The contributions can be made by ICAI Members and CA Firms.

All Contributions of more than Rs.10,000 will receive congratulatory letter from the President, ICAI.

Category of Contribution	Shield Award	Presentation of Shield	Acknowledgement/ Recognition
Rs. 1 Lakh and above	Bronze plated Shield	Regional Council/Branch Chairman at major members seminar/conference at branch/region.	To be published in ICAI Journal, Regional Newsletter and branch newsletter.
Rs. 5 Lakh and above	Silver plated Shield	Regional Council/Branch Chairman at mega members seminar/conference at branch/region.	To be published in ICAI Journal, Regional Newsletter and branch newsletter.
Rs. 11 Lakh and above	Gold plated Shield	President/Vice President at Regional conference.	To be published in ICAI Journal, Regional Newsletter and branch newsletters with photograph.
Rs. 25 Lakh and above	Special Gold-plated Shield	President/Vice President at International conference.	To be published in ICAI Journal, Regional Newsletter and branch newsletters with photograph.
Rs. 51 Lakh and above	Platinum plated Shield	President/Vice President at International conference.	To be published in ICAI Journal, Regional Newsletter and branch newsletters with photograph.

The Contribution is eligible for tax exemption under Section 80G of the Income Tax Act

Link for Contribution as Life Member:
<https://cabf.icai.org/lifeMember>

Link for Voluntary Contribution:
<https://cabf.icai.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

CABF – A WAY TO SUPPORT PEERS IN DISTRESS

cabf.icai.org



ICAI DIGITAL LEARNING HUB

Your New Knowledge Sharing Hub!!!

Connect, Collaborate and Enrich your
knowledge & Professional Excellence
<https://learning.icai.org/>

ICAI Digital Learning Hub is an integrated Learning Management System (LMS) which brings a new knowledge ecosystem in a collaborative pedagogical model and with participatory learning to improve learner outcomes.

OUR STAKEHOLDERS

Members

Students

MRA/
MOU/SAFA
Members

What can Members do on the Digital Learning Hub?

- Subscribe to Certificate and Post- Qualification Courses
- Access Self-Paced Online E-Learning Courses
- Access Quick E-Referencers
- Subscribe to Web Lectures
- Register for Residential Programs
- Register for CPE Events
- Subscribe to E- Journals
- Undertake Assessments to assess one's subject knowledge
- Earn Structured & Unstructured CPE Credits
- Join Communities and interact with peers
- Take up Surveys, Quizzes, Polls
- Earn Badges

Benefits to the Stakeholders



CONTACT.



Share your valuable feedback on
<https://learning.icai.org/>



For Queries, mail to
elearning@icai.in