NEWSLETTER

NOIDA BRANCH OF CIRC

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

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Respected Friends

Greetings of the day……

Friends now the time is approaching near for necessary filing of Income tax returns, Statutory Audits, Tax Audits and various regulatory compliances. Utmost care should be taken while performing our Audit and attestation works in various statutory spheres may be Companies Act, IFRS converged IND As applicability, Income Computation Disclosure Schedules, Tax Audits, RBI compliances etc.

to Global requirement or statutory demand of disclosures and presentations adopted by the various laws we need to focus the mandatory adherence of compliances to be fulfilled. Friends looking towards to the professional updation and acquaintance of subjects which is the need of the time, your branch has planned to cater the subjective updation for the better service to the professional work.

To cope up with the future needs of the professional development Noida branch has applied and been granted permission of conducting ***"Forensic Audit and Fraud detection"*** Course by the (CIT) Committee of Information Technology in the month of August 2016, necessary mails has been forwarded to members to enroll for the demanded course. The enrollment is on first come first serve basis and Batch size is fixed by the committee.

Full day Seminar on **IND As** is also allowed by the (CIT) Committee of Information Technology in the month of July 1st week.

We are continuously striving to provide the seminars which the demand of the time and your suggestions are always welcome. We urge to the members to please share their subjective expertise among the fraternity to get enriched the professional friends.

I hereby pledges my gratitude to the CIRC Team for giving NOIDA branch an opportunity, for the CIRC branch visit , felicitation of the elite members of the CIRC team and holding their 2nd Regional meeting in branch. Thanks to all the committee members for their participation in the CIRC visit and other activities.

Committed to serve the fraternity…

Thanking You
Sincere Regards
CA SANJAY SHARMA
CHAIRMAN, NOIDA BRANCH OF CIRC

Secretary writes.....

Respected professional colleagues,

Again I am getting opportunity to speak you through this newsletter. Friends, the month of June 2016 is very important for a Chartered Accountant (CA) as a partner in nation building where every CA has to play a vital role in the implementation of Amnesty like scheme for domestic black money holders from 1st June 2016 to 30th Sep. 2016 for four months. The two words "Chartered Accountants" inculcate in themselves a mark of trust, integrity and independence. Black money or unaccounted money circulating in the parallel economy is jeopardising the growth of Indian economy as well huge loss in the tax revenue for the Government.

Friends in the month of May 2016, academic results are out for every students of 10 and 12 class from every Board and now this time for career counseling of all 12th passed students. Every CA has to make a honest attempt to encourage every students to pursue CA course. Viewing this career counseling our council has taken initiative to form a committee "Career Counseling" under the able leadership of Hon'ble CA Mukesh Singh Kushwah Ji, Central Council Member where we are visiting every school, our neighbourhood to encourage 12th pass students to pursue CA course.

Friends in the series of developing new speakers and provide them your branch platform, on 3rd of May 2016, we had organised seminar on "GST- way forward and professional opportunities" by CA Chatrath Gupta. The seminar was attended by record audience at branch premise.

Friends, your branch has witnessed a pride moment while entire Central India Regional Council(CIRC) visited your branch on 18th May,2016 and select your branch to conduct their 2nd council meeting. Credit goes to CIRC chairman Hon'ble Abhay Chhajed Ji and his entire team. Your branch had also felicitated the entire team of CIRC.

Friends, it is general perception that there is a lack of coordination with the members in Industries inspite your branch used to organise Corporate Conclave every year where we discussed only those subjects which are useful for CA fraternity whether in industries, practice or in other fields. In order to bridge the gap from members in Industries, on 28th May 2016, your branch had organised Corporate Conclave discussed hot topics like ICDS, CARO and Ind AS. The conclave was attended by approx 150 members. It is worth to mention here that the venue of conclave was centrally located Radisson Hotel at Sector-18 Noida. Our Chairman CA Sanjay Sharma Ji and Vice Chairman CA Gaurav Agrawal deserve all praises for this initiative.

Friends, your branch has started 2 batches of GMCS for CA students from 19th May 2016. On 3rd June, your branch is organising a workshop on How to upload statutory forms under Companies Act 2013 on MCA site. The deliberation shall be made by the Secretarial department of Havells India Ltd. It is happening first time in GMCS a live demo and too by non faculty.

Friends, as I had written in my last address in May 2016 about the finalisation of Branch Annual Accounts which have already been sent to all members for their approval. Now on 7th June 2016 at 2.30 PM an Annual General Meeting has been convened for the approval of Annual Accounts.

Friends, Young Members Empowerment Committee of ICAI is organising 3 days Residential Refresher Course (RRC) for young members at Haridwar from 17th June to 19th June 2016. Your branch is co-host of this event. All members might have received the relevant information. Interested members may attend RRC.

Your suggestions shall always be a source of inspiration for me and my other committee's colleagues.

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Dear Colleagues,

I am delighted to have this first opportunity to write to you as Vice Chairman, Noida Branch of CIRC of ICAI.At the outset I am thankful to all my professional colleagues for reposing faith and trust in me and electing me as Committee Member of Noida Branch for the tenure 2016-2019.

Your energy and enthusiasm have come across strongly during our few interactions during last three months and it's clear to me that you want to set the standards for the profession, by using our Branch as a medium. I've listened carefully to what you want and embrace your aspirations to create a distinguished impact in our profession. I am committed to work with you to convert your aspirations into reality, by scaling greater heights in terms of growth and creating extensive opportunities for overall professional development of our members.

It was really heart whelming to see the level of interest in our last seminar – Corporate Conclave, which have been well acknowledged by the members. Let me assure you that this is just a beginning of the great beginning, which we all cherish together. I am working with my team to identify opportunities to organise such events, which will benefit all of us together.

This position is like a 'Crown' for me and I take great pride in acknowledging this. I am aware of the responsibility I have now in leveraging upon this opportunity and am very excited to work towards it. Amongst all, few of my immediate priorities are as follows –

- As we all know that the participation level from the members in Noida, more particularly, from members in the industry is low at this stage. I am willing to work with you to create innovative ideas which can encourage better participation and invite you to share your perspective which can help us to specifically address the needs, as may be required, by taking the holistic view.

- Also, as we all know that we are in urgent need for a better infrastructure for our branch.I am working with my committee members to identify appropriate premises to relocate.

I couldn't be more delighted that I am in a position to serve you. I am passionate to work with each one of you and hope that we will work well together.

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NEXUS BETWEEN PROFESSION AND SPRITUALITY

Friends the idea of sharing my views among the august professional fraternity blinks to my mind because sometimes inadvertently we lack spirituality aspect in our professional aptitude and day to day busy schedule. There is a very close connection of our mind, the waves that generates within us, approach to attend the task, while performing our professional, social, and family tasks and serving to mass including family, society, religion, and nation directly or indirectly.

Here being spiritual means not only the worship of god, but pray to god that our thinking, behavior, speech, body language, focus, goals, targets and means of works should gesture in positive alignment to give us the best for the humanity at large. Regular practice of conscious mind and behavior helps us to attain the sort of spirituality with continuous practice, so that we can be able to beat and challenge the proverb ***" Bad habits Die Hard"***

The aura of profession will be highly enlighten when we are trained or practicing to get trained our mind set in true meaning of spirituality so that to serve and advice the professional services . The Approach becomes pious, fruitful to the recipient, give a new, bright waves and cosmic energies to the society and nation. As truly verdicts in holy Geeta ***" Karmaney Vadikarste Maa faleshu kadachanah"*** . Have a instinct to work consciously and continuously , this is our right to perform in positive direction and believe me friends the results will be fruitful and amazing, need not to care that what will be the outcome. and this is also advocates in our ICAI Moto Song ***" Kamam Kamam puruso nirmimanah"***

The waves of thought generated through our surroundings is very fast moving and get the direction where it get comfort regardless of in long run they may destroy your soul . The worship , spirituality pave the ways to command the thought in the right direction and keep and allow the mind to control , guide, and master the thought process in right perspective.

