

# BHUJ BRANCH OF WIRC OF ICAI

E-NEWSLETTER FOR THE MONTH OF JULY-2020

(FOR PRIVATE CIRCULATION ONLY)

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## *CHAIRMAN'S COMMUNICATION*

### *Dear Professional Brothers & Sisters*

Wishing you all a very happy Chartered Accountants' Day. It is the day when the relentless efforts of our visionary founding fathers fructified and an independent accounting body was established in India. On this momentous occasion of CA Foundation Day, we salute all those visionaries who have laid the strong foundation of our esteemed Institute and have bestowed upon us the legacy of this noble profession. We have celebrated CA Day completing the 71-year long fulfilling journey of excellence. July 1st is a day of pride for the entire CA fraternity Bhuj Branch has organised a number of programmes beginning with Flag Hosting followed by Convened AGM, Swachchh Bharat Abhiyan, Tree Plantation and Blood Donation camp.

We are looking forward to the arrival of rains to respite from the sucking summer heat and to bring cheers for everyone. The monsoon plays a very important role in Indian economy and a good monsoon will help in improving the market sentiments. We pray rain god and hope for a good monsoon season ahead.

### **The month that was – June 2020:**

Month of June 2020 witnessed great participation from members in all webinar/virtual meetings organised by Branch.

- Structured Virtual CPE was organized on topic of **Outsourcing of Services by CA** on 02-06-2020. Speaker CA Dhaval Paun has given useful tips and shared practical guidance amongst the participants. Virtual Meeting has got huge response from all over india and got 300+ registration

- Bhuj Branch had privilege to **host first in Gujarat** from entire WIRC region, **WIRC officials Interactive** Virtual Meeting on 06-06-2020 with Member and students of Bhuj Branch. Chairman Shri Lalitbhai Bajaj, Vice Chairman, CA Vishal P. Doshi, Secretary CA Murtuza Kachwala, Treasurer CA Anand Jakhotiya were present from WIRC to discuss the issues of Members and the students and resolve the same.
- Along with Structured Virtual CPE was organized on topic **Adopting Sustainable technology by SMP CA Firm & New professional Opportunity** on 06-06-2020. Speaker RCM CA Arpit Kabra has given guidance to participants. Virtual Meeting has got huge response got 80 registration
- TDS compliance helpline** opened for Bhuj Branch Members with the help of our owned member and Past chairman CA Buntybhai Popat.
- Structured Virtual CPE was organized on topic of **Standard on Auditing Implementation by - SMP** on 16-06-2020. Speaker CA Vishal Doshi, Vice-Chairman, WIRC & CA Falguni Katarmal( Fresh Speaker of our Branch) have given shared knowledge amongst the participants. Virtual Meeting has got huge response and got 120+ registration
- On eve of International Day Virtual Meeting was organized on 19-06-2020 topic **Total Health Through Rhythmic Breathing**. Speaker Yog Teacher Shree Bahadursinh Sucharia has given guidance to participants. Virtual Meeting has got huge response got 80+ registration
- Bhuj Branch has participated in Virtual **International yog day** organised by ICAI and WIRC.
- Structured Virtual CPE was organized jointly with Gandhidham & Anand Branch on topic of **New Code of Ethics** on 28-06-2020. Speaker CCM Aniket Talati, Key Note Address given by CCM Jaybhai Chhaira, Special Address by RCM & WICASA Chairman CA Hitesh Pomal have given shared knowledge amongst the participants. Virtual Meeting has got huge response and got 150+ registration
- Bhuj Branch is also participating in Virtual **CA day** organised by ICAI on 29<sup>th</sup> June to 1<sup>st</sup> July 2020.

### **Devine Motivational Speech**

Bhuj Branch is Planning to host Devine motivational Speech virtual program on “**Deal With tough time**” by Swami Gyan Vatsaldasjee (BAPS) for Member and Students along with family members. Its our small attempt do program jointly with all branches of Gujarat as mark of unity. We are only strong as we are united.

### **Launching a Website**

Branch website development delayed due to lockdown & revision of Branch website development guidelines from ICAI will be completed in these month as assured by the developer. Branch Website will be useful for better functioning i.e. convinient to register for seminar, payment of fees and updation of information.

### **Forthcoming Academic Program for Members (e-learning)**

We are planning to organise various programs on relevant topics i.e GST, Income Tax, Auditing etc. on e-learning platform.

I would like to conclude with the thought,

“CA is not just Qualification but its pride and dignity of my life” K M Birla

Stay Safe. Stay Happy. Stay Updated

Thanks and Regards

**CA Jitendra Thacker**  
**Chairman**

Date: 30-06-2020

## **COMPLYING WITH THE CODE, FUNDAMENTAL PRINCIPLES AND CONCEPTUAL FRAMEWORK**

*(Sections 100, 110 and 120)*

**CA JAGRUTKUMAR AVINASH ANJARIA**

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### **COMPLYING WITH THE CODE:**

*In the very first line, the Code makes a very significant statement. It states that the profession of accountancy has accepted the responsibility to act in the public interest. The profession does not limit its role to satisfy the needs of its clients or employers only, but stays conscious of what is in the interest of the public in general. It reiterates that the inherent intention of the code is to encourage and enable the members to meet this responsibility to act in the PUBLIC INTEREST.*

*At clause R100.3, the code requires A PROFESSIONAL ACCOUNTANT to comply with the code. In the same clause, it is made clear that in a case where any law or regulation precludes from complying with a certain part of the code, it will be the law or regulation that shall prevail upon the code. In such cases the professional accountant will still be required to complying with the remaining parts of the code. In this connection, the code expects the accountant to be aware of different laws and regulations as well as how they differ from the code. The code suggests the accountant that in case the requirements of the code are more stringent then the requirements of the law or regulation, the accountant is to try and follow the requirements of the code if the law or the regulation does not prohibit doing so.*

### **FUNDAMENTAL PRINCIPLES**

*At clause R110.2, the Code requires a professional accountant to COMPLY WITH EACH OF THE FUNDAMENTAL PRINCIPLES.*

*Para A1 of the said clause, in a way, defines what is intended by the expression “Fundamental Principles.” It states that they establish the “standard of behavior” expected of a professional accountant. In order to assist a professional accountant in complying with them, the guidance is provided*

through “conceptual framework” in the code. The conceptual framework establishes the approach that can be applied by a professional accountant while complying with these fundamental principles.

### **WHAT ARE THESE FUNDAMENTAL PRINCIPLES**

Clause 110.1 A1 lists out Five fundamental principles, they are;

- Integrity
- Objectivity
- Professional competence and due care
- Confidentiality
- Professional behavior

The clause gives a brief description of each one of them and sections 111 to 115 give detailed requirements expected of a professional accountant in respect of each of the fundamental principles. They also provide guidance as to how to go about complying with these fundamental principles through application material.

### **CONFLICT BETWEEN TWO FUNDAMENTAL PRINCIPLES**

Section 110.2 A2 deals with a situation where complying with one fundamental principle gives rise to a conflict with another fundamental principle. The section suggests the accountant to resort to “consultation.” The section suggests that the accountant may consult other people with the organization, with those charged with governance, with the Institute or with legal counsel. The section further goes on to caution the accountant that even while he consults any one or more of the above, resolving of conflict remains his responsibility and he is required to discharge it by taking a professional judgment. If it is not possible to resolve the conflict, his professional judgment may require him to disassociate with the assignment. Section A3 goes on to suggest the accountant to document the entire process, from what the substance of the issue was, details of discussion as well as the decision taken and the rationale behind such a decision.

