

## The Editor's Desk

Dear colleagues

The Alleppey Branch of ICAI has decided to publish monthly Newsletters of the branch which has been a desire hanging over for a long time. The mandate of editing and publishing the Newsletters in the ensuing year has fallen on me and I deem it a great privilege and honour to execute this. Any Newsletter would be meaningless unless the members of the profession contribute their knowledge and wisdom to enrich others about the intricacies of the various professional subjects and problems faced by the profession at large. Of course, we have the apex body ICAI to redress our grievances. But how far they have been addressing individual and common problem affecting a small group in Mofusil areas still remains to be seen. It is always a theory that any large association cannot cater to the individual needs of the profession. This can be achieved only by smaller group of association posing out their problems and suggesting remedy to their might. Therefore, it is my earnest request that every



CA. R. SREENIVASAN

month you should contribute articles of common interest on professional subject or concerning day to day practice which shall be duly published in the Newsletter. The very purpose of a Newsletter is to bring out the practical problems faced by the members of the profession not only subject wise but also profession wise. Please see that your article or notes reach the undersigned before 15<sup>th</sup> of every month. We are indenting to release the publication of the Newsletter every month by the 25<sup>th</sup>.

Thanking You,  
Yours sincerely,  
**CA. R. SREENIVASAN**  
EDITOR.

## BRIEF HISTORY OF ALLEPPEY BRANCH

The Alleppey branch of ICAI came into existence on the 21st of October 1981 in a glittering function held at the premises of the Travancore Chamber of Commerce, Alleppey. The branch was inaugurated by the then President CA. Bansi. S. Mehta, in the presence of then Vice President C.A Asokh Kumbat and the then Secretary of the ICAI Sri. P. S. Gopalakrishnan. The following members constituted the first Managing Committee:

1. **CA. L. RENGAMANI, Chairman**
2. **CA. P. G. Paniker, Vice- Chairman**
3. **CA. S. Mahadevan, Secretary**
4. **CA. K. K. Padmanabha Pillai, Treasurer**
5. **CA. J. Krishnan, Member**
6. **CA. M. Abdul Rahim, Member.**

Every month, on the first Thursday, Members of the branch used to meet and discuss professional topic of importance. The branch also made it a point to organize Seminars by inviting well- known faculties from other places like Mumbai, Calcutta and Chennai and from day one the activities went on in full swing. At this juncture it was felt necessary that the branch owns a building of its own and with this view in mind, Alleppey Chartered Accountants Association acquired a building of 1000 sq. feet in the heart of the town to house the Alleppey Branch of ICAI on 29.7.1982. Later on this building of the Association was transferred to ICAI, Alleppey Branch. As matching grant ICAI sanctioned fund for the construction of the office building adjacent to the main hall both the building are still there. As the activities of the branch went on in a big way with All India Seminars being organized regularly and SICASA being formed in Alleppey and library for members established, it was found necessary that the branch moves into a large area due to constraints of space in the existing building. With this view in mind, we approached the institute for financial assistance. By regular follow up, this was able to be achieved in the year 2011. The then President CA. Amarjit Chopra and Vice President CA. G. Ramaswamy sanctioned full fund for acquiring the land extending to 42 cents, and immediately the then President CA. Ramaswamy sanctioned fund to the tune of Rs 1.35 crores for

construction of the building. In a record time of one year, the branch was able to inaugurate the new building by the then President CA. Jaideep N. Shah in the presence of past President CA. R. Balakrishnan in a glittering function in the venue. In fact, the president who inaugurated remarked that this is one of the best buildings on all India level. This was jointly achieved due to the concerted efforts of many members of our branch right from the point of procurement of land till the point of finishing the construction. Subsequently various improvements / additions have been made to the building by way of external amenities and recently sanction has been accorded by the present council of ICAI to the tune of Rs. 40 lakhs for various amenities like installation of Bore Well, laying of approach road, further computerization in the branch and so on. The branch is now actively conducting 3 courses in GMCS, Orientation Programme, ITT Centre, and Crash Coaching Classes for CPT and IPCC students. Every month CPE meeting are held and addressed by members of branch or outside faculties on topic of current importance. The branch is having extensive Library facility. It is proposed to establish a Reading Room in consonance with the institute direction at the old premises. The branch is also regularly organising residential courses every year.

