

Indore Branch of Central India Regional Council  
of The Institute of Chartered Accountants of India



# NEWSLETTER

March, 2020 ▶ Price ₹ 20



A Step Towards Woman Empowerment  
**Woman's Day Celebration at Branch**

# Chairman's Communique

Dear Members,  
Happy New Year and Happy Navratri !



As you are all aware the whole world has been badly hit by pandemic COVID-19 and as responsible citizens of India we all have an equal role to play to curb the spread of this virus. So it's my request to all the members and students to follow the instructions issued by local authorities and maintain social distancing.

Our respected President, CA. Atul Kumar Gupta, has already issued directives instructing not to conduct any seminars, conferences at branch, of which we at branch level are strictly abiding to. ICAI has postponed the CA exams which were scheduled to start from the month of May'2020 till 19<sup>th</sup> June'2020, notification to this effect issued by ICAI. Most of the deadlines of statutory compliances has been postponed till 30<sup>th</sup> June, 2020 by our honourable Finance Minister, Ms Nirmala Sitharaman, which has been quite the need of the hour.

We Chartered Accountants has always been partners in Nation Building. Amid this testing time where the economy of our country has been adversely affected and lives of people at large is at stake, you are requested to come forward and contribute to the **ICAI COVID-19 Relief Fund** to help our country to recover from this sudden outburst.

During lockdown, I would request all the members to take advantage of digital portals, e-learning hubs of ICAI to enhance their skills & knowledge. I would also suggest to use twitter to remain updated on the new developments. In current scenario twitter has emerged as an excellent tool to reach out and provide real time assistance. **A list of few twitter handles which are providing real time information are provided in the newsletter.** Also members can use Zoom cloud meeting app to conduct meetings and to interact with their partners, articles, staff and client, as it has emerged as a popular tool at this time of lockdown through which people are able to communicate with others and are expanding their business.

Past month, before the outbreak of Covid-19, Branch held various informative & interactive sessions which was attended by large number of members. I along with my team are continuously making efforts for provide continuous professional education to all the members. In this regard after completion of lockdown, we plan to conduct certification courses on forensic audit, concurrent bank audit, valuation etc. We will be posting goggle forms on branch website, interested members are requested to fill the same. I rest my pen with a hope what we will be able to overcome this adverse situation soon and will come out stronger. ***Till then Stay Home, Stay Healthy***

CA. Harsh Firoda (Chairman)  
chairman\_indore@icai.org



## MANAGING COMMITTEE

CA. Kirti Joshi (Vice-Chairman)  
CA. Gaurav Maheshwari (Secretary)  
CA. Ankush Jain (Treasurer)  
CA. Samkit Bhandari (CICASA Chairman)  
(Executive Member)  
CA. Pankaj Shah, CA. Anand Jain  
Ex. Officio Member :  
CA. Kemisha Soni (CCM)  
CA. Churchill Jain (RCM)  
CA. Nilesh Gupta (RCM)

## From the desk of Secretary



Dear Professional Colleagues,

I am truly honoured by the trust instilled in me. At the outset in my very first communique as Secretary . I would acknowledge that we have derived the strength to challenge our self and perform better at each stage from our glorious past. I am excited to work in team with all members of our INDORE CA pariwar and will try to do best to add more gems to the crown of Indore branch and take the accolades of our fraternity to unprecedented heights.

March is the month of Financial Year Closing when we have to plan for closure of our clients' books, gear up for Bank Audits. Since, we are working proactively, our branch has conducted following programs and seminars

Date	Program/ Seminar	Dignitaries
5 <sup>th</sup> Mar,2020	Vivad se Vishwas	With Income Tax Department
5 <sup>th</sup> Mar,2020	Code of ethics& CARO 2020	<b>CA. Kemisha Soni</b> , CCM and Chairperson ESB <b>CA. Aseem Trivedi</b>
7 <sup>th</sup> Mar ,2020	Womans Day Celebration	<b>Ms Riya Chhabra</b> - Owner C-21 Mall, <b>Ms Chetna Joshi</b> - International Yoga Instructor & Roadies Fame, <b>Ms Prachi Batra</b> - Owner Romba South Restaurant, <b>Mr. Satyendra Sharma</b> - Depty Zonal Head ICICI Bank, <b>Ms Nidhi Hasija</b> - Corporate Trainer & Writer & <b>CA. Kemisha Soni</b> - CCM & Chairperson ESB.
11 <sup>th</sup> Mar,2020	Critical Issues under GST	<b>CA Bimal Jain</b> , New Delhi
12 <sup>th</sup> Mar,2020	Holi Milan Samaroh	With Income Tax Department

And when we were awaiting a mega Bank Audit Conference, due to COVID-19 pandemic and as per direction of head office all activities for members & students related to branch stands cancelled till 15<sup>th</sup> April 2020.

**Future Programs:** Considering the effects of COVID 19, further programs depend upon how fast we overcome this Pandemic. Although Indore Branch has lined up a series of educational programs and intensive courses, the details whereof will be available as programs announced.

In this era of technology, it gives me a great satisfaction that soon our branch shall have its **own fully functional App for Mobile and an E-Directory**. Your Branch intends to use them more effectively to improve its channels of communication. All the announcements are uploaded on the Branch's website along with various other content. The Branch will also be sending email announcements for individual events as well as a consolidated forthcoming event list. In case you are not receiving emails from us, we request you to write to us immediately so that we can add you into our mailing list.