Before moving on to conceptual framework, let us see how the code explains each of the five fundamental principles in sections 111 to 115

### **INTEGRITY**

*Section 111.1 A1 views integrity to imply (mean or convey) two things, fair dealing and truthfulness.*

*Principle of integrity is dealt with at two levels in the code. Section 111.1 requires the accountant to straightforward and honest in all professional as well as business relations. The section conveys that by being straightforward and honest, the accountant will be sufficiently complying with the principle of integrity.*

*At another level, the code requires the accountant not to be associated with four things; reports, returns, communications or other information. The accountant is required to do so in three situations;*

- When it contains materially false statement or materially misleading statement*
- When it contains a statement that is prepared negligently or contains information that is prepared negligently*
- It omits to make a statement, or it makes an obscure statement and when the omission or obscurity would mislead the user*

*However, section 111.2 A1 goes on to clarify that if the accountant provides a modified report in respect of any of the above, requirement of this para is not breached.*

*In case the accountant, after having associated with anything of the nature described above, becomes aware of the existences of the situations mentioned above, section R111.3 requires the accountant to take steps to get disassociated with it.*

### **OBJECTIVITY**

*While dealing with this principle, section R112.1 talks about three things that may compromise the judgment of the accountant, they are; bias, conflict of interest and undue influence of others. The section requires the accountant not to allow these three to compromise the judgment of the accountant. By doing so, the accountant will be complying with this principle.*

*Further, section R112.2 states that if there are circumstances or relationship that unduly influences the judgment of the accountant regarding any particular activity, professional accountant shall not undertake such a professional activity in order to comply with this principle of objectivity.*

### **PROFESSIONAL COMPETENCE AND DUE CARE**

*Section R113.1 requires a professional accountant to comply with this principle. For this, the section requires the accountant to “attain” and “maintain” professional knowledge and skill. Knowledge and skill should be of such a level that the client or the employer receives competent service. Competence of service is measured in terms of technical and professional standards and relevant legislations. The section further requires the accountant to act diligently as well as to act in accordance with applicable technical and professional standards.*

*Section R113.2 requires the accountant to take reasonable steps to ensure that those who are working under the accountant are appropriately trained and supervised.*

*Professional services or activities of an accountant carry certain inherent limitations. Section R113.3 requires the accountant to make his clients or employer as well as the users of accountant’s services aware of such inherent limitations.*

### **CONFIDENTIALITY**

*A professional accountant acquires information as a result of professional or employment relationships. Section R114.1 requires the professional accountant to respect the confidentiality of information thus acquired.*

*Section R114.2 requires the accountant to continue to comply with confidentiality principle even after the relationship with the client or employer has come to an end. The section accepts the accountant’s right to use the experience gained but does not allow him to use or disclose any confidential information acquired or received.*

### **PROFESSIONAL BEHAVIOUR**

*Section R115.1 requires the accountant to do the following three things in order to comply with this principle.*

- *Comply with relevant laws and regulations*
- *Avoid any conduct that discredit the profession*
- *Not to knowingly engage in any employment, occupation or activity that impair integrity, objectivity or good reputation of the profession.*

*Further, section R115.2 requires the accountant not to bring the profession to disrepute while he promotes himself or his work. This section requires the accounts to remain outside the boundaries of professional and other misconduct. It requires the accountant to be honest and truthful. It further forbids him from making*

- *Exaggerated claims for services, qualification or experience*
- *Disparaging reference to the works of others*
- *Unsubstantiated comparison to the work of others*
- *Any measure to advertise in violation of Advertisement guidelines.*

*On advertisements, section 115.2 A1 suggests the accountant to ensure that*

- *The contents are true to the best of knowledge and belief*
- *Are in conformity with Advertisement guidelines*

### **CONCEPTUAL FRAMEWORK**

*From section 120 onwards the code gives the conceptual framework as a guide on how to comply with the requirements of the code. Section R120.3 requires the accountant to apply conceptual framework to carry out three tasks*

- *Identify the threats to compliance with the fundamental principles*
- *Evaluate such threats*
- *And finally, address these threats.*

*Continuing with the question of how to comply, section R120.4 requires the accountant to pay attention to the context of the issue while dealing with an ethics issue. Where the relationship of an individual professional accountant with the firm is that of contractor, employee or owner, the individual who is a professional accountant shall comply with the provisions in Part 2.*

*Then, section R120.5 requires the professional accountant, when applying the conceptual framework to;*

- *Exercise professional judgment*
- *Remain alert for new information*
- *Remain alert to change in facts and circumstances*
- *Use reasonable and informed third party test*

*Section 120.5 A1 elaborates on professional judgment. It says that the need for professional judgments arises when conceptual framework is used to make informed decisions. Such decisions are needed to decide which course of actions available and to decide whether the available decisions are appropriate under the circumstances. Training, professional knowledge, skill and experience are useful in making professional judgment.*

*Conceptual framework can be properly applied only when known facts and circumstances are properly understood. To understand them and their interplay with the compliance of fundamental principles also involves professional judgment*

*Section 120.5 A4 talks about Reasonable and informed third party test. Here, the professional accountant puts his conclusion to test. Here the accountant asks if another party would have reached to the same conclusion as he did or not. Here it is assumed that the third party (another party) is reasonable and informed (that is knows the facts and circumstances). The third party here need not be an accountant (like in peer review), but is assumed to possess relevant knowledge and experience to understand and evaluate the conclusions that the accountant has made. It is also expected that the third party does so in an impartial manner.*

### **IDENTIFYING THREATS**

*The next step in the conceptual framework is the identification of threats. Section R120.6 requires the accountant to identify threats to compliance of fundamental principles. Section 120.6 A1 tries to explain what may compromise compliance with fundamental principles; facts, circumstances, activities, interests and relationship; any one of these can compromise*

compliance. Hence, it is necessary to understand them first. Only after they are understood, can an accountant identify any of them as a threat.

Section 120.6 A3 categories the threats into four types

- **Self Interest threat**
  - Here professional accountant's judgment or behavior is influenced by his interests; interest may be financial or otherwise.
- **Self Review Threat**
  - This threat presents itself when the accountant fails to evaluate, appropriately the result of a previous judgment or activity, when
    - That judgment was made by the accountant himself
    - That activity was performed by the accountant himself
    - That was done by another individual within the organization of the accountant
      - And, the accountant is going to rely on that individual while forming a judgment while he is carrying out the current activity in question.
- **Advocacy Threat**
  - The code defines this threat thus
  - Here, the accountant promotes (supports) the position taken by the client organization
    - Supports it to such an extent that accountant's objectivity is compromised
- **Familiarity Threat**
  - This threat arises due to long relationships
  - Relationship may be with a client or employing organization.
  - Here, the accountant becomes too sympathetic to the interest of the client or employer
  - Or, he may accept their work a bit too easily
- **Intimidation Threat**
  - Here, the accountant is subjected to pressure; pressure may be actual or perceived.
  - As a result, the accountant is deterred from acting objectively.
  - Attempts to exercise undue influence over the accountant are also covered under this category of threat.

- *Section 120.6 A4 makes it clear that it may so happen that there are circumstances that may create more than one threat (at a time), and it may also happen that a threat may affect compliance with more than one fundamental principle.*

### **EVALUATING THREATS**

*The next step in the conceptual framework is to evaluate the threats identified as above. Section R120.7 requires the professional accountant to evaluate the identified threats as to whether such threats are at an acceptable level.*

*Acceptable level is a level at which the professional accountant would be likely to conclude that fundamental principles are complied with. This conclusion should have come after using reasonable and informed third party test.*

*Section R120.9 deals with a situation when there are new information or there are changes in facts and circumstances. As a result of this, a threat may get eliminated or it may come down to an acceptable level or a new threat may also arise. In such a situation, the code requires the accountant to reevaluate the threat and address it in accordance with such reevaluation. Such changes may have a twofold effect; they may impact the level of threat or they may affect the conclusions of the accountant whether the safeguards applied to the identified threats continue to be appropriate.*

### **ADDRESSING THREATS**

*If the professional accountant determines that the threats are not at an acceptable level, section R120.10 requires the accountant to address them in either of the two ways;*

- *Eliminating them*
- *Reducing them to an acceptable level*

*The section requires the account to do so in the following manner*

- *Eliminate the circumstances, interests or relationships (that may be giving rise to threats)*
- *Apply safeguards to bring threats to an acceptable level. This may be done where safeguards are available and safeguards are capable of being applied.*

- *Decline the professional activity, or end it (if it is in progress).*

*Section 120.10 A2 explains what safeguards are. It says that safeguards are basically an action or a combination of actions. It is the accountant who takes these actions or intends to take them. Such actions effectively reduce the threats to compliance with fundamental principles to an acceptable level.*

*Finally, section R120.11 requires the accountant to form an overall conclusion. This overall conclusion will be about the actions that the accountant takes or intends to take. Conclusion will be about whether these actions that are designed to address the threats will eliminate the threats or reduce them to an acceptable level. The section further requires that in forming such overall conclusion, the accountant shall review significant judgments and conclusions and shall also use reasonable and informed third party test.*

### **BREACHES OF THE CODE**

*Section R100.4 of the code deals with this aspect. It states that if there is a breach of Independence Standards, Sections R400.80 to R400.89 and R900.50 to R900.55 will take care of it. (We shall deal with that in a subsequent article in future).*

*If breach of any other provision is identified by the accountant, the section requires the accountant to do two things;*

- *Evaluate the significance of the breach*
- *Impact of that breach on the accountant's ability to comply with fundamental principles*

*The section further requires the accountant to;*

- *Take whatever action that might be available to address the consequences of the breach. The section requires such actions to be taken as soon as possible.*
- *Determine whether to report the breach to the relevant parties. Here, section 100.4 A1 suggests that the party who might have been affected by the breach is included in the relevant party, that is, breach may be reported to such a party as well.*

## CONFLICTS OF INTEREST

(Sections 310)

CA CHUNAUTI H.DHOLAKIA

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*“CA profession has enough for every member’s need but not enough for every member’s greed”.*

*This modified quote is the essence of Code of ethics, which directs every member not to cross the thin line between “need” and “greed” while performing their professional services.*

### **Meaning of conflict of interest:**

*In general, the professional accountant in public practice, should both be, and appear to be free of any interest which might be regarded, whatever its actual effect, as being incompatible with integrity and objectivity. The overriding motto has been “pride of service in preference to personal gain”. However, a professional accountant in public practice may be faced with conflict of interest when performing professional services. A professional accountant shall not allow a conflict of interest to compromise professional or business judgment.*

*There is no definition of conflict of interest given in the revised Code of Ethics. However, it can be described as the situation that creates self-interest threat to compliance with the principle of objectivity. When the member in practice performs his professional services in his own interest without considering his professional responsibility to protect the interest of client, profession and the public, it creates conflict of interest. Due to conflict of interest, the business judgments of professional accountant may compromise, which may create threat to principle of objectivity.*

*In fact, conflict of interest is a broad concept. Hence for better understanding of the concept, it has been divided in revised Code of Ethics in two parts. Provisions for conflict of interest for professional accountant in*

*service has been covered in section 210 and provisions for conflict of interest for professional accountant in public practice has been covered in section 310. In this article, provisions of section 310 of revised Code of Ethics are discussed.*

### **Example of conflict of interest:**

*For the understanding, it can be divided in two parts:*

- **Conflict of interest of two or more clients:**

*When the professional accountant provides professional services for particular matter for two or more clients, whose interests with respect to particular matter are in conflict, it creates threat to principle of objectivity. Examples of the circumstances that might create such conflict of interest are as under:*

- (1) Providing services to two clients at the same time where the clients are competing to acquire the same company and the advice might be relevant to the parties' competitive position.*
- (2) Representing two clients in the same matter who are in legal dispute, for example, representing partner-A and partner-B of the firm ABC Enterprise regarding dissolution of their firm.*
- (3) Providing services to seller and buyer to acquire same property.*
- (4) Preparation of valuation of assets for two parties who are in adversarial position with respect to the asset.*
- (5) In a license agreement, providing an assurance report for a licensor on the royalties due while advising the licensee on the amount payable.*
- (6) Providing strategic advice to a client on its competitive position while having a joint venture or similar interest with a major competitor of the client.*

- **Conflict of interest of professional accountant and client:**

*When the professional accountant has provided professional services for particular matter, for which interest of professional accountant and interest of client are in conflict, threat to objectivity may arise. In case of personal interest of the member in particular matter for which the member is providing services*

*to client, self-interest threat may also arise. For example, when the professional accountant has advised client to invest in particular business, in which spouse of professional accountant has financial interest, or when the professional accountant has advised his client to acquire a business, which the firm is also interested in acquiring, conflict of interest may arise.*

### **Identification of conflict of interest:**

*The remedy to avoid conflict of interest is the earlier identification of actual or potential conflict of interest. With the earlier identification of actual or potential conflict of interest before accepting new engagement or business relationship with the client, the accountant will be more able to address threats created by the conflict of interest.*

*Such circumstances can be identified considering the nature of relevant interest and relationships between the parties involved, and the service and its implications for relevant parties. Moreover, the professional accountant shall consider factors such as nature of professional services provided, size and structure of the firm, size and nature of client base to identify actual or potential conflict of interest. Further, there may be changes during engagement in above factors. Hence the professional accountant shall remain alert to changes over time in above factors that may create conflict of interest.*

### **Threats created by conflict of interest:**

*Professional accountant should evaluate level of threat created by conflict of interest and ensure that it should be at an acceptable level. If there is more direct connection between the professional service and the matter on which the parties interest conflict, it is more likely that the level of threat is not at an acceptable level.*

*Hence in case of conflict of interest for two or more clients, level of threat created by conflict of interest can be reduced by, preventing unauthorized disclosure of confidential information. Moreover, the professional accountant should establish policies and procedure to limit access to client files. Separate*

*practice areas for specially functions within the firm may also act as barrier in passing the confidential client information between practice areas. Hence the confidentiality agreements can be signed by personnel and partners of the firm. Further, professional accountant should separate confidential information physically and electronically. It is better to have the regular review of the application of safeguards by the independent reviewer not involved with the client engagement or engagements.*

### **Disclosure and consent:**

*The professional accountant shall exercise professional judgment to determine necessity of specific disclosure and explicit consent. The professional accountant shall, in determining such necessity consider factors such as circumstances creating the conflict of interest, the parties that might be affected, the nature of issue that might arise and potential for the particular matter to develop in an unexpected manner. It is generally necessary that the professional accountant shall disclose the nature of the conflict of interest. He should disclose how any threats created were addressed to clients affected by conflict of interest.*

*Forms of disclosure of circumstances are as under:*

#### **(1) General disclosure:**

*It is common commercial practice where the accountant makes general disclosure in the standard terms and conditions for the engagement. General disclosure of circumstances to clients is made where the professional accountant is considering accepting new client that is competitor of existing client or client. In such circumstances, it should be disclosed in the engagement letter terms and conditions that it does not provide professional services exclusively to any one client in a particular market sector while refraining from mentioning name of the competitor. It enables the client to provide general consent accordingly.*

**(2) Specific disclosure:**

*It is made to affected client with detailed presentation of circumstances of the particular conflict and a comprehensive presentation of any planned safeguards and the risks involved. It enables the client to make informed decision about the matter and provides explicit consent accordingly.*

*It is required that disclosure and consent should be in writing. But when the disclosure and consent is verbal or implied, the professional accountant shall document the nature and circumstances giving rise to the conflict of interest, the safeguards applied to address the threats and the consent obtained.*

*It is generally necessary to obtain consent of the affected clients to perform the professional service when safeguards are applied to address threat. If the client has refused to provide explicit consent, when it is necessary, the professional accountant shall either end or decline to perform professional services that would result in conflict of interest, or end relevant relationship or dispose of relevant interest to eliminate the threat or reduce it to an acceptable level.*

**Confidentiality:**

*A breach of confidentiality may arise mainly at the time of making specific disclosure to obtain explicit consent. Hence a member shall remain alert to the principle of confidentiality. Such breach of confidentiality may arise for example, when seeking consent to perform-*

- (1) a transaction-related service for a client in a hostile takeover of another client of the firm; and*
- (2) a forensic investigation for a client regarding a suspected fraud, where the firm has confidential information from its work to another client who might be involved in the fraud.*

*When such disclosure would result in a breach of confidentiality and the explicit consent cannot therefore be obtained, the firm shall only accept or continue an engagement, if*

- (a) The firm does not act in an advocacy role for one client in an adversarial position against another client in the same matter;
- (b) Specific measures are in place to prevent disclosure of confidential information between the engagement teams serving the two clients; and
- (c) The firm is satisfied that a reasonable and informed third party would be likely to conclude that it is appropriate for the firm to accept or continue the engagement because a restriction on the firm's ability to provide the professional service would produce a disproportionate adverse outcome for the clients or other relevant third parties.

*In such circumstances, the member shall document the nature of circumstances, the specific measures in place to prevent disclosure of information between the engagement teams serving two clients. The member shall also document why it is appropriate to accept or continue the engagement.*

**Conclusion:**

*The Ethics is not a domain, but it has to be inculcated in habit of the member, so that there is a culture of ethics. The force has to be strong enough to withstand any selfish motive or temptation. By maintaining ethics while performing professional service, the member can adhere to our creed "excellence, independence and integrity".*

## **PROFESSIONAL APPOINTMENTS AND SECOND OPINIONS**

*(Sections 320 and 321)*

**CA SONALI G.ASODIYA**

*B.Com., ACA*

Motive of Revision in Code of Ethics is to work towards evolving a dynamic and contemporary Code of Ethics and ethical behaviour for members while retaining the long cherished ideals of 'excellence, independence, integrity' as also to protect the dignity and interests of the members.

In this article, we will discuss about 1) Professional Appointment and 2) Second opinion

### **1. PROFESSIONAL APPOINTMENTS:**

An appointment of Professional accountant is made for different type of engagement by different type of entities. For example engagement as statutory auditor, internal auditor by corporate and other entities, engagement for tax audit by individual or other entities.

The appointment may be a first appointment for any entity or may be a continuance of appointment same as earlier or appointment in existing engagement with change or new appointment previously engaged by other professional. In all these professional appointment, there may be a threat to compliance with one or more of the fundamental principles.

To deal with it section 320 of code of ethics sets out specific requirements relevant to applying the conceptual framework in such circumstances.

#### **➤ Engagement Acceptance:**

Threat associated:

- ❖ One of the Fundamental principles that Professional accountant shall comply with is: Integrity. He should be straightforward and honest in all professional and business relationship. Integrity also implies fair dealing and truthfulness.

But in acceptance of professional engagement, threats to compliance with the principles of integrity or professional behaviour might be created. For example, client involvement in illegal activities, dishonesty, questionable financial reporting practices or other unethical behaviour.

### Relevant factors in evaluating the level of threat:

- Knowledge and understanding of the client, its owners, management and those charged with governance and business activities.
- The client's commitment to address the questionable issues, for example, through improving corporate governance practices or internal controls.

### Threat associated:

- ❖ One other principle is Professional competence and due care. Professional accountant has to make himself and his audit team updated with knowledge of client's business and compliance requirement.

A self-interest threat to compliance with the principle of professional competence and due care is created if the engagement team does not possess, or cannot acquire, the competencies to perform the professional services.

### Relevant factors in evaluating the level of threat:

- An appropriate understanding of:
  - > The nature of the client's business;
  - > The complexity of its operations;
  - > The requirements of the engagement; and
  - > The purpose, nature and scope of the work to be performed.
- Knowledge of relevant industries or subject matter.
- Experience with relevant regulatory or reporting requirements.
- The existence of quality control policies and procedures designed to provide reasonable assurance that engagements are accepted only when they can be performed competently

For example, when statutory auditor is appointed for Banking sector, Insurance sector etc., whole audit team should be aware of RBI guidelines, IRDAI guidelines so as to perform the professional services effectively.

Following are actions plan that might be safeguards to address a self interest threat:

- Assigning sufficient engagement personnel with the necessary competencies.
  - Agreeing on a realistic time frame for the performance of the engagement.
  - Using experts where necessary.
- ❖ Professional accountants while accepting engagement of attest functions are required to comply with the “Know Your client” (KYC) Norms of the Institute.

“Attest Functions” for this purpose will include services pertaining to Audit, Review, Agreed upon Procedures and Compilation of Financial Statements.

To comply with KYC norms, Announcement issued regarding it is reproduced below:

1. Where Client is an individual /proprietor

A. General Information

- > Name of the Individual
- > PAN No. or Aadhar Card No. of the Individual
- > Business Description
- > Copy of last Audited Financial Statement

B. Engagement Information

- > Type of Engagement

2. Where Client is a Corporate Entity

A. General Information

- > Name and Address of the Entity
- > Business Description
- > Name of the Parent Company in case of Subsidiary
- > Copy of last Audited Financial Statement

### B. Engagement Information

>Type of Engagement

### C. Regulatory Information

> Company PAN No.

> Company Identification No.

> Directors' Names & Addresses

> Directors' Identification No.

### 3. Where Client is a Non- Corporate Entity

#### A. General Information

>Name and Address of the Entity

> Copy of PAN No.

> Business Description

> Partner's Names & Addresses (with their PAN/Aadhar Card/DIN No.)

> Copy of last Audited Financial Statement

#### B. Engagement Information

> Type of Engagement

#### ➤ **Changes in a Professional Appointment:**

At the time of accepting new engagement previously held by another auditor, a professional accountant shall comply with provisions of Clause (8) of Part-I of First Schedule to The Chartered Accountants Act, 1949. Also he shall determine whether there are any reasons for not accepting an engagement.

#### Threat Associated:

Threats may be raised when the accountant:

(a) Is asked by a potential client to replace another accountant;

(b) Considers tendering for an engagement held by another accountant subject to compliance with council guidelines dated 7th April, 2016 issued in this regard, as amended from time to time; or

(c) Considers undertaking work that is complementary or additional to that of another accountant.

- ❖ When new engagement is accepted, there might be a self-interest threat to compliance with the principle of professional competence and due care if a professional accountant accepts the engagement before knowing all the relevant facts.
- ❖ If a professional accountant is asked to undertake work that is complementary or additional to the work of an existing or predecessor accountant, a self-interest threat to compliance with the principle of professional competence and due care might be created, for example, as a result of incomplete information.

Factor to evaluate such threat:

There are two ways to mitigate such a self-interest threat.

One is, before accepting the engagement, contact with the existing or predecessor accountant. This will help the proposed accountant in acquiring required information and knowledge that he should be aware of before accepting such engagement. This contact gives the proposed accountant the opportunity to inquire whether there are any reasons why the engagement should not be accepted.

Second is obtaining information from other sources such as through inquiries of third parties or background investigations regarding senior management or those charged with governance of the client.

- ❖ Communicating with the Existing or Predecessor Accountant:

A proposed accountant will usually need the client's permission, preferably in writing, to initiate discussions with the existing or predecessor accountant.

If unable to communicate with the existing or predecessor accountant, the proposed accountant shall take other reasonable steps to obtain information about any possible threats.

### ❖ Communicating with the Proposed Accountant:

When an existing or predecessor accountant is asked to respond to a communication from a proposed accountant, the existing or predecessor accountant shall:

- (a) Comply with relevant laws and regulations governing the request; and
- (b) Provide any information honestly and unambiguously.

An existing or predecessor accountant is bound by confidentiality. Whether the existing or predecessor accountant is permitted or required to discuss the affairs of a client with a proposed accountant will depend on the nature of the engagement and:

- (a) Whether the existing or predecessor accountant has permission from the client for the discussion; and
- (b) The legal and ethics requirements relating to such communications and disclosure.

### ➤ **Continuance of Engagement:**

For a recurring client engagement, a professional accountant shall periodically review whether to continue with the engagements

Potential threats to compliance with the fundamental principles might be created after acceptance which, had they been known earlier, would have caused the professional accountant to decline the engagement. For example, a self-interest threat to compliance with the principle of integrity might be created by improper earnings management or balance sheet valuations

### ➤ **Using the Work of an Expert**

Sometimes, a professional accountant required to use the work of other expert. For example valuation of property, work of surveyor etc.

Factors to consider when a professional accountant intends to use the work of an expert include the reputation and expertise of the expert, the resources available to the expert, and the professional and ethics standards applicable to the expert.

### **SECOND OPINIONS:**

There are circumstances when a professional accountant is asked to give second opinion to client. Section 321 of Code of ethics deals with threat associated with second opinion and requirement to be followed regarding second opinion.

A professional accountant might be asked to provide a second opinion on the application of accounting, auditing, reporting or other standards or principles to

(a) specific circumstances, or

(b) transactions by or on behalf of a company or an entity that is not an existing client.

#### Threat Associated:

There may be a chance that a professional accountant is not provided the same facts and information that the existing or predecessor accountant had. In this situation a threat is created to compliance with the principle of professional competence and due care

#### Factor to evaluate such threat:

A professional accountant should have all the other available facts and assumptions relevant to the expression of a professional judgment.

Example of actions to safeguard such self interest threat:

- With the client's permission, obtaining information from the existing or predecessor accountant.
- Describing the limitations surrounding any opinion in communications with the client.
- Providing the existing or predecessor accountant with a copy of the opinion.

#### When Permission to Communicate is Not Provided:

If an entity seeking a second opinion from a professional accountant will not permit the accountant to communicate with the existing or predecessor accountant, the accountant shall determine whether the accountant may provide the second opinion sought.

❖ **Conclusion:**

The building of our profession is built up on our fundamental principles which includes integrity, competence, due care etc. and this base must be strong enough. At any cost these principles should not be compromised. Thus code of ethics guide us to follow our principles effectively and describe possible actions to overcome with threat of non compliance.

## **INDUCEMENTS INCLUDING GIFTS AND HOSPITALITY AND CUSTODY OF CLIENT ASSETS**

*(Sections 340 and 350)*

**CA ABHAY THACKER**

*B.Com., ACA*

Code of Ethics is applicable from 1 April, 2020. Where guidance contained in this Code relates to engagements commencing prior to that date, guidance contained in eleventh (2009) edition of the Code may be applied up to completion of the said engagements. Transitional arrangements are available in respect of specific sections of this Code.

This Code has been derived from the International Ethics Standards Board for Accountants (IESBA) Code of Ethics, 2018 issued by the International Federation of Accountants (IFAC).

The *Code of Ethics for Professional Accountants* sets out fundamental principles of ethics for professional accountants, reflecting the professions recognition of its public interest responsibility.

The Code provides a conceptual framework that professional accountants are to apply in order to identify, evaluate and address threats to compliance with the fundamental principles

### **SECTION 340 INDUCEMENTS, INCLUDING GIFTS AND HOSPITALITY**

#### **Introduction**

Professional accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.

Offering or accepting inducements might create a self-interest, familiarity or intimidation threat to compliance with the fundamental principles, particularly the principles of integrity, objectivity and professional behaviour.

This section sets out requirements and application material relevant to applying the conceptual framework in relation to the offering and accepting of inducements when performing professional services that does not constitute

non-compliance with laws and regulations. This section also requires a professional accountant to comply with relevant laws and regulations when offering or accepting inducements.

### **Requirements and Application Material**

An inducement is an object, situation, or action that is used as a means to influence another individual's behaviour, but not necessarily with the intent to improperly influence that individual's behaviour. Inducements can range from minor acts of hospitality between professional accountants and existing or prospective clients to acts that result in non-compliance with laws and regulations.

The professional accountant shall obtain an understanding of relevant laws and regulations, if any, and comply with them when the accountant encounters such circumstances.

The offering or accepting of inducements that is not prohibited by laws and regulations might still create threats to compliance with the fundamental principles

An inducement is considered as improperly influencing an individual's behaviour if it causes the individual to act in an unethical manner. Such improper influence can be directed either towards the recipient or towards another individual who has some relationship with the recipient.

The determination of whether there is actual or perceived intent to improperly influence behaviour requires the exercise of professional judgment. Relevant factors to consider might include:

- The nature, frequency, value and cumulative effect of the inducement.
- Timing of when the inducement is offered relative to any action or decision that it might influence.
- Whether the inducement is a customary or cultural practice in the circumstances, for example, offering a gift on the occasion of a religious holiday or wedding.

- Whether the inducement is an ancillary part of a professional service, for example, offering or accepting lunch in connection with a business meeting.
- Whether the offer of the inducement is limited to an individual recipient or available to a broader group. The broader group might be internal or external to the firm, such as other suppliers to the client.
- The roles and positions of the individuals at the firm or the client offering or being offered the inducement.
- Whether the professional accountant knows, or has reason to believe, that accepting the inducement would breach the policies and procedures of the client.
- The degree of transparency with which the inducement is offered.
- Whether the inducement was required or requested by the recipient.
- The known previous behaviour or reputation of the offeror.

A professional accountant shall remain alert to potential threats to the accountant's compliance with the fundamental principles created by the offering of an inducement:

- (a) By an immediate or close family member of the accountant to an existing or prospective client of the accountant.
- (b) To an immediate or close family member of the accountant by an existing or prospective client of the accountant.

Where the professional accountant becomes aware of an inducement being offered to or made by an immediate or close family member and concludes there is intent to improperly influence the behaviour of the accountant or of an existing or prospective client of the accountant, or considers a reasonable and informed third party would be likely to conclude such intent exists, the accountant shall advise the immediate or close family member not to offer or accept the inducement

### **Other Considerations**

If a professional accountant encounters or is made aware of inducements that might result in non-compliance or suspected non-compliance with laws and regulations by a client or individuals working for or under the direction of the client, the requirements and application material in Section 360 apply.

If a firm, network firm or an audit team member is being offered gifts or hospitality from an audit client, the requirement and application material set out in Section 420 apply.

If a firm or an assurance team member is being offered gifts or hospitality from an assurance client, the requirement and application material set out in Section 906 apply.

## **SECTION 350 CUSTODY OF CLIENT ASSETS**

### **Introduction**

Professional accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.

Holding client assets creates a self-interest or other threat to compliance with the principles of professional behaviour and objectivity. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

### **Requirements and Application Material**

#### **Before Taking Custody**

A professional accountant shall not assume custody of client money or other assets unless permitted to do so by law and in accordance with any conditions under which such custody may be taken.

As part of client and engagement acceptance procedures related to assuming custody of client money or assets, a professional accountant shall:

- (a) Make inquiries about the source of the assets; and
- (b) Consider related legal and regulatory obligations.

Inquiries about the source of client assets might reveal, for example, that the assets were derived from illegal activities, such as money laundering. In such circumstances, a threat would be created and the provisions of Section 360 would apply.

### **After Taking Custody**

A professional accountant entrusted with money or other assets belonging to others shall:

- (a) Comply with the laws and regulations relevant to holding and accounting for the assets;
- (b) Keep the assets separately from personal or firm assets;
- (c) Use the assets only for the purpose for which they are intended; and
- (d) Be ready at all times to account for the assets and any income, dividends, or gains generated, to any individuals entitled to that accounting.

**Compiled By:- CA DEEP KORADIA**  
**B.Com., FCA, DISA(ICAI)**

Sr No	Notification No	Category	Date	Description	Keyword / Reference / Comment	Link
1	44/2020	Central Tax	08-06-2020	Seeks to give effect to the provisions of Rule 67A for furnishing a nil return in FORM GSTR-3B by SMS	NIL Return can be filled via SMS from Registered Mobile Number	<a href="#">Click Here</a>
2	45/2020	Central Tax	09-06-2020	Seeks to extend the date for transition under GST on account of merger of erstwhile Union Territories of Daman and Diu & Dadar and Nagar Haveli.	Transition plan for Daman Diu & Dadra nagarhaveli extended till 31072020	<a href="#">Click Here</a>
3	46/2020	Central Tax	09-06-2020	Seeks to extend period to pass order under Section 54(7) of CGST Act	Final Order of the refund [which needed to be passed within 60 days of application] is extended for 15 days or 30062020 WIL if the 60 days expires on 200320 to 290620	<a href="#">Click Here</a>
4	47/2020	Central Tax	09-06-2020	Seeks to amend Notification No. 40/2020 – Central Tax dated 05.05.2020 in respect of extension of validity of e-way bill generated on or before 24.03.2020 (whose validity has expired on or after 20th day of March 2020) till the 30th day of June	Ewaybill validity extended to 31.06.2020 for those which are generated before 24.03.2020 and expired during 15.04.2020 to 24.03.2020	<a href="#">Click Here</a>
5	48/2020	Central Tax	19-06-2020	seeks to make sixth amendment (2020) to CGST Rules.	Companies Can now file GSTR-3B & 1 via EVC Till 03-09-2020	<a href="#">Click Here</a>
6	49/2020	Central Tax	24-06-2020	Seeks to bring into force Sections 118, 125, 129 & 130 of Finance Act, 2020 in order to bring amendment to Sections 2, 109, 168 & 172 of CGST Act w.e.f. 30.06.2020.	Some of the provisions of Finance Act 2020 are notified	<a href="#">Click Here</a>
7	50/2020	Central Tax	24-06-2020	Seeks to make seventh amendment (2020) to CGST Rules.	Composition Rate Table Rationalised	<a href="#">Click Here</a>
8	50/2020 - CORRIGENDUM	Central Tax	24-06-2020	Seeks to make seventh amendment (2020) to CGST Rules.	Correction in 50-2020 CT	<a href="#">Click Here</a>
9	51/2020	Central Tax	24-06-2020	Seeks to provide relief by lowering of interest rate for a prescribed time for tax periods from February, 2020 to July, 20	Partial & Full 'Interest Relaxation for Feb20 to July20	<a href="#">Click Here</a>

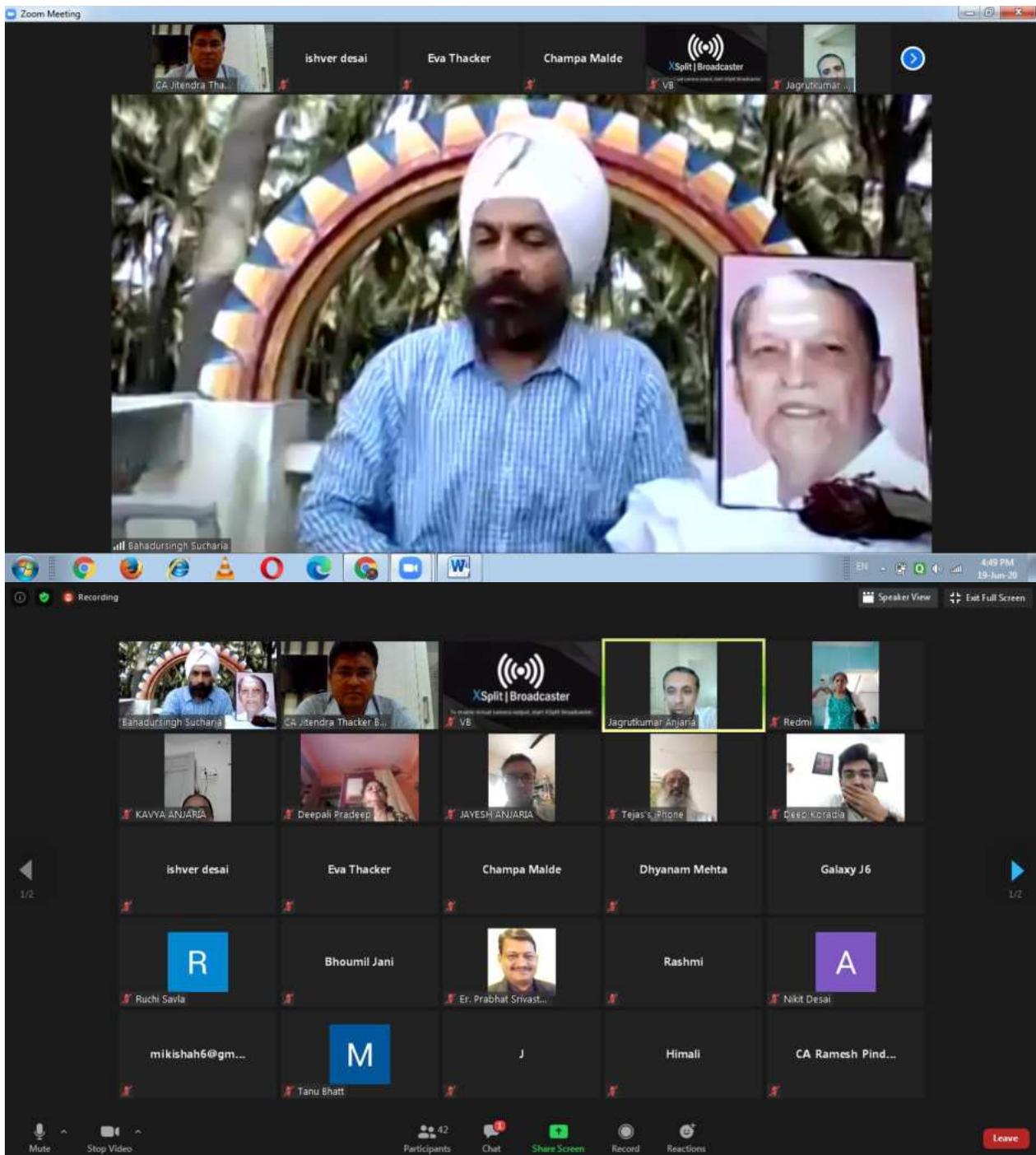
10	52/2020	Central Tax	24-06-2020	Seeks to provide one time amnesty by lowering/waiving of late fees for non furnishing of FORM GSTR-3B from July, 2017 to January, 2020 and also seeks to provide relief by conditional waiver of late fee for delay in furnishing returns in FORM GSTR-3B for tax periods of February, 2020 to July, 2020.	Late Fee conditional waiver GSTR-3B for Feb-20 to Jul-20	<a href="#">Click Here</a>
11	53/2020	Central Tax	24-06-2020	Seeks to provide relief by waiver of late fee for delay in furnishing outward statement in FORM GSTR-1 for tax periods for months from March, 2020 to June, 2020 for monthly filers and for quarters from January, 2020 to June, 2020 for quarterly filers	Late Fee conditional waiver GSTR-1 for Feb-20 to Jun-20	<a href="#">Click Here</a>
12	53/2020 - CORRIGENDUM	Central Tax	24-06-2020	Seeks to provide relief by waiver of late fee for delay in furnishing outward statement in FORM GSTR-1 for tax periods for months from March, 2020 to June, 2020 for monthly filers and for quarters from January, 2020 to June, 2020 for quarterly filers	Correction in 53-2020 CT	<a href="#">Click Here</a>
13	54/2020	Central Tax	24-06-2020	Seeks to extend due date for furnishing FORM GSTR-3B for supply made in the month of August, 2020 for taxpayers with annual turnover up to Rs. 5 crore.	Aug-20 3B Due date itself extended for person having TO below 5 crore	<a href="#">Click Here</a>
14	55/2020	Central Tax	27-06-2020	Seeks to amend notification no. 35/2020-Central Tax in order to extend due date of compliance which falls during the period from "20.03.2020 to 30.08.2020" till 31.08.2020.	Compliances falls within 20-03-2020 to 30-08-2020 now extended till 31-08-2020 [except for the negative list in 35-2020 CT]	<a href="#">Click Here</a>
15	56/2020	Central Tax	27-06-2020	Seeks to amend notification no. 46/2020-Central Tax in order to further extend period to pass order under Section 54(7) of CGST Act till 31.08.2020 or in some cases upto fifteen days thereafter.	Final Order of the refund [which needed to be passed within 60 days of application] is extended for 15 days or 31082020 WIL if the 60 days expires on 200320 to 300820	<a href="#">Click Here</a>
16	04/2020	Integrated Tax	24-06-2020	Seeks to bring into force Section 134 of Finance Act, 2020 in order to bring amendment to Section 25 of IGST Act w.e.f. 30.06.2020.	Removal of Difficulties Order's power extended from 3 years to 5 Years	<a href="#">Click Here</a>

17	05/2020	Integrated Tax	24-06-2020	Seeks to provide relief by lowering of interest rate for a prescribed time for tax periods from February, 2020 to July, 2020.	Partial & Full 'Interest Relaxation for Feb20 to July20	<a href="#">Click Here</a>
18	139/2020	Circular - CGST	10-06-2020	Clarification on Refund Related Issues.	ITC availed on Imports, ISD invoices, RCM etc are not required to be matched with 2A while sanctioning the refund	<a href="#">Click Here</a>
19	140/2020	Circular - CGST	10-06-2020	Clarification in respect of levy of GST on Director's Remuneration.	RCM on Director's remuneration has been clarified and linked with TDS provisions of Income tax	<a href="#">Click Here</a>
20	141/2020	Circular - CGST	24-06-2020	Clarification in respect of various measures announced by the Government for providing relief to the taxpayers in view of spread COVID-19	Interest Calculations, GSTR3B & GSTR1 Dates relief explained for Feb20 to July20	<a href="#">Click Here</a>
21	1/2020	Removal of Difficulty Order - CGST	25-06-2020	Seeks to extend the time limit for filing an application for revocation of cancellation of registration for specified taxpayers.	If the Order of cancellation of registration was passed till 12-June-2020, then Revocation can be filled within 30 days from 31-08-2020 or till the date of service of the order, Whichever Is Later	<a href="#">Click Here</a>
22	03/2020	Instructions	24-06-2020	Payment of GST by real estate promoter/developer supplying construction of residential apartment etc, on the shortfall value of inward supplies from registered supplier at the end of the financial year– reg	REP & RREP developers has to pay the differential liability of 80:20 Ratio before 30th June of each year. The Form DRC-03 has been prescribed for the same	<a href="#">Click Here</a>
23	Ordinance dated 27.06.2020	Ordinance	27-06-2020	Seeks to issue notification under "The Taxation And Other Laws Ordinance, 2020" to extend due date of compliance under Central Excise Act, Customs Act, Customs Tariff Act and Finance Act, 1994 which falls during the period from "20.03.2020 to 29.09.2020" till 30.09.2020	Covid Period Date Compliance extended from 300620 to 310820	<a href="#">Click Here</a>

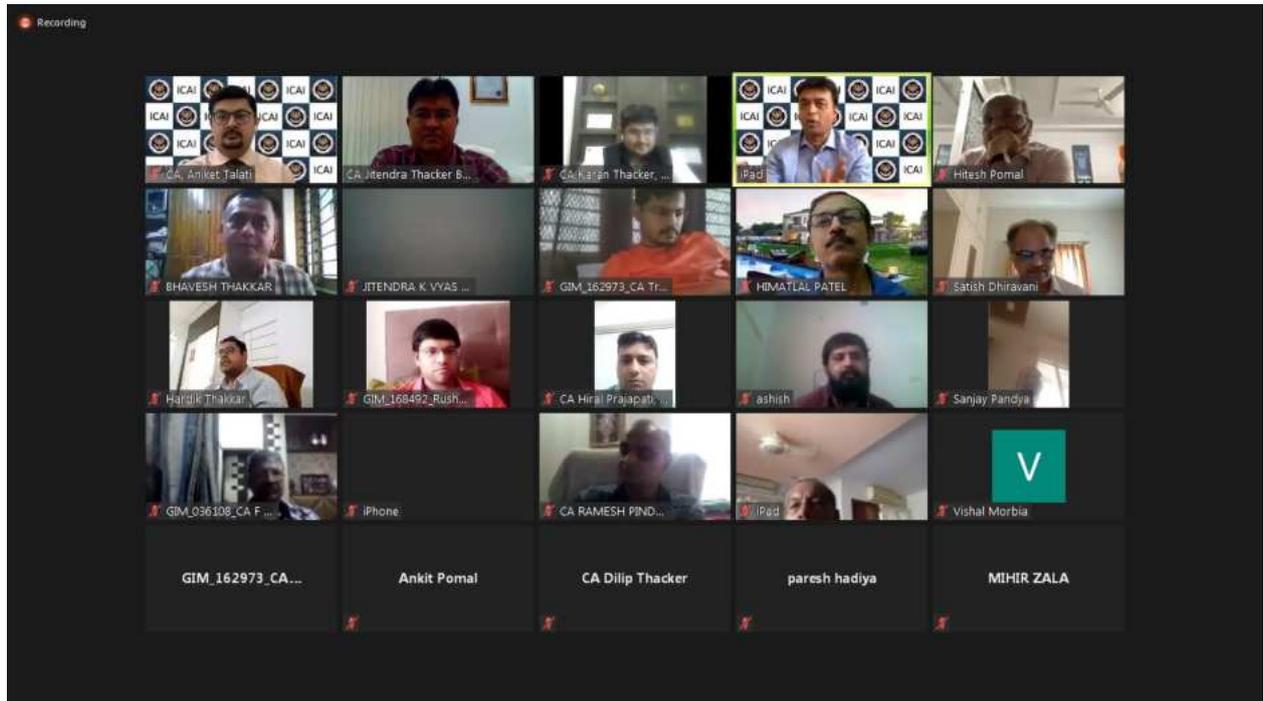
Interest Relief, GSTR3B & GSTR1 Due Date Relief for the Period Feb-20 to Aug-20								
		NN 51-2020 CT INTEREST RELIEF			NN 52-2020 CT 3B Relief		NN 53-2020 CT GSTR1 Relief	
Category of Tax payer	Month	NIL Interest till date	9% Interest From Nil Interest's last date till..	18% Interest from the following date onwards	GSTR-3B Late fee is waived only if filled till	GSTR-1 Late fee is waived only if filled till [Monthly]	GSTR-1 Late fee is waived only if filled till [Qtrly]	
Taxpayers having TO above 5 Crore	Feb-20	1st 15 days from due date	24-06-2020	25-06-2020	Till 24-06-20	NO EXTENTION	NA	
	Mar-20	1st 15 days from due date	24-06-2020	25-06-2020	Till 24-06-20	10-07-2020	NA	
	Apr-20	1st 15 days from due date	24-06-2020	25-06-2020	Till 24-06-20	24-07-2020	NA	
Taxpayers having Turnover below 5 Crore & in the listed States	Chhattisgarh, Madhya Pradesh, Gujarat, Maharashtra, Karnataka, Goa, Kerala, Tamil Nadu, Telangana or Andhra Pradesh or the Union territories of Daman and Diu and Dadra and Nagar Haveli, Puducherry, Andaman and Nicobar Islands and Lakshadweep	Feb-20	30-06-2020	30-09-2020	01-10-2020	Till 30-06-2020	NO EXTENTION	17-07-2020 [JAN-MAR]
		Mar-20	03-07-2020	30-09-2020	01-10-2020	Till 03-07-2020	10-07-2020	
		Apr-20	06-07-2020	30-09-2020	01-10-2020	Till 06-07-2020	24-07-2020	
		May-20	12-09-2020	30-09-2020	01-10-2020	Till 12-09-2020	28-07-2020	03-08-2020 [APR-JUN]
		Jun-20	23-09-2020	30-09-2020	01-10-2020	Till 23-09-2020	05-08-2020	
		Jul-20	27-09-2020	30-09-2020	01-10-2020	Till 27-09-2020	NO EXTENTION	NO EXTENTION
Pure extention NN 54-2020 CT		Aug-20	01-10-2020			01-10-2020 PURE Extention		
Taxpayers having Turnover below 5 Crore & in the listed States	Himachal Pradesh, Punjab, Uttarakhand, Haryana, Rajasthan, Uttar Pradesh, Bihar, Sikkim, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya, Assam, West Bengal, Jharkhand or Odisha or the Union territories of Jammu and Kashmir, Ladakh, Chandigarh and Delhi	Feb-20	30-06-2020	30-09-2020	01-10-2020	Till 30-06-2020	NO EXTENTION	17-07-2020 [JAN-MAR]
		Mar-20	05-07-2020	30-09-2020	01-10-2020	Till 05-07-2020	10-07-2020	
		Apr-20	09-07-2020	30-09-2020	01-10-2020	Till 09-07-2020	24-07-2020	
		May-20	15-09-2020	30-09-2020	01-10-2020	Till 15-09-2020	28-07-2020	03-08-2020 [APR-JUN]
		Jun-20	25-09-2020	30-09-2020	01-10-2020	Till 25-09-2020	05-08-2020	
		Jul-20	29-09-2020	30-09-2020	01-10-2020	Till 29-09-2020	NO EXTENTION	NO EXTENTION
Pure extention NN 54-2020 CT		Aug-20	03-10-2020			03-10-2020 PURE Extention		

Compiled by  
CA. Deep Koradia  
FCA, DISA, B.com

# INTERNATIONAL YOG DAY



VIRTUAL MEETING ON CODE OF ETHICS



## Independence

**ETHICAL STANDARDS BOARD OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**

*FAQ-13. Can an auditor write the books of accounts of the auditee?*

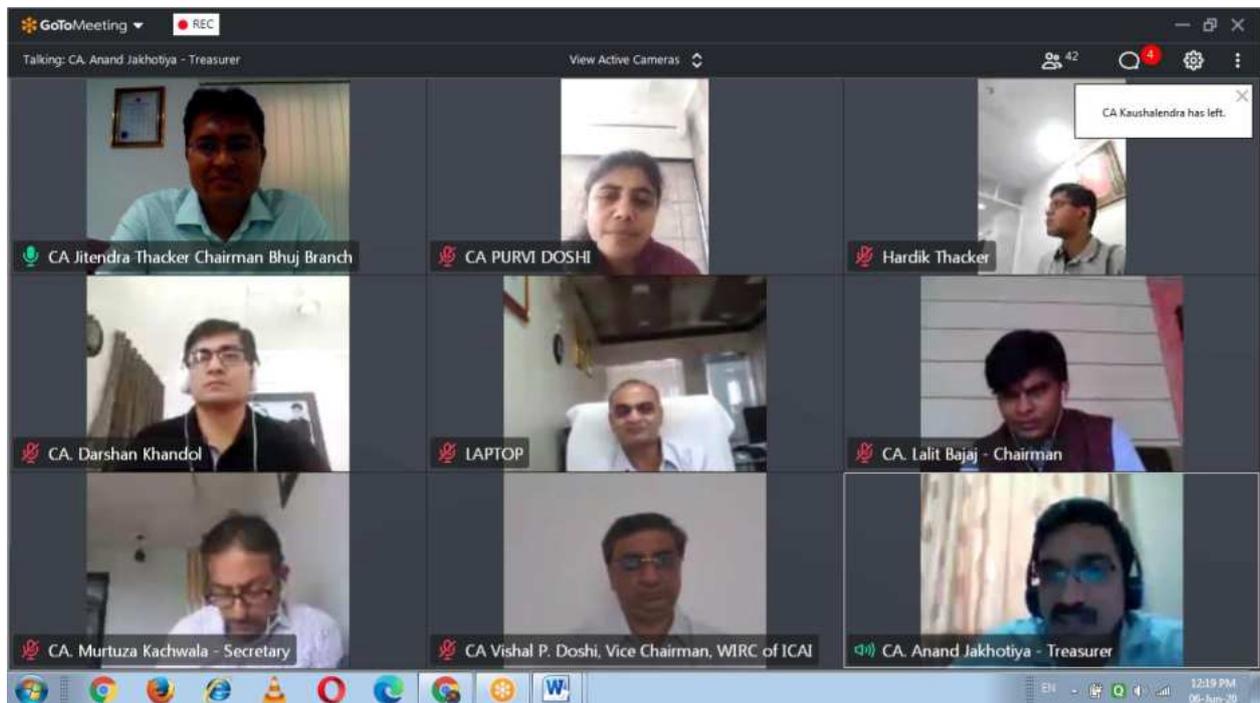
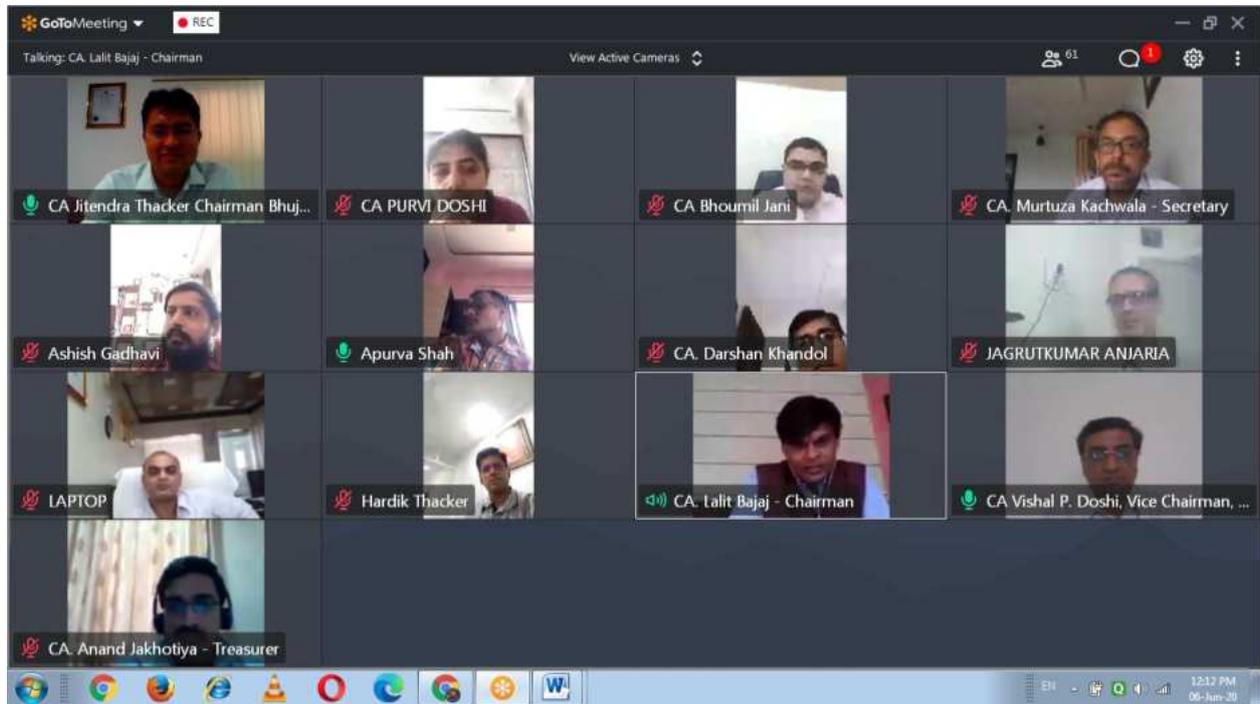
A. "No, Council directions under Clause (4) of Part I of the Second Schedule to the Chartered Accountants Act, 1949 prescribe that an auditor is not permitted to write the books of accounts of his auditee clients. Further section 144 of the Companies Act, 2013 bars the auditor of a company to directly or indirectly render accounting and book keeping services to the said company, or its holding company or subsidiary company"

Generation of UDIN is mandatory for All Audit, Attest & Assurance Function from 1st July,2019 .Visit - [udin.icai.org](http://udin.icai.org)

[www.esb.icai.org](http://www.esb.icai.org) | [esb@icai.in](mailto:esb@icai.in) | [@BoardEthical](https://twitter.com/BoardEthical)

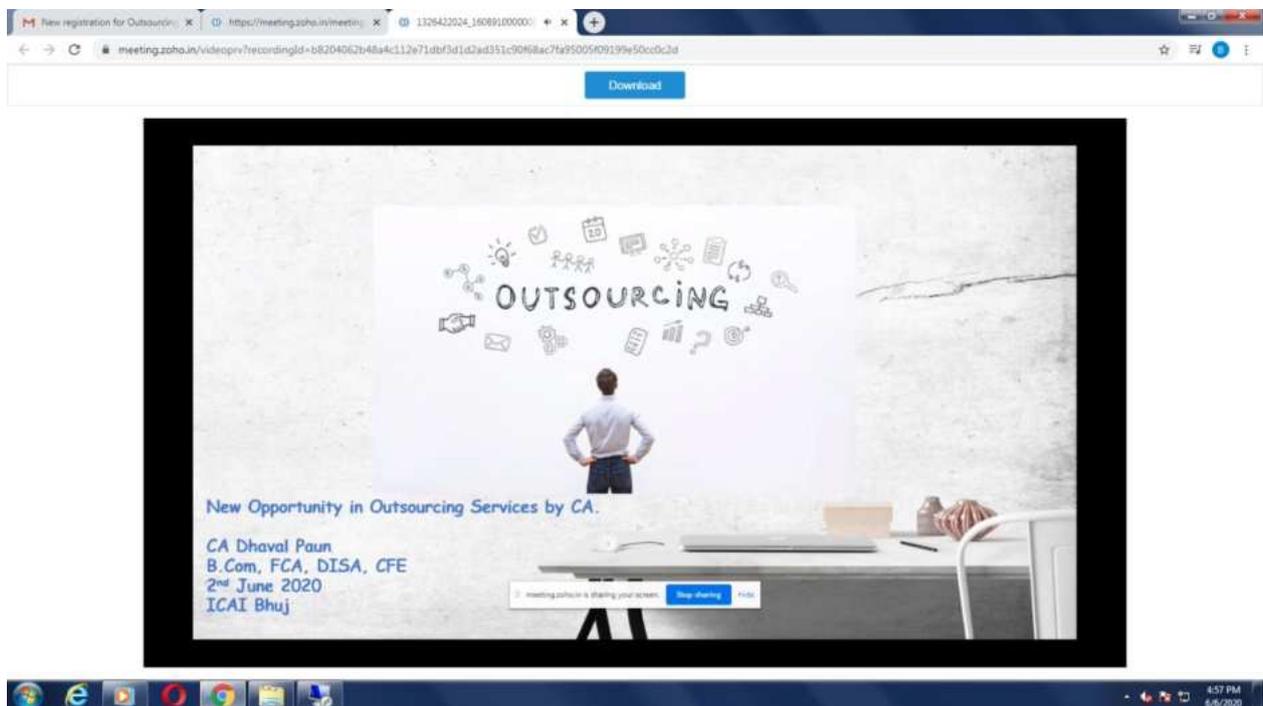
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## INTERACTION WITH TEAM WIRC AND VIRTUAL MEETING ON NEW OPPORTUNITIES FOR MEMBERS





## VIRTUAL MEETING ON OUTSOURCING OF CA SERVICES



## VIRTUAL MEETING ON STANDARDS OF AUDITING