Thus continues the Saga of the Alleppey branch of ICAI.

## **PROFESSIONAL OPPORTUNITIES:**

1. In this issue I, would like to discuss and give my impression on the professional opportunities available to Chartered Accountants. Many of us are engaged in the conventional practice of preparation of financial statement and filing of Income tax returns and also representing before the Income Tax Authorities wherever there is a scrutiny Assessment. Other than this annual exercise of statutory bank audit is there which is also being reduced slowly. We are not trying to enter into other areas of professional requirements, and are also even dependent on the result we are able to deliver in these conventional practices.

2. The area of Service Tax has assumed greater role and importance in the day to day professional practices. Being a subject matter of administration under the Central Excise Department, ample opportunities are there and the clients are also not fully equipped to meet the challenges on the issue. Therefore, I believe that this is an area of greenery for us and we are yet to ponder the possibility of representation. After the introduction of Negative list in 2012 many of the services subject to the turnover aspect have been brought under the ambit of Service Tax. I feel, much future is there in this line of practice.

3. Yet another area is into the drafting line hitherto we have been preparing only partnership deed and some of us are engaged in the registration/formation of limited companies which is now on on-line system. Other than this, there are multi-farious avenues in the drafting line like preparation of lease deeds, MOUs, power of attorney, sale deeds, agreement of sale, WILLS and so on. The work involved in the above line of practice is according to the requirement of the Clients. Though there are standard formats in most of the cases one has to tune the draft to suit the requirement of the Clients. Here the role of Chartered Accountants assumes much importance in view of their professional knowledge and expertise.

4. Yet another line of practice would be to upload various statutory documents like E-TDS returns etc etc. It is noticed that in many cases these have been outsourced by the clients to approved entities. In such a scenario, why cannot we take the responsibility and execute for our clients, to start with.

5. With the introduction of new Companies Act 2013, the field of internal audit has also assumed importance. Even otherwise, many of the corporate houses are undertaking internal audit whether it is mandatory or not. This will not only create an opportunity for many personals to get employed but also would bring- forth more transparency in the maintenance & audit of accounts.

6. I have only given some of the opportunities available and this is very much exhaustive and we have to grab such opportunities whenever it falls on us.

CA. R. SREENIVASAN

## **FORTHCOMING EVENTS**

1. RRC of 23rd, 24th, 25th May at Nadukani, Mulamattom, Idukki District.
2. CA day celebration on 1.7.2014 at branch premises

## **MEMBERS DIRECTORY**

It is proposed to publish a directory of the members of our branch along with other usual information. You would find a check list enclosed along with this Newsletter which may filled up in all respects and positively sent to the branch along with to passport size photographs. The new directory is proposed to be released on the 1st July 2014 during the CA Day Celebration and all the members are requested to return the form along with the photographs with in a weeks time.

## APPOINTMENT OF AUDITORS UNDER COMPANIES ACT, 2013

The present write-up highlights the provisions under Companies Act 2013 as well as rules framed under The Companies [Audit & Auditors] Rules 2014 with regard to the appointment of Auditors.

### Sec – 139 Appointment of Auditor

This section corresponds to section 224 & 619 of Companies Act 1956.

#### **Appointment of First Auditor**

In case of a Government Company, first auditor shall be appointed by Comptroller and Auditor General [CAG] of India within 60 days from the date of registration. If he is not so appointed within the said period by CAG, the Board of Directors [BoD] of the Company shall appoint such auditor within next 30 days. If BoD failed to appoint the first auditor, members in Extra Ordinary General Meeting [EGM] has to appoint the first auditor within next 60 days.