We use to see many messages in social medias about the right things, Good messages they may help us but that are all copy and paste and more subjective to post to other friends to mark their presence and of remembrance. How many of us really practice good messages, very few.

The purpose to penning down the nexus between spirituality and profession is to make ourselves aware that this is the continuous process and practicing spirituality will definitely help us in craving the best professional aptitude.

Thanking You,
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AUDITING OF E-COMMERCE BUSINESS

Introduction

With the rapid change in the technology and the new innovations or ideas introduced almost every day, the way the business is being done has also changed rapidly over a period of time. The transactions which were earlier done physically through paper documents are now done through electronic medium or internet. The term "E-commerce" or "Electronic commerce" would mean buying and selling of goods and services or transmission of funds or data over an electronic network – primarily through usage of Internet. E-commerce has become a popular form of business that has continuously proved its success and potential.

These business transactions can occur either business-to-business, business – to –consumer or consumer –to –consumer over electronic medium. In the earlier business scenario where the people used to interact with each other has changed and in the E-commerce scenario. In the E-commerce, the business is done through certain software where the software interact with each other for the successful completion of transaction. E-commerce website allows for product display, online ordering, and inventory management.

In E-commerce business, there are three components[1]:

a. Technology component: Networking technology for exchanging financial transactions and data base technology to store the desired data.
b. System component: Financial and accounting system to process the financial transactions.
c. People component: Service providers and stakeholders.

Transactions in E-commerce environment

Although E-commerce is not much different from any other traditional business other than its close integration with technology, all the e-commerce transactions have distinct characteristics of total involvement of end-user at every stage of the process. The time involvement is the operation cycle in e-commerce transaction is relatively small than the traditional business. One of the elements is the validity of contract entered between the parties.

Most of the payments in e-commerce transactions are done through credit cards. This is done by choosing merchant account or through third party for online processing like Paypal website or cyber Cash website. The third party collects the funds for the website operator using its own merchant account and then deposits the funds into the website operator's fund.

Since the E-commerce transactions are done across the State boundaries, the taxation of the transaction is a con into their activities. Auditors mist consider how e-commerce will impact their line of work. There has been a concern with regard to the differences in auditing e-commerce compared cern. Most of the tax laws requires the physical presence of the business which is ideally not present in the e-commerce transactions.

Role of auditors in E-commerce environment

With the changing business environment, business are not only the parties that need to incorporate e-commerce to the traditional commerce with regard to the audit risk (specifically inherent risk and control risk) as such environment creates more complexities for the audit team.
The information which are required to be considered by the auditors necessary for successful e-commerce audits includes [2]

1. **Knowledge of organizational security vulnerabilities**
   Vulnerabilities that are internal and external to the business, either in logical or physical nature must be identified since most businesses are highly vulnerable to security lapses and breaches.
2. **Expertise in system and network change management**
   Auditors that were chosen to be on the engagement must have a minimum level of expertise in system and network change management. This being so, the auditors who have limited knowledge on IT systems should utilize auditors with expertise to seek vulnerabilities introduce by software in the networks.
3. Security specialist on audit team
   There should be members with expertise specifically in intrusion detection, prevention, and recovery management. Although this is a complex IT expertise, it can be outsourced.
4. **Knowledge/training in auditing of financials in integrated systems environment**
   During the process of planning materiality and looking into the quality of audit evidence obtained, the audit team members should have knowledge or training in auditing the financial of a highly integrated accounting environment. Because of computerized scenarios, most professional auditors should hold this expertise.

5. **Experience in web site review/audit**
   Auditors on the engagement should possess a minimum level of experience in web site review or audits. Entities have multiple layers of web sites and portals, making WebTrust experience useful as well.

The risk factors which the auditors needs to evaluate and consider the moment it begins using internet, intranet, and other web technologies includes:[3]

1. Unauthorized alteration of data
2. Unauthorized access to the underlying operating system
3. Eavesdropping on messages passed between server and browser
4. Impersonation

Website Auditing[4]
Aside from the concerns of the design and maintenance of the client's web server, issues also arise from the mere existence and use of a website as well. Website audits are another strategy to ensuring ecommerce functionality, as it is the client's website is the most critical component of the business. Unlike traditional businesses, e-commerce products and services are available on a 24-hour basis. Because of its lack of downtime, there are more gateways to miscreants. Security and

application integrity cannot be emphasized enough as 25% of small to medium-sized businesses have been subject to a security breach in their IT system in 2010. Also, there are much shorter application developments in an e-commerce environment because of the natural urgency to have to enter the market as soon as possible. Therefore, management has to be careful to not skip steps in the development process to ensure a website that has endurance. Lastly, conducting business online allows for more international activities due to the lack of costs to do so. Because websites have a wide reach, it naturally exposes the company to not only customers, but also competitors and organizational critics. This calls for the need for increased content review due to the likelihood of scrutiny for legal and publishing purposes. The company has to not only ensure it is not breaching legal policies, but its content is not offensive or culturally insensitive as well.

Conclusion

The big challenge for auditor in the e-commerce transaction is the fact that the physical inspection is not possible which the most reliable audit evidence. Another challenge for the auditors engaged in the audit in the e-commerce environment is to ensure client's web interface and electronic payments are not overlooked. At the same time, design and development of the e-commerce system as a whole must be considered as it likely has the highest impact on the future longevity of client's business. For a business that is so heavily based on this new technology, any collapse in the technological aspect will lead to potential business and audit failure.

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Thanking You,
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AOP OR Not AOP- CBDT Clarifies

For execution of major projects more particularly infrastructure projects generally a consortium is formed. The taxability of consortiums as an Association of Persons **('AOP')** under the Indian Tax laws has been a matter of protracted litigation. Despite there being innumerable decisions by various courts, the taxability of a consortium as an AOP continues to remain a perennial dispute.

Generally speaking AOP is deeming entity for tax purposes and hence causes a great amount of hardship in its taxability as well as the taxability of its members. In its continued efforts of meliorating ease of doing business, the Central Board of Direct Taxes **('CBDT')** has come out with a circular i.e. Circular No. 07/2016 providing certain guidelines for ascertaining the status of consortium as an AOP or otherwise. The key features are as follows:

1. Independent responsibility to the extent of the scope of work to be executed w.r.t.: (i) Resources; (ii) Risk; (iii) Expenditure;
2. Profit/loss incurred depends solely on the performance of the assigned part of the work. The fact that the consortium members may share the contract price at gross level for the sake of convenience in billing shall bear no influence over the above fact.
3. Respective attachment of risk and control over men and materials used for any area of work.
4. The control and management of the consortium is not unified and common management is only for the inter-se coordination between the consortium members for administrative convenience.

The Board has also clarified that it is not exhaustive and depending upon the specific facts and circumstances of a given case, there could be other additional factors which may justify that consortium does not constitute AOP.

The circular is inapplicable in cases where all or some of the members of the consortium are Associated Enterprises within the meaning of Section 92A of the Act.

Our Comment:

The circular comes as a major relief to infrastructure developers as these would be treated as separate taxable units. This will enable these companies to:

Losses of the AOP can be set off in the hands of its members;

- Not attract the maximum marginal rate of tax ;
- Availability of credit in the country of residence/ Eligible for treaty benefits;
- Only Indian sourced income to be taxed in case of non-resident company i.e. no tax on the global income.

This shall also act as an impetus for the foreign companies to form consortiums and invest more in India, leading to infrastructure development of the country.

THANKING YOU

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