I would like to take this opportunity to sincerely thank all the contributors of newsletter for sending the updates and sparing their precious time for the cause of the profession. Members of the Branch are requested to generously contribute articles on issue of relevance to the Members in Profession for Newsletter Further I request all the members that in case of any suggestion or query you can mail us at [Secretary@icai.org](mailto:Secretary@icai.org).

*"I can do things you cannot, You can do things I cannot, Together we can do Great Things."*

**CA. Gaurav Maheshwari**  
Secretary





## RBI COVID-19 Relief Package – Who's got what ?

The consequences of Corona (Covid 19) crisis which emerged as a global epidemic are seen everywhere. While Corona virus is emerging as a huge challenge on public health, on the other hand, the global economy is sure to have far-reaching side effects from its impact. More than 120 countries have imposed various restrictions on international traffic as rescue measure from COVID 19, which has severely affected international trade & commerce. The Purchasing Management Index, released by China's National Bureau of Statistics, has come down from its lowest level of 50 in the last two years to 35. According to data released by Bloomberg, Corona is estimated to affect trade as much as US \$ 2.7 trillion in the entire global economy.

In India, a 21-day national lock-down has been announced by the Honorable Prime Minister, Shri Narendra Modi, under which only the most essential services will remain operational for a stipulated time and all other private business establishments, industries, markets will remain closed. This is going to have long term economic implications on the depth and breadth of Indian economy. Moody's Investors Service recently slashed India's economic growth projection for 2020 from 5.3% to 2.5%, as the Covid-19 outbreak causes an unprecedented shock to the global economy (refer chart for details).

In India, where trade & commerce has come to a standstill, stakeholders of micro, small and medium (MSME) scale enterprises including dependent workers living on daily allowances are most affected by this nationwide lock-down. In such testing time, it is definitely a bigger challenge to keep MSMEs alive live. It will be possible to provide oxygen to these industries only with better and timely management of these challenging times. There are many sectors like retail & wholesale trade, hospitality, manufacturing, import –export, etc. which impacted

severely due to the national lockdown. While one has to bear the burden of the salary of business employees, on the other hand bank loan obligations are also continuing to accrue. Thousands of other smaller businesses & families that are dependent on MSME entities are currently living under a stressful financial environment with no clarity on how to march ahead managing these risks.

### The RBI COVID-19 relief package

Keeping all these factors in mind and to ease out the financial worries of businesses, the Reserve Bank of India has announced several important decisions under the **COVID-19 relief package** issued on 27th March 2020. These instructions will be applicable to All commercial banks (including regional rural banks, small finance banks and local area banks), co-operative banks, all-India Financial Institutions, and NBFCs (including housing finance companies and micro-finance institutions) (“referred as lending institutions”) operational in India.

While issuing these guidelines, the Reserve Bank has clarified that the purpose of these reliefs is to help Indian debt holders to better manage the economic problems arising from COVID-19, with aim of bringing the financial stress-ridden economy back on track in the current extraordinary circumstances. ***Now let us analyze the various dimensions of the COVID 19 relief package announced by the RBI impacting the financials obligations of businesses and individuals –***

#### **1. Moratorium on Term Loan repayment**

Under the directives issued by the Reserve Bank, all Lending Institutions in India are being permitted to allow a moratorium of three months on payment of instalments in respect of all Term Loans (which include mortgage loans, home loans, property loans, project loans, auto loans, personal loans etc. having a fixed remaining term of repayment) outstanding as on March 1, 2020. Accordingly, the repayment schedule and all subsequent repayment due dates and also the tenor for such loans, may be shifted across the board by three months.

Simply put, if you had to pay an installment of 25,000/- per month to be paid for the next 18 months (remaining period) starting from 01<sup>st</sup> March, then now you will get 3+18 i.e. total 21 months to repay this entire balance loan, in which the first 3 months you will get moratorium (will not be required to pay any interest and principal both to your bank). But remember that you will have to pay the interest on this entire three month additional relief period based on the applicable interest rates and recovery formula decided by your bank. It is note worthy to mention here that the RBI has not fixed a formula to recover the additional interest

accrued for these three months. So, depending on how your Bank deems fit, it can present you with formula of either increasing the balance tenor by more than 03 months keeping the EMI as same or may also offer you the choice to extend the tenor only by 03 months and marginally increasing the EMI to recover the due interest of this period.

Further, impacted borrowers may also take note that this extension of term loan obligations is merely granting of extra period and in no way should be treated as waiver of interest and / or principal due for this period. SO, ultimately, the borrower only has to be pay additional interest for this three months period.

## **2. Deferment of Interest on Working Capital Facilities**

Generally, the bank provides working capital for running the day to day operations of any business entity in form of Cash Credit (CC) , Overdraft facility (OD) etc. on agreed terms & conditions. So, to ease out the scenario, the RBI has announced that with respect of working capital facilities sanctioned in the form of cash credit/overdraft, lending institutions are being permitted to allow a deferment of three months on payment of interest in respect of all such facilities outstanding as on March 1, 2020. Also the rider prescribed here is that the accumulated interest for the period of these three months will have to be paid after the expiry of the deferment period. That is, in these 3 months you will not have to pay any interest on these facilities. But the interest of these three months will be charged and collected from you in the fourth month altogether, keep this in mind. Accordingly, in the fourth month, you should be prepared to pay total interest for these three months at one go. Thus, it is recommended that borrowers may allocate some amount every month to create a reserve fund for servicing of this interest component in the fourth month.

Further, granting next level of relief to working capital loans, the RBI has allowed Lending Institutions to consider higher drawing power by accepting reducing margins and/or by reassessing the working capital cycle for the borrowers engaged in various industries / activities. This move is expected to provide marginal benefits to those borrowers who had adequate working capital facilities sanctioned but were not able to use the same due to restriction in drawing powers.

## **3. Relief of Credit Card payments**

As far as credit cards are concerned, it is neither a term loan nor working capital (unless provided in name of a business entity) , but it is more of a personal finance facility. Accordingly, no relief provisions were announced about the credit card payments in the first guidelines issued by the Reserve Bank on 27<sup>th</sup> March. However, the good news is that

upon receiving feedback and demands from thousands of credit card consumers on social media / main stream media, the Reserve Bank immediately came into action and later notified that the relaxation provide to Term Loan shall also apply to Credit Card dues and accordingly, dues of credit card outstanding as on 01<sup>st</sup> March 2020 can also be extended by 03 month, for which no late payment fee, penalty etc will be levied.

However, this has to be noted that interest on credit card dues will continue to be applied on the due amount during this three months period and the same will have to be paid later. Considering higher interest rate that these credit card companies charge beyond the billing cycle based 50 days period ranging about 2.50% to 3.00% per month (30% to 36% per year), one needs to really think about the cost – benefit of availing the three months moratorium on credit card payment. If resources are available, it is ideal to meet credit card dues on regular basis without availing any extra period. ***Now, going by the above relief measures announced by RBI, there will be certain questions arising in your mind. A few of them have been taken up below –***

### **A. Will you get this three months moratorium on your home loan account ?**

Don't get upset as you don't find home loan word used anywhere by the RBI in relief package guidelines. Since the home loan is type of Term Loan only, this relief facility is sure to be available on the home loan as well. Now, please note that RBI has advised all Banks / NBFCs to form their own respective policies about the process of offering these benefits to the customers, you will have to apply separately to your respective bank, who shall grant the approval. Therefore, make sure to analyze the process prescribed by your bank in this regard and make sure you apply well within timelines.

### **B. Your Credit Score be impacted adversely during this three month period ?**

While making a way for moratorium of three months period, the RBI has ensured that your credit score will not be affected adversely even if you avail this three month extension facility for Term loan, working capital, credit card, home loan etc. RBI has prescribed that rescheduling of payments under this policy will not qualify as a default for the purposes of reporting to credit information companies (CICs) and further, has instructed CICs to ensure that the actions taken by lending institutions pursuant to the above announcements do not adversely impact the credit history of the beneficiaries. That's a good news and big news too, as now a days, most of the retail and business loans are appraised, sanctioned based on the Credit Score of individual / business entity.

### **C. Will you get this three month moratorium automatically?**

This is one of the most important questions that will be there in your mind. It is not that you will be able to avail these reliefs announced by the Reserve Bank under some automatic process. Based on the guidelines issued by the Reserve Bank, all banks and lending financial institutions have been advised to make their own policies and procedures, under which you will be able to get these benefits by applying to your respective Bank. Each bank will issue its procedure in this regard soon and thus, you are required to keep in touch with your Lender through its branch, online website, Application etc.

So what you have to do here? First, analyze your financial position. If you find yourself in a situation, where it is impossible or difficult to repay the loan installment during this period, than immediately, contact your lending Institution (bank / NBFc etc) and send them a letter / mail from your registered email id informing them that Corona virus (COVID-19) and National lock-down arising out of the same has made adverse impact on your business and the financial condition of yours is not favorable for timely repayment of loan and seek extra time / moratorium announced by the RBI under COVID-19 relief package.

Also, discuss with your lender about the options of repayment / adjustment of interest of this three months period on term loans and select most appropriate option between extension of loan tenor by more than 03 months to adjust the recovery of interest or corresponding increase in EMI amount based on what suits you.

Now, to summarize, it is to be noted that the relief package announced by the Reserve Bank in order to ease out the financial stress on the India economy, will definitely prove to be helpful in short to midterm for the stakeholders. However, we have to keep in mind that the Reserve Bank has just announced a three months moratorium to repay the EMI / Interest, as the case may be and this is not to be considered like any kind of loan waiver or installment waiver. Meaning that the borrower only will have to bear and pay the extra interest charged for this moratorium period from own pocket, though with 3 months deferment. Further, also note that you will not get these benefits automatically sitting at home but you will have to apply to your bank as per the process prescribed in this regard, so better keep in touch with your bank continuously.

**CA. Khushbu Sethiya Mattha & Prakalp Mattha**



## **LIST OF IMPORTANT TWITTER HANDLES FOR CHARTERED ACCOUNTANT**

1. **Prime Minister of India**  
- <https://twitter.com/narendramodi>
2. **Chief Minister, Madhya Pradesh**  
- <https://twitter.com/ChouhanShivraj>
3. **ICAI** - <https://twitter.com/theicai>
4. **Finance** - <https://twitter.com/FinMinIndia>
5. **GST** - [https://twitter.com/GST\\_Council](https://twitter.com/GST_Council)
6. **CBIC** - [https://twitter.com/cbic\\_india](https://twitter.com/cbic_india)
7. **Income Tax Department**  
- <https://twitter.com/IncomeTaxIndia>
8. **IBBI** - <https://twitter.com/IBBIlive>
9. **RBI** - <https://twitter.com/RBI>
10. **Indian Banking Association**  
- <https://twitter.com/ChiefIba>
11. **SBI** - <https://twitter.com/TheOfficialSBI>
12. **BOI** - [https://twitter.com/BankofIndia\\_IN](https://twitter.com/BankofIndia_IN)
13. **PNB** - <https://twitter.com/pnbindia>
14. **BOB** - <https://twitter.com/bankofbaroda>
15. **UBI** - <https://twitter.com/UnionBankTweets>
16. **HDFC Bank** - [https://twitter.com/HDFC\\_Bank](https://twitter.com/HDFC_Bank)
17. **SEBI** - [https://twitter.com/SEBI\\_India](https://twitter.com/SEBI_India)
18. **NSE** - <https://twitter.com/NSEIndia>
19. **BSE** - <https://twitter.com/BSEIndia>
20. **RERA** - <https://twitter.com/ReRaMumbai>
21. **Railways** - <https://twitter.com/RailMinIndia>
22. **Jansampark MP**  
- <https://twitter.com/JansamparkMP>
23. **Home Affairs** - <https://twitter.com/HMOIndia>
24. **Commerce & Industry**  
- <https://twitter.com/CimGOI>
25. **Information & Broadcasting**  
- [https://twitter.com/MIB\\_India](https://twitter.com/MIB_India)
26. **Labour & Employment**  
- <https://twitter.com/deptoflabour>



# BANK AUDIT – Identification of NPA in Bank Audit

CA. Manoj P. Gupta



“System driven identification of bad loans has not been found robust enough in certain banks”, a top RBI official once said. This concern of RBI itself, imposes additional responsibility on all the Statutory Auditors of Bank. Statutory Auditors cannot just depend on the accounts identified by the system. The auditor needs to go extramile to identify the hidden NPA accounts.

## **IDENTIFICATION EXERCISE**

The Statutory Auditors may consider the following exercise to dig out the hidden accounts which are shown as Standard but are required to be classified as NPAs.

### **1 Verification of Concurrent / Internal Audit Report**

The first thing an auditor should do is to go through the Concurrent Audit/ Internal Audit reports. These reports will give the real insight of the functioning of the Branch. This will also give a fair idea of those loan accounts which are chronic, frequently irregular, overdrawn and where terms and condition of sanction are not complied with. From the list of such accounts an exercise can be made to ascertain new NPAs accounts.

### **2 Screening of accounts**

Screening of accounts can give a fair idea of correct classification of advances of a Branch. Payment of interest at the end of each month may prevent a cash credit account from being classified as NPA account, but if the credits in the account are not commensurate with the limits sanctioned, then this may indicate diversion of funds, closure of business or a considerable fall in the business activity of the borrower entity. For e.g. if a borrower firm is enjoying a CC limit of Rs.100 lacs, then the credits in the accounts through sale proceeds should ideally be near to Rs.500 lacs (Working Capital limit being 20% of the turnover). If the credits are low then it could be a sign of stress & in that case an auditor should thoroughly look into the account and other details.

In respect of irregular term loan accounts, the source of credit at the end of the month should be verified to ascertain that the credits are coming out of genuine sources. Similarly high value debit & credit transactions are also required to be seen as suspicious as the transactions may not reflect the correct value of sale & purchase.

### **3 Coding of accounts**

Identification of NPAs by the system itself solely depends on the parameters set in the system. In respect of agriculture advances the account is classified as NPA if the instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops and for one crop season for long duration crops. But housing loans sanctioned for rural houses cannot be treated as agriculture loans. But while opening the loan accounts in the computer system, if coding of such housing loans is erroneously done as the agriculture loans then the system can never identify such loans as NPAs on three continuous defaults in repayment of interest/ installments. It will wait for a default of 12 months to recognize these accounts as NPAs.

### **4 Restructuring of accounts**

Restructuring of accounts with out obtaining application from the borrower entity, without executing additional loan documents and without ascertaining the future viability and cash generating capability of business may lead to classification of these accounts as NPAs. Accounts where restructuring is frequently done are also required to be classified as NPAs.

Special care is to be taken in those accounts where change in repayment schedule in the computer system is done without actually restructuring the account. Core banking solution will never identify such accounts as NPAs.

### **5 Non achievement of DCCO**

For all projects financed by the banks, the 'Date of Completion' and the 'Date of Commencement of Commercial Operations' (DCCO), of the project is clearly spelt out at the time of financial closure of the project and the same is formally documented. These is also documented in the appraisal note by the bank during sanction of the loan. The statutory auditors should examine the DCCO in respect of term loan accounts. Non achievement of DCCO may lead to classification of the account as NPA.

### **6 Pending Review/Renewals**

Statutory Auditors should generate the date of renewals from the core banking software. Where limit sanctioned is over Rs. 25.00 lacs, in such cases audited financials are required. A list of those borrower accounts should be prepared where audited balance sheet is not furnished.

Renewal of limit without obtaining audited financials is not desirable.

Regular & ad hoc credit limits need to be reviewed/regularized not later than three months from the due date/date of ad hoc sanction. In case of constraints such as non-availability of financial statements & other data from the borrowers, the branch should furnish evidence to show that renewal/ review of credit limits is already on & would be completed soon. In any case, delay beyond 6 months is not considered desirable as a general discipline. Hence, an account where the regular/ ad hoc credit limits have not been reviewed/ renewed within 180 days from the due date/date of ad hoc sanction will be treated as NPA.

### **7 Loss of Primary Security**

In respect of cash credit accounts it is stipulated to submit stock and book debts statement monthly/ quarterly. These statements are required to ascertain the availability of primary security at all the times. The drawing power is drawn based on the availability of these securities. Therefore in respect of cc accounts drawing limits are set to the extent of limit sanctioned or drawing power available, whichever is less. Hence the sanction limit can never be treated as drawing power.

Banks should ensure that drawings in the working capital accounts are covered by the adequacy of current assets, since current assets are first appropriated in times of distress. Drawing power is required to be arrived at based on the stock statement which is current. However, considering the difficulties of large borrowers, stock statements relied upon by the banks for determining drawing power should not be older than three months. The outstanding in the account based on drawing power calculated from stock statements older than three months, would be deemed as irregular.

A working capital borrowal account will become NPA if such irregular drawings are permitted in the account for a continuous period of 90 days even though the unit may be working or the borrower's financial position is satisfactory.

### **8 Debit & Credit Entries of same value**

In respect of Cash Credit / Overdraft accounts, if the account remains "out of order" it is to be classified as NPA. As per RBI guidelines, the account should be treated as "out of order" if the outstanding balance remains continuously in excess of sanctioned limit / drawing power for 90 days. In cases where outstanding balance in the principal operating account is less than the sanctioned limit / drawing power, but there are no credits continuously for 90 days as on the date of balance sheet or credits are not enough to cover the interest debited during the same period, these accounts should be treated as NPA. It is observed that taking

advantage of the above provisions, few superfluous Credit entries are passed in Cash Credit / Overdrafts accounts and the same are reversed within next 3-4 days. On passing such entry, the system appropriates the amount towards interest debited, showing no arrears of interest as per system & while reversing that entry it becomes part of the principal, showing the account as temporarily overdrawn, on the basis of which the account is not shown as NPA.

To locate such entries, it is necessary to view the statement of account and see whether there are any Debit and Credit entries of the same amount within a period of 3- 4 days, and if so, the vouchers pertaining to such transactions can be verified to find the genuineness of the entries.

### **9 TOD in current and saving account**

Granting of TODs in current / saving account at the end of the month then transferring funds from there to the overdue loan accounts is a very prevalent practice amongst the bankers. So any debit balance in current / saving account and TODs granted at the end of the month may be treated with extra care. If the funds are transferred from these accounts to overdue loan accounts , then such loan accounts are required to be classified as NPAs.

### **10 EDUCATION LOANS/ HOME LOANS**

The recovery trend in education loans is not very encouraging. There is steep rise of NPA accounts in this segment. There is common practice of restructuring these accounts to save their slippage to NPA category. Quite often restructuring is done without ascertaining the employment particulars of the borrower. Any restructuring done without appropriate justification and without documentation should not stop the auditor in classifying these accounts as NPAs. Similarly home loans accounts, which are over 10 years old & where principal outstanding is still over 50% of the loan amount sanctioned, such accounts may be screened carefully.

### **OTHER POINTS FOR CONSIDERATION IN ASSET CLASSIFICATION :**

Following points can also be useful to a Statutory Auditor while certifying the assets classification :

- **Availability of security / net worth of borrower/ guarantor**

The availability of security or net worth of borrower/ guarantor should not be taken into account for the purpose of treating an advance as NPA .

- **Accounts with temporary deficiencies**

The classification of an asset as NPA should be based on the record of recovery. Bank should not classify an advance account as NPA merely due to the existence of some

deficiencies which are temporary in nature such as non-availability of adequate drawing power based on the latest available stock statement, balance outstanding exceeding the limit temporarily, non-submission of stock statements and non-renewal of the limits on the due date, etc.

· **Accounts regularized near about the balance sheet date**

The asset classification of borrowal accounts where a solitary or a few credits are recorded before the balance sheet date should be handled with care and without scope for subjectivity. Where the account indicates inherent weakness on the basis of the data available, the account should be deemed as a NPA. In other genuine cases, the banks must furnish satisfactory evidence to the Statutory Auditors/Inspecting Officers about the manner of regularization of the account to eliminate doubts on their performing status.

· **Asset classification to be borrower-wise and not facility-wise**

Where a borrower entity is enjoying different kind of credit facilities, then asset classification is to be done borrower wise & not facility wise. Therefore, if one account of the borrower is classified as NPA, all the facilities granted by a bank to a borrower will have to be treated as NPA & not the particular facility or part thereof which has become irregular.

· **Advances under consortium arrangements**

Asset classification of accounts under consortium should be based on the record of recovery of the individual member banks. Where the remittances by the borrower under consortium lending arrangements are pooled with one bank and/or where the bank receiving remittances is not parting with the share of other member banks, the account will be treated as not serviced in the books of the other member banks and therefore, be treated as NPA.

· **Advances against Term Deposits, NSCs, KVPs/IVPs, etc.**

Advances against term deposits, NSCs eligible for surrender, IVPs, KVPs & life policies need not be treated as NPAs, provided adequate margin is available in the accounts. Advances against gold ornaments, govt. and all other securities are not covered by this exemption.

RBI & SEBI have issued various directions for correct asset classification and compliance of provisioning norms from time to time. Hence the responsibility of Auditors has increased manifold as the system driven identification of NPA accounts is not full proof. Attempt should be made that no deviations are observed in asset classification, post completion of Statutory Audit.

## APPEAL TO CONTRIBUTE IN ICAI COVID -19 RELIEF FUND



The COVID-19 pandemic marks an unprecedented time in modern history that will require the best of humanity to overcome. Little would have we realised the unfolding of epidemic like this, which situation is yet unfolding, and have brought the economic momentum to a much lower trajectory. Situation like this would need support to collaborate with the government initiatives to scale up governmental efforts to help those in distress. At this moment, the affected people in India will need help to tide over the viral disease, and in this scenario, ICAI has decided to stand with our distressed fellow countrymen, and actively participate in the national effort to support them at this difficult time. Due to the ongoing lockdown, much needed on the ground of social distancing and therefore 'stay home' advisory from the government; some of our fellow countrymen will need extensive support from the government. Further, we need to contribute to the government initiatives to bolster necessary infrastructure and human ware to fight this epidemic.

To provide relief for the people affected by the COVID19 & those who are in distress; ICAI appeals to all its Members and Students to donate generously for this noble cause. Donations can be made through online mode; offline collections in form of cheques/demand draft should be given in the name of "ICAI COVID 19 Relief Fund". All contributions can be made in the ICAI Bank Account having the following details:

**Bank : HDFC Bank IFSC No : HDFC0000590**  
**Account No. : 50100098409265**

The collected amount will be given to PRIME MINISTER'S NATIONAL RELIEF FUND. All contributions are exempt from IT under Section 80G. The donors are requested to give their name, membership number /student registration number, address, amount and date of contribution, PAN details (if any) so that receipts could be obtained from Prime Minister's National Relief Fund for onward transmission to the donors. The letter/email can be sent to:

**The Additional Secretary : M&C-MSS**  
**The Institute of Chartered Accountants of India**  
ICAI Bhawan, A-29, Sector-62, Noida-201309  
Email : msshead@icai.in

Looking forward for your generous contribution in these special circumstances in the interest of mankind.

**CA. Atul Kumar Gupta** (President, ICAI)



# COMPLIANCE RELIEF MEASURES ANNOUNCED BY THE GOVERNMENT IN WAKE OF THE COVID-19 OUTBREAK



**CA Vijay Bhutada,**  
Partner : Pantomath  
Advisory Group

As the global pandemic deepens and the human cost of COVID-19 rises, the novel coronavirus outbreak is sending shocks across the world. In response to this global outbreak of COVID -19, the Govt. of India has announced various relief measures to mitigate the impact of the pandemic on businesses operations. Below is an overview of some of the most relevant statutory and regulatory compliances wherein relaxation is provided in statutory timelines (including reduction in interest rates/fees in some cases).

## Income-tax

In order to give effect to the various relief measures announced by the Finance Minister vide Press Release dated March 24, 2020, the Government has passed the Taxation and other Laws (Relaxation of Certain Provisions) Ordinance, 2020 ('Ordinance'). Following relief measures were brought to effect through the Ordinance:

- ◆ Extension of due date from March 31, 2020 to June 30, 2020 for the following:
  - Filing income-tax returns for FY 2018-19;
  - Linking of Aadhaar with PAN on income-tax website;
  - Making various investments /payments for claiming deduction under Chapter VI-A of Income-tax Act, 1961 ('IT Act') for claiming deduction for FY 2019-20;
  - Making investment/construction/purchase for claiming roll over benefit/deduction u/s. 54 to 54GB of the IT Act in respect of capital gains arising during FY 2019-20;
  - Declaration and payment under Vivad se Vishwas scheme can be made up to June 30, 2020 without additional payment of 10% of disputed tax amount.
- ◆ The date for commencement of operations for the SEZ units for claiming deduction u/s. 10AA of the IT Act has also been extended to June 30, 2020 for the units which received necessary approval by March 31, 2020.
- ◆ The due date for issue of any notice, intimation, approval, sanction, order, appeal, applications, notification, furnishing of return, statements & any other document required to be furnished under IT

Act, Benami Law, Black Money Law, Vivad Se Vishwas Scheme, etc. falling between March 20, 2020 to June 29, 2020 are extended to June 30, 2020.

- ◆ Interest on delayed payment of income-tax (e.g. advance tax, TDS, TCS), Equalization levy, Securities Transaction Tax, Commodities Transaction Tax being due for payment between March 20, 2020 and June 29, 2020 reduced from 12%/18% p.a. to 9% p.a. if the same is paid by June 30, 2020. Further, no penalty/prosecution shall be initiated for these delayed payments.
- ◆ Any donation made to the Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund up to June 30, 2020, shall be eligible for 100% deduction u/s. 80G of the IT Act for FY 2019-20. CBDT has also issued relaxations regarding the issue of certificates for lower rate and nil rate of TDS/TCS etc.

## **SEBI Regulations**

Relaxations under SEBI (LODR) Regulations, 2015 SEBI has deferred the due date of following events to ensure efficient & timely compliance by all the listed entities:

Regulation	Compliance	Frequency	Due Date	Revised Due Date
7 (3)	Compliance Certificate on share transfer facility	Half-yearly	April 30, 2020	May 31, 2020
13 (3)	Statement of Investor Complaints	Quarterly	April 21, 2020	May 15, 2020
19 (3A)	Nomination and Remuneration Committee shall meet at least once in a year	Yearly	March 31, 2020	June 30, 2020
20 (3A)	Stakeholders Relationship Committee shall meet at least once in a year	Yearly		
21 (3A)	Risk Management Committee shall meet at least once in a year	Yearly		
24 A	Submission of Secretarial Compliance Report	Yearly	May 30, 2020	June 30, 2020
27 (2)	Submission of Corporate Governance Report	Quarterly	April 15, 2020	May 15, 2020
31	Shareholding pattern	Quarterly	April 21, 2020	May 15, 2020
33	Financial Results of Equity Listed Company	Quarterly	May 15, 2020	June 30, 2020
		Yearly	May 30, 2020	June 30, 2020
40 (9)	Certificate from PCS on timely issue of share certificates	Quarterly	April 30, 2020	May 31, 2020

44 (5)	Holding AGM (top 100 listed entities by market capitalization for FY19-20)	Yearly	August 31, 2020	September 30, 2020
52 (1)	Financial Results of NCDs / NCRPS / CPs Listed Companies	Quarterly	May 15, 2020	June 30, 2020
		Yearly	May 30, 2020	June 30, 2020
Circular no. HO/DDHS /CIR /P/2018/144 dated November 26, 2018	Large Corporates	Initial Disclosure	April 30, 2020	June 30, 2020
		Final Disclosure	May 15, 2020	June 30, 2020

➤ The Board of Directors and Audit Comm. of the listed entity are exempted from observing the maximum stipulated time gap between two meetings for the meeting held or proposed to be held between the period December 1, 2019 and June 30, 2020;

➤ Issuers who intend to list NCDs/NCRPS/CPs and have audited financials as on September 30, 2019 can issue the NCDs/NCRPS/CPs on or before May 31, 2020 (Earlier due date for issuance of securities was March 31, 2020);

➤ SEBI circular on Standard Operating Procedure dated January 22, 2020 shall come into effect from compliance periods ending on or after June 30, 2020 (Earlier circular was applicable from compliance periods ending on or after March 31, 2020); and

➤ All events scheduled till May 15, 2020 that require mandatory advertisement under Regulation 47 are now exempt from publication of advertisements in newspapers.

· Relaxations under SEBI (SAST) Regulations, 2011

➤ The last date for filing continual disclosures under Regulation 30 and disclosure of encumbered shares under Regulation 31 is extended to June 1, 2020 (Earlier due date was April 15, 2020).

#### Compliances under Companies Act and LLP Law

· For the purpose of Companies Act, 2013, Board Meetings for all the business matters may be conducted through video conferencing till June 30, 2020.

· Statutory reliefs from certain provisions of Companies Act, 2013 and Limited Liability Partnership Act, 2008:-

Sr. No.	Particulars	Due Date	Revised Due Date
1.	Registrar of Companies (ROC) Forms, Statement, Returns, Documents, etc.	No additional fees up to September 30, 2020	
2.	Applicability of Companies Auditor's Report Order (CARO) 2020	FY 2019-20	FY 2020-21
3.	Meeting of Board of Directors	At least one meeting in 120 days	Extended to 180 days for meetings till September 30, 2020
4.	Declaration for commencement of business (in Form INC-20A)	6 months from date of incorporation	12 months from date of incorporation
5.	Creation of deposit reserve of 20% of deposits maturing during FY 2020-21	April 30, 2020	June 30, 2020
6.	Requirement to invest 15% of debentures maturing during FY 2020-21 in specified instrument		

➤ Exemption from holding separate meeting of Independent Directors for FY 2019-20; and

➤ Exemption from having at least one Resident Director for FY 2019-20.

· Contribution of funds for activities related to COVID - 19 under Schedule VII for promotion of health care, including preventive healthcare and sanitation and disaster management & in ('PM CARES Fund') shall qualify as CSR expenditure.

· Non-compliant DIN holders and Companies can file Form DIR-3 KYC and Active Company Tagging Identities and Verification (ACTIVE) e-form respectively without any fling fee from April 1, 2020 till September 30, 2020.

· Co. Fresh Start Scheme, 2020("CFSS-2020") has been introduced and key highlights of this scheme are as follows:

➤ CFSS-2020 to come into force on April 1, 2020 and shall be effective till September 30, 2020;

➤ It provides the Defaulting Companies an opportunity to complete pending compliances in respect of certain filings on MCA-21 registry without payment of additional fees;

➤ It provides the Inactive Co. an opportunity to obtain dormant status by filing simple application at normal fees;

➤ All e-Forms can be filed under this scheme except e-Form SH-7 for Increase of authorised share capital and e-Forms relating to charges.

· LLP Settlement Scheme, 2020("LLPSS-2020") has been introduced and key highlights of this Scheme are as follows:

➤ LLPSS-2020 to come into force on April 1, 2020 and shall be effective till September 30, 2020; and

➤ It provides Defaulting LLPs opportunity to complete pending compliances in respect of certain filings on MCA-21 registry without payment of additional fees.

The Govt. & regulatory auth. are keeping a close watch on the evolving situation and the measures undertaken till now are expected to sooth the pain of India Inc. to certain extent.

# COVID RELIEF MEASURES IN GST

CA. Ayushi Garg

Turnover in preceding FY	Tax Period	GSTR-Due Dates	GSTR-3B Due Dates	Due date without Interest	Due date without late fees
<b>Category 1</b>					
<b>More than 5 crore</b>	Feb., 2020	N/A	20-Mar-20	4-Apr-20	24-Jun-20
	March, 2020	30-Jun-20	20-Apr-20	5-May-20	24-Jun-20
	April, 2020	30-Jun-20	20-May-20	4-Jun-20	24-Jun-20
	May, 2020	30-Jun-20	20-Jun-20	27-Jun-20	27-Jun-20
<b>Category 2</b>					
<b>More than 1.5 crore but upto 5 crore</b>	Feb., 2020	N/A	29-Jun-20	If filed within the mentioned due dates no interest and late fees will be levied	
	March, 2020	30-Jun-20	29-Jun-20		
	April, 2020	30-Jun-20	30-Jun-20		
	May, 2020	30-Jun-20	July 12, 2020 (category 1 states staggered before) July 14, 2020 (Category 2 statesstaggered before)		
<b>Category 3</b>					
<b>Upto 1.5 crore assuming quarterly return of GSTR 1</b>	Feb., 2020	N/A	30-Jun-20	If filed within the mentioned due dates no interest and late fees will be levied	
	March, 2020	30-Jun-20	3-Jul-20		
	April, 2020	N/A	6-Jul-20		
	May, 2020	N/A	July 12, 2020 (category 1 states staggered before) July 14, 2020 (Category 2 statesstaggered before)		

## IDENTIFICATION EXERCISE KEY NOTES:-

**Relaxation of Provision Under Rule 36(4):** In Terms of [Notification No. 30/2020](#), a proviso has been inserted in [CGST Rules 2017](#) to provide that the condition as stated in Rule 36(4) of the [CGST Rules, 2017](#) shall not apply to input tax credit availed by the registered person in the returns in FORM GSTR-3B for the months of February 2020, March 2020, April 2020, May 2020, June 2020, July 2020 and August, 2020, but that the said condition shall apply cumulatively for the said period in the return in FORM GSTR-3B for the tax period of September, 2020 shall be furnished with cumulative adjustment of ITC. Condition under rule 36(4) prescribes the restriction for availment of Input

Tax Credit ("ITC") i.e. 10% of the eligible credit in respect of invoices or debit notes the details of which have not been uploaded by the suppliers under sub-section (1) of section 37 of the CGST Act, 2017.

**Validity of E-Way Bill:** In terms of [Notification No. 35/2020](#) (effective w.e.f. March 20, 2020) where an E-Way Bill has been generated under rule 138 of the CGST, 2017 and its period of validity expires during the period 20.03.2020 to 15.04.2020, the validity period of such e-way bill shall be deemed to have been extended till the 30.04.2020.

Extension of Due Dates for compliances under the GST Laws falling in the period from March 20, 2020 to June



29, 2020 for Form GSTR-5, GSTR-6, GSTR-7, GSTR-8: In terms of [Notification No. 35/2020](#) (effective w.e.f. March 20, 2020) it is stated that the said class of taxpayers have been allowed to furnish the respective returns specified in sub-sections (3) i.e. Tax Deducted at Source (Form GSTR-7), (4) i.e. Input Service Distributor (Form GSTR-6) and (5) i.e. Non-Resident Taxable Person (GSTR – 5), of section 39 of the CGST Act, for the months of March, 2020 to May, 2020 to be filed on or before the June 30, 2020.

As per [Notification No. 35/2020](#), all other compliances viz. Appeal, Refund, statement, etc. under the provisions of the CGST Act which is falling during the period from March 20, 2020 to June 29, 2020 is extended to June 30, 2020 EXCEPT for following provisions of the CGST Act, as mentioned below –

Chapter IV. Time and Value of Supply-Relaxation in

issuance of invoice within 30 days of completion of service

Sub-section (3) of section 10, Sections 25. Procedure for Registration, Section 27e. Special provisions relating to casual taxable person and non-resident taxable person, Section 31 i.e. Tax Invoice, Section 37 i.e. Furnishing of details of Outward Supplies, Section 47 i.e. Levy of Late Fees, Section 50 i.e. Interest on delayed payment of Tax, Section 69 i.e. Power to Arrest, Section 90 i.e. Liability of partner of firm to pay tax, Section 122 i.e. Penalty of certain offences, Section 129 i.e. Detention, seizure and release of goods and conveyances in transit;

Section 39 Furnishing of Returns, except sub-section (3), (4) and (5)

Section 68. Inspection of goods in movement, in so far as e-way bill is concerned; and, Rules made under the provisions specified at clause (a) to (d) above.



**Women's Day Celebration**



Vivad se Vishwas with Income Tax Deptt.



Discussion on MCA Audit Independence Paper



Holi Milan Samaroh with Income Tax Deptt.



Seminar on Code of Ethics & CARO by CA. Kemisha Soni & CA. Aseem Trivedi



Visit of Shree P. C. Panigrahi General Manager (Union bank of India)



Seminar on Burning Issues Under GST by CA. Bimal Jain



*Congratulation*

CA. Vijay Bansal for coopted member of Direct Tax Committee of ICAI





**New Managing Committee of ICAI Indore branch for the year 2020-21**



**Visit to take blessing of Holy Soul Shree Vidyasagarji Maharaj Sa.**

Registered with the Registrar of Newspaper for India under No. MPBIL 01231/12/1/2008-TC

**Printed Book-Post  
ICAI, Indore News Letter  
To,**

Printed & Published by **CA. Harsh Firoda**, Chairman on behalf of the Indore Branch of Central India Regional Council of The Institute of Chartered Accountants of India, Plot No. 19-B, CA. Street Scheme No. 78, Part-II, Indore (M.P.) and Printed at **Profiles**, 639, Sneha Nagar, Indore - 452 001 Ph.: 94250 64293, 0731 - 4061632 and published from Indore.

If undelivered please return to :  
**INDORE BRANCH OF CIRC OF ICAI**  
19-B, CA. Street, Scheme No. 78, Part-II,  
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