In case of Company other than a Government Company, the first auditor shall be appointed by BoD within a period of 30 days from the date of registration. If BoD failed to appoint the first auditor within the said period of 30 days, the duty of appointing the first auditor is cast upon members and thereby members in EGM appoints the first auditor within next 90 days.

The First auditor shall hold office till the conclusion of first Annual General Meeting [AGM].

#### **Appointment of Subsequent Auditors**

In case of a Government Co, it is the duty of CAG to appoint the auditor, in respect of a financial year, within a period of 180 days from the commencement of such financial year and who shall hold office till the conclusion of next AGM. So now it becomes a time bound process to appoint the auditor within a period of 180 days from the commencement of financial year in case of a Government Company.

In case of Company other than a Government Company, at the first AGM, appoint an individual or audit firm as auditor who shall hold office from the conclusion of that meeting till the conclusion of its sixth AGM and thereafter till the conclusion of every sixth AGM.

Further Company shall place the matter relating to



CA. BIJU NARAYANAN F.C.A

such appointment for ratification by members at every AGM. So that means appointment of auditors is for 5 years tenure subject to ratification by members at every AGM.

Sec 139 (2) of the New Act says that in case of a listed Company or Company belonging to such classes as may be prescribed, auditor shall not be appointed / re-appointed for more than two terms of 5 consecutive years if an audit firm as auditor is appointed and not more than one term of 5 consecutive years if an individual as auditor is appointed. That means an individual auditor can hold office for 5 consecutive years and shall not be re-appointed in next AGM. In case of an audit firm, they shall hold office for 10 consecutive years and shall not be re-appointed after such period.

For the purposes of above sub-section, Rule 5 of The Companies [Audit & Auditors] Rules 2014 prescribes the class of Companies mean the following classes of Companies excluding Small Companies & One Person Company:

- (a) all Unlisted Companies having paid up share capital of Rs. 10 Crore or more.
- (b) all Private Limited Companies having paid up share capital of Rs. 20 Crore or more
- (c) all Companies having paid up share capital of below threshold limit mentioned in (a) and (b) above, but having public borrowings from financial institutions, banks or public deposits of Rs. 50 Crore or more.

Section further provides a cooling period of 5 years for such auditors to be re-appointed. That means in case of individual auditor, after completing his term of 5 consecutive years, he shall not eligible for re-appointed for next 5 years in the same company, But after completing the cooling period of 5 years, he is eligible for re-appointment in that Company and in case of audit firm, after completing 10 consecutive years, can be re-appointed only after completing the cooling period of 5 years.

Further as on date of appointment, no audit firm having common partner or partners to other audit firm whose tenure has expired in Company immediately preceding financial year shall be appointed as auditor of the same Company for a period of 5 years.

It is to be noted that every class of Companies for which this sub-section applies shall comply with this provision within 3 years from the date of commencement of this Act.

Members in AGM can provide by passing resolution for rotation of auditing partner & his team at such intervals as may be resolved by members. Where a Company appointed 2 or more person as joint auditors, the Company shall follow the rotation of auditors in such a manner that all of the joint auditors do not complete their term in same year.

### **Casual Vacancy**

In case of Government Company, the casual vacancy in the office of auditor shall filled by CAG within 30 days of such vacancy occurred. If CAG does not fill the vacancy within such period, the board shall fill the vacancy in next 30 days and such auditor has to hold the office till the conclusion of next AGM

In case of Company other than a Government Company, the casual vacancy shall be filled by board within 30 days. In case, if such vacancy is as a result of Resignation of auditors, such appointment by the board shall be approved by Company at general meeting convened within 3 months of recommendation of board. So in case of casual vacancy by resignation of auditor, board has to recommend the new auditor and members have to approve in EGM within 3 months. The auditor thus appointed to fill casual vacancy shall hold office till the conclusion of next AGM

In case, if no auditor has been re-appointed in any AGM, the existing auditor shall continue to be the auditor of such Company.

### **Procedure for Appointment of Auditor**

Rule 3 of The Companies [Audit & Auditors] Rules 2014 lay down the procedure to be followed by a Company for appointing an auditor:

1. In case of Companies which have constituted audit committee u/s. 177, audit committee has to recommend the appointment of auditor, in other cases, board has to consider on their own.
2. If the board agrees with the recommendation of Audit Committee, it shall consider and recommend the same to members in general meeting.

3. If the board disagrees with the recommendations of the Audit Committee, it shall refer back to the Committee for reconsideration along with board's reason.

4. If the Audit Committee doesn't reconsider, then the board will make its own recommendations to the members and record the reason for rejection of recommendation of Audit Committee in its report.

5. Audit Committee / board has to consider the following factors before appointment:

- a. Qualification & Experiences of Auditor
- b. Size & requirement of the Company
- c. Completed & pending proceedings against the auditor before ICAI or NFRA or any Court of Law.

6. On recommendations of board, members in general meeting have to appoint an individual / firm of auditors for a period of 5 years subject to ratification by members in every AGM by passing an ordinary resolution.

7. If the appointment is not ratified by members, the board shall appoint another auditor / s after following the procedure laid down in this behalf under the Act.

8. It is the duty of the Company to inform the auditor regarding the appointment and also to Registrar of Companies in Form ADT-1.

### **Documents to be obtained from Auditor**

1. Consent Letter to act as auditor
2. Certificate confirming following particulars:
  - a. He or it is eligible for the appointment and is not disqualified under the Act, The Chartered Accountants Act 1949 and the rules or regulations made there under.
  - b. The proposed appointment is within the limit allowed laid down in the Act.
  - c. The proposed appointment is as per the terms provided under the Act.
  - d. The list of proceedings against the auditor or audit firm or any partner of the firm pending with respect to professional matters of conduct, as disclosed in the Certificate, is true and correct.

## ACTIVITY REPORT FOR THE MONTH OF MAY 2014.

SI NO	PROGRAMME DATE	PROGRAMME NAME	TIME	VENUE	REGN: FEES
1	02.05.2014	INFORMATION TECHNOLOGY TRAINING	09.30AM 03.30PM	ICAI BHAWAN ICAILANE ATHITHARA TEMPLE ROAD PAZHAVEEDU ALAPPUZHA	<b>4000/ -</b> DD IN FAVOUR OF "IT CENTRE ICAI ALLEPPEY "BRANCH
2	10.05.2014 14.05.2014	IPCC CRASH (TAXATION)-CA.JUSTIN RAJ.	07.00AM 07.00PM	ICAI BHAWAN ICAI LANE ATHITHARA TEMPLE ROAD PAZHAVEEDU- P.O, ALAPPUZHA	Rs.1500/-
3	23.05.2014 25.05.2014	THREE DAYS RESIDENTIAL REFRESHER COURSE (ORGANISED BY COMMITTEE FOR CAPACITY BUILDING OF CA FIRMS AND SMALL & MEDIUM PRACTITIONERS (CCBCAF & SMP), ICAI	09.00 AM 06.00 PM	GREEN BERG RESORT NADUKANI, MOOLAMATTOM, IDUKKI, KERALA	Rs. 8000/- for Member Participant  Rs. 7500/- for Spouse
		<b>Technical Sessions</b> 1. An overview of IFRS- 2. Companies Act 2013 with emphasis on accounts and audit – 3. Domestic Transger Pricing – 4. Companies Act 2013 New Concepts incorporation & Meetings. 5. Service Tax - Discussion on Negative List and Mega Exemptions 6. Capacity Building Measures for Practitioners & CA Firms	<b>Resource Persons</b>  CA.Narayan Nambiar. Bangalore.  CA. Anagh Gupta New Delhi.  CA.Jomon K George Ernakulam.  CA.R.Krishnan Alleppey.		Rs. 4000/- for Non- Residential  Rs. 3500/- for Non- Residential - ARS

**No. ITMC-42/14/CT****CIRCULAR NO. 11 / 2014**

Sub:– KVAT ACT – Electronic process for diary submission, issue of defect notice and settlement of demands by e-payment - Instructions issued reg.

Read: Circular No.48/2008, 5/2011,

The department has prescribed registration, filing of returns and enclosures, payment of tax, issuance of statutory forms, goods consignment declarations, closing stock, audited statements etc. by electronic means. The above facilities have improved the user experience of the dealers in complying statutory requirements. Taking the step forward in improving the effective administration, it has been decided to implement online diary for the monitoring of officers performance and to implement electronic processes for creation of demands and collection of arrears. Accordingly modules have been developed in KVATIS for the following.

**1. Submission of online work diary.**

KVATIS has been facilitated submission of work diary by all officers online. The diary submitted by the assessing officers will be available to the respective controlling officer (Inspecting Assistant Commissioner / Deputy Commissioner) for verification and approval. The approved diary will be available to the Deputy Commissioner for verification and submission to the Commissioner. From 01-04-2014 onwards, all assessing officers shall use the online forms in KVATIS for submission of work diary to the controlling officers. The controlling officers shall verify the work diaries of officers through KVATIS. The Deputy Commissioners shall verify the diaries in KVATIS and submit the consolidated diary to the Commissioner through KVATIS by the 5th of the subsequent month. The manual diary shall be dispensed off w.e.f 01-04-2014.

**2. Defect Notice under Section 67 of the KVAT Act.**

For effectively monitor the timely remittance of collected tax by the dealer, it is important to identify the return defaulters and non-filers of statutory statements. Therefore electronic process has been developed to identify defaulters and to enforce the provisions of the KVAT

Act which covers:

- 1) Issue defect notice under section 67 of the KVAT Act and serving notice online.
- 2) Online filing of reply to defect notice by the dealer
- 3) Confirmation of penalty
- 4) Service of demand notice online
- 5) e-Payment of demand / arrear

Hence from 1st April 2014 onwards, all defect notices and demand notices under Section 67 of the KVAT Act shall be generated online and the dues shall be paid by e-payment.

**Commissioner**

## FORTHCOMING PROGRAMME FOR THE MONTH OF JUNE 2014

SI NO	PROGRAMME DATE	PROGRAMME NAME	TIME	VENUE	REGN: FEES
1	02.06.2014	INFORMATION TECHNOLOGY TRAINING	09.30 A.M. 03.30 P.M.	ICAI BHAWAN ICAI LANE ATHITHARA TEMPLE ROAD, PAZHAVEEDU-P.O., ALAPPUZHA.	<b>Rs. 4000/-</b> DD IN FAVOUR OF "I.T. CENTRE, ICAI, " ALLEPPEY BRANCH
2	12.06.2014	CPE SEMINAR ON TDS & TCS –  FACULTY: <b>CA. SATHEESAN. P</b>	06.00 P.M. 09.00 P.M.	ICAI BHAWAN ICAI LANE ATHITHARA TEMPLE ROAD PAZHAVEEDU-P.O, ALAPPUZHA.	ARS - NIL  Non-ARS – <b>Rs. 450/</b>
3	25.6.2014	ORIENTATION PROGRAMME	09.30 A.M. 05.00 P.M.	ICAI BHAWAN ICAILANE ATHITHARA TEMPLE ROAD PAZHAVEEDU-P.O.ALAPPUZHA.	<b>Rs. 3000/-</b> DD IN FAVOUR OF "SIRC OF ICAI" ALLEPPEY BRANCH
4	25.06.2014	GMCS -I	09.30 A.M. 04.30 P.M.	ICAI BHAWAN ICAI LANE ATHITHARA TEMPLE ROAD PAZHAVEEDU-P.O. ALAPPUZHA.	<b>Rs. 5500/</b> DD IN FAVOUR OