

»»» NEWSLETTER «««



# THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(SETUP BY AN ACT OF PARLIAMENT)

## BHUJ BRANCH OF ICAI (WIRC)

KATIRA COMPLEX, SANSKAR NAGAR RD, SANSKAR NAGAR, BHUJ, GUJARAT 370001

Release On April 05, 2024

Volume 2024- Edition March

### BANK AUDIT

#### IN THIS ISSUE

- CHAIRPERSON'S COMMNIQUE
- ARTICLE : CAPITAL MARKET
- ARTICLE : BANK AUDIT
- ARTICLE : INCOME TAX
- GST UPDATES
- DUE DATES CALENDAR
- PHOTO GALLERY
- ALL ABOUT ONLINE QUIZ CONTEST



#### DISCLAIMER

The views and opinions expressed or implied in this newsletter are those of the authors and do not necessarily reflect those of the Branch. The Branch is not in any way responsible for the result of any action taken on the basis of views and opinions expressed in this newsletter.

# Chairperson's Communique



## MANAGING COMMITTEE

Chairperson  
**CA Jagdish Hirani**

Vice Chairperson &  
Treasurer  
**CA Bharghav  
Shankarwala**

Secretary  
**CA Manisha Joshi**

WICASA Chairperson  
**CA Hardik N. Thakkar**

Immediate Past  
Chairperson  
**CA Vijay Thacker**

Past Chairperson  
**CA Zahir Memon**

Another productive and dynamic month has gone by that overflowed with activities aimed towards professional and personal development of our members.

- During the month of March, the Managing Committee Members conducted CPE Seminar on **Bank Branch Audit by RCM CA Hitesh Pomal & CA Jayraj Dhakhan.**
- In this month we had also celebrated Women's Day at branch premise, where almost 50 participants had participated in Healthy Food Contest. Further we had held interactive session on **Work Life Balance by CA Jenny Furiya.**
- We had also conducted **Online Quiz Contest** for the members, answer key & results of the same are in the last page of this issue.

I take this occurrence to remark a sense of gratefulness to the faculties for enriching the members with their knowledge and branch Managing Committee for their joint participation.

Apart from this our Managing Committee had attended All India Managing Committee Members Meet 2024 held at Kolkata.

In coming month of April we are planning to conduct GST seminar with two of the best speaker of the State, details for the event will be shared soon.

**With Regards,**  
**CA Jagdish Hirani**  
**Chairperson – Bhuj Branch of WIRC of ICAI.**

## Market Free Float: Understanding its Role in Finance

-CA Jigar Kshtriya B.Com., ACA

### Have you ever wondered...??

TCS is the ranked 2nd by market cap in India. But ranks 5th in Nifty weights while Reliance is largest by market cap, but ranked 2nd in Nifty!

### Why?

The answer lies in the fact that Nifty index is based on Free Float Market cap, and not total Market Cap.



### But what is Free Float Market Cap?

It is assumed that promoter holding is not free to be traded in the markets. Promoters are unlikely to sell their stake.

So if a promoter has 70% stake, then only the remaining 30% is considered free to trade.

This 30% is the free float.

If the market cap of the company was Rs 10,000 crore, then free float market cap is  $30\% \times 10,000 = \text{Rs } 3000 \text{ crore}$ .

As of February 2024 end, the Nifty Weights are as under:

### Top constituents by weightage

Company's Name	Weight(%)
HDFC Bank Ltd.	10.97
Reliance Industries Ltd.	10.28
ICICI Bank Ltd.	7.68
Infosys Ltd.	6.22
Tata Consultancy Services Ltd.	4.32
Larsen & Toubro Ltd.	4.28
ITC Ltd.	3.74
Axis Bank Ltd.	3.10
State Bank of India	2.99
Bharti Airtel Ltd.	2.96

**NIFTY WEIGHTS ARE DECIDED BASED ON THE FREE FLOAT.**

### For Example:

Reliance Industries Limited (RIL): As of March 2023, RIL's free float is around 48.22%, indicating that nearly half of its shares are publicly traded, influencing its market cap and weightage in indices like the Nifty50.

Tata Sons has 72% stake in TCS. Thus, while overall market cap is Rs 15 lakh crore, free float market cap goes down to approximately Rs 4 lakh crore. Thus, reducing its weightage in Nifty.

Infosys has nearly 15% promoter holding, ICICI Bank has 0%. Thus their free float market cap is higher than that of TCS.

Hence they rank higher in Nifty50 index weightage.

Why is free float important?

Free float plays a significant role in determining a company's:

- **Market capitalization:** This is calculated by multiplying the free-float share count by the current market price per share.
- **Index weightage:** Stock market indices like the Nifty & Sensex in India consider the free float market capitalization to determine the weightage of each company within the index, ensuring a more accurate reflection of the tradable portion's influence.
- **Stock price movements:** A higher free float generally indicates greater liquidity and potentially higher price volatility, as more shares are available for trading, impacting supply and demand dynamics.

Understanding market free float empowers investors to make informed decisions by considering the tradable portion of a company's shares and its impact on various financial metrics.

## Understanding Free Float: A Deeper Dive

### 1. Free Float vs. Outstanding Shares:

Free float represents the portion of a company's shares readily available for trading in the stock market. Outstanding shares represent the total number of shares a company has issued, including those held by restricted shareholders, the treasury, and publicly traded shares.

### 2. Calculating Free Float:

The free float percentage is calculated by dividing the number of freely tradable shares by the total number of outstanding shares and multiplying by 100.

### 3. Factors Affecting Free Float:

Government or promoter holdings: Significant holdings by the government or company promoters can restrict the freely available shares.

- **Lock-up agreements:** Agreements between investors and companies can restrict the sale of shares for a specific period, reducing free float.

- Employee stock ownership plans (ESOPs): If employee stock options haven't been exercised yet, they're not included in the free float.

**4. Impact of Free Float on Market Performance:**

- Market capitalization: Free float directly impacts a company's market capitalization, which is calculated by multiplying the free-float share price by the number of freely available shares.
- Stock liquidity and volatility: A higher free float generally indicates greater liquidity, meaning shares can be bought and sold more easily. This can also lead to potentially higher price volatility as more shares are available to influence supply and demand.

## OPERATIONS AND DEPOSITS – DO WE REALLY CARE?

-CA Kapil V Thacker B.Com., FCA

Throughout the year auditing is never waited like this month i.e. March especially for Bank Branch audits. Though with decrease in auditee branches only few are now getting opportunity to do the Branch audits but those who get the same are always excited. Visiting new places, meeting new Persons and from morning to evening focusing only on Banks and its business. It's always a wonderful experience of all auditors. In entire bank audits majority of the auditors are concerned with only one area i.e. ADVANCES. But in auditing advances in stressed timeline we used to forget the focus on some other remotest areas of our report one of such remote area is operations and deposits on which I will be giving some of my observations.



First of all whenever we say audit of operations and deposits we tends to verify few areas like interest rates applicable are correct or not to see if there is any loss to the bank. But verification of operations and deposits is always more than that. Yes audit is never started with investigation mind-set but we should at least verify the strength of their internal control system to see how entire operations and deposits workflow is maintained. I am giving few points underneath to keep in mind while doing auditing of operations and deposits.

- Always check top – 20 deposit accounts and their KYC Compliance. Top – 20 should be verified in detail as what transactions are recorded and whether are we able to see total account opening compliance in them. Top – 20 accounts can give us the best idea as how remaining account opening records are maintained.
- Review transactions of deposits if any transactions are appearing in exceptional transaction report. Verify those transactions with vouchers available if any.
- Review of Large Term Deposits Renewed / Closed in our financial year. – KYC, TDS, Pay-out, Prepayment charge in applicable cases.
- In case auto renewal of NR deposits whether branch has satisfied itself as to the 'non-resident status' of the depositor and whether the renewal is made as per the applicable regulatory guidelines.
- Have an overall observation as contact details of Customers are proper or not to verify that they are getting all updates in their accounts.
- In hurry and biased on advances we tends to ignore compliance of AML in newly opened accounts. We need to do detailed audit in AML compliance also.
- Many times in branch RBIA reports queries relating to transaction compliance are found. See improvements done and procedural part is followed till date of audit in that or not.
- Check Concurrent auditor's reports, previous year's Branch Audit Report/LFAR and its compliance for transactions and deposits Queries. If queries still persist then extend time for auditing ICS on transactions and deposits.

- Test check if any specific person is doing job to mobilize credit proposals to the branch and if yes check all documents in detail as many times documentary compliance in such cases are ignored due to relationship.
- Many times it is found that old outstanding reconciliation entries with others are still in books of branch. Try to get them solved to the maximum extent possible on materiality basis.
- Try to figure any abnormality in deposits, withdrawals and closing cash balances. If any found then do extensive audits in finding reasons.
- Cash insurance, Cash verification at branch, ATM verification, are some areas which are taken casually. But advisable to verify these items in details as any corrections found in physically maintained cash book on any day. Is there any difference in cash on hand with books and cash in ATM and books? Proper reconciliation to our satisfaction is prepared.
- Some areas which require confirmation for LFAR like Balance certificate for Balances with Reserve Bank of India, State Bank of India and other banks, money at call and short notice.
- Physical verification of inventory, records of inventory and control over issue of inventory. Custody of branch keys and its records. Custody of safe key with records.
- Review of Transaction in Office Accounts viz. Intermediary A/c, RTGS transactions, Suspense accounts, Clearing Adjustments. These accounts can be easily used for manipulative entries.
- Verify vouchers on test basis to see they are filled properly and signed whenever required.
- Review of manual Debit transactions in Profit and loss account - Income Heads and manual credit in Profit and loss account - Expenses Head if any.
- Review of Debit & Credit to PROXY Accounts.
- Process of delivery of cards, DDs cheque books and its records.

I know this list is never going to end. And if someone asks me about how we conduct branch audits I always says there should be two teams working simultaneously one on advances and other on operations and deposits so that Audit can be conducted in more effective manner. From our internships to till date we are always taught to focus more on advances. Yes it's very important area in bank branch audits but we should not forget branch audit appointment never ask us to be biased. They expect our overall observation and LFAR and reports also ask us to focus both areas equally.

**Happy Auditing.....**

## Section 43B(h) of Income Tax Act,1961- An alert for earlier payment to micro and small value providers

-CA Prachi Dhirai B.Com.,ACA

During our skill development training one of our trainers gave us an Activity. The Activity was to pull a card and without watching what's there in the card, we had to put it on our head in a way that others can see that card and we all were instructed to behave with others on the basis of value written on that card on their head. The activity began and during mid of the activity everyone on the basis of treatment given to them got a rough idea about what might be there in their Card especially those ones who had King or Queen in their card. Now at the end of the activity our trainer told us that this activity was conducted with a view to teach us the Importance of small reasons to celebrate the life. As all the cards were there due to their specific values, the presence of all made the set complete. Undoubtedly large cards are like purpose for our life but only the small cards of happiness can make the set of our life complete. As I had got 2 of spade and faced lot of ignorance, I was finally agreed with what she was trying to convey and celebrated the event of ending that activity!



However what is the relevance of such story with the title of this content? So let's go through the actual provision, Section 43 B of the Income Tax Act states;

Certain deductions to be only on actual payment.–Notwithstanding anything contained in any other provision of this Act, a deduction otherwise allowable under this Act in respect of–

(a) any sum payable by the assessee by way of tax or duty under any law for the time being in force, or

(b) any sum payable by the assessee as an employer by way of contribution to any provident fund or superannuation fund or gratuity fund or any other fund for the welfare of employees,

shall be allowed (irrespective of the previous year in which the liability to pay such sum was incurred by the assessee according to the method of accounting regularly employed by him) only in computing the income referred to in section 28 of that previous year in which such sum is actually paid by him.

Later on points (c ) to (g) were inserted in the above list

(c) Bonus or commission payable to employees- this amount should be the actual bonus/ commission paid to employees and not dividends payable to them as shareholders.

(d) Interest on borrowings from Public Financial Institutions or State Financial Corporation in accordance with the conditions governing such loan

(e) Interest on loans and advances from Scheduled Bank in accordance with the conditions governing such loan

(f) Leave encashment provided by an employer to his employees



(g) Payment to Indian Railways

In continuation to the above list, in the Finance Act 2023, the Finance Ministry has introduced Section 43B(h), which would ensure payment towards the goods supplied by MSMEs within 45 days which states that, “any sum payable by the assessee to a micro or small enterprise beyond the time limit specified in section 15 of the Micro, Small and Medium Enterprises Development Act, 2006, shall be allowed (irrespective of the previous year in which the liability to pay such sum was incurred by the assessee according to the method of accounting regularly employed by him) only in computing the income referred to in section 28 of that previous year in which such sum is actually paid by him”

The detailed interpretation and analysis of this clause can be found at many resources, so I here I am going to discuss about the need behind insertion of such clause. As all the business units desire to maintain good relation with big size business units, they prefer to settle the trade liabilities with those big size businesses as early as possible and there was an attitude of delaying the payment of micro and small Enterprises. And as many Indian businesses have to survive in highly competitive market with large number of sellers and few giant buyers (in addition to it there are some large predominant well established sellers who have already achieved economy of scale and currently providing same commodities as higher quality and lower price) they had to accept the orders from large Enterprises which continuously delayed the payments with a hope of future benefits in the form of large orders. As a result many start-ups failed in their initial stage due to lack of liquidity. Undoubtedly Indian Bankruptcy Code, 2016 provided protection to all these kind of creditors but due to requirement of minimum claim amount is high as per IBC 2016, this solution was available with only few Enterprises.

As the Growth of Start-ups is a prerequisite for the fulfillment of the Dream of “Atmanirbhar Bharat”, The Finance Ministry came up with a solution for this problem and accordingly any business unit, which does not make payment to any Micro or Small Enterprises within time specified in MSMED Act, 2006 would not be entitle to claim such expense as a business Expense and such expense will be disallowed. According to some experts, it will act as a boon for all the micro and small Enterprises, however there is an another class of experts with a belief that big business units will stop deals with such micro and small enterprises to prevent any disallowances.

If we view this strategically, short term payment cycle is one of the main reasons for growth of some Organizations like D Mart. They are able to serve heavy discounts to the customers due to discounted Acquisition cost. And undoubtedly they get heavy discounts from their suppliers due to timely payment. Such kind of trade relation results into a strong bond, and ultimately no one can stop the organization to grow. In our life also we enter into transactions with micro and small reasons to celebrate the life, but due to our growing desires we keep on delaying the payment of gratefulness to those moments and as a result our relation with all these reasons

becomes weaker and weaker. With this burden of debt we start wondering about the reason that why our earning of achievements till date is falling short to repay the accumulated debt.

Right from waking up in morning we delay the payment of gratefulness to the upcoming opportunities of the new day and we run after our “to do list”. On the way of chasing our dream life style we delay the payment of happiness to our existing life which is a dream life of someone. On making arrangement of time for the meeting of a client we delay the payment of time to our family and friends who were always with us in every circumstance. To provide the nutrition of tax planning and wealth maximization advisory for several ill Balance Sheets we delay the payment of attention to our mental health and physical fitness. These are just the illustrations; actually there are so many micro and small Enterprises seeking for payment of care within ourselves. No any official notification will come to make compulsory earlier payment to them. It’s time to awake and make timely payment to them so that the bonding of these enterprises become stronger and these enterprise accept our repeat orders of happiness as frequently as possible and then no one will be there to stop us to take the graph of our earning of achievements at such a high level that we will be able to cater the timely payments to large Enterprise known as our vision and Dreams.

Are you still waiting for official notification? Then keep waiting...

## GST Updates – Notifications, Circulars, Order, Instructions, RoDs, Press Releases for the Month of March 2024

-CA Deep Koradia B.Com., FCA, DISA(ICAI)

Sr No	Notification No	Category	Date	Description	Keyword / Reference/ Comment	Link
1	01/2023-24	Instruction - Investigation	30-03-2024	Guidelines for CGST field formations in maintaining ease of doing business while engaging in investigation with regular taxpayers - reg.	Guidelines for conducting Investigation under GST u/s 67 and givind summons under GST	<a href="#">Click here</a>

## DUE DATES CALENDAR

DATE	COMPLIANCE
10th April 2024	FY 2023-24 (AY 2024-25) IT eFiling Start Date
10th April 2024	Professional Tax (PT) on Salaries for March 2024
11th April 2024	GSTR 1 (Monthly) for March 2024
13th April 2024	GSTR-1 (Jan-Mar 2024) for QRMP
15th April 2024	Provident Fund (PF) & ESI Returns Payment for March 2024
18th April 2024	CMP 08 for Jan to Mar 2024 (Composition)
20th April 2024	GSTR 3B for March 2024 (Monthly)
22nd April 2024	GSTR 3B (Jan-Mar 2024) for South India
25th April 2024	GSTR 3B (Jan-Mar 2024) for North India
30th April 2024	Opt in / Opt out of GST Quarterly scheme for April to June 2024
30th April 2024	TDS Payment in Form 26QB (Property), 26QC (Rent), 26QD (Contractor Payments), 26QE (Crypto Assets) for Mar 2024
30th April 2024	TDS Payment for March 2024
30th April 2024	GSTR-4 (FY 2023-24) for Composition taxpayers

# PHOTO GALLERY OF BRANCH EVENTS

## CPE Seminar



# PHOTO GALLERY OF BRANCH EVENTS

International Women's Day Celebration



## ALL ABOUT ONLINE QUIZ CONTEST

Q1) What is the Maximum Rate of Interest that a proper officer can levy as of today?

A1) b. 18%

Q2) ITC of IGST Can be set-offed first against IGST. After that, if any balance is available for IGST-ITC?

A2) c. It can be set-offed against CGST & SGST in Any Proportion

Q3) Which of the followings attracts RCM under GST?

A3) d. All of the Above

Q4) Which of the following ITC is Restricted in GST?

A4) c. ITC of Goods disposed off by way of Gift

Q5) If Goods are sent on Jobwork, which Form is required to be filled?

A5) b. ITC-04

Q6) If a person has 18 Lakhs of Turnover of Goods, 4 Lakhs of Turnover of supply of repairing Services, the Registration requirement under GST is:

A6) b. Required to be registered under GST and Basic limit under GST incase of supply of services is 20 Lakhs

Q7) The books and other records u/s 35 are to be maintained at \_\_

A7) b. Principal place of business mentioned in the Registration Certificate

Q8) The time limit for upkeep and maintenance of the books of account or other records u/s36 is?

A8) c. seventy-two months from the due date of filing of Annual Return.

Q9) Interest is payable on\_\_\_

A9) d. Both (a) and (c)

Q10) The E-Invoicing is applicable when

A10) b. The Annual Aggregate Turnover of Any of the Preceding FY's since 2017-18 exceed 5 Crore

And the winner for this quiz is, **CA Raj Davda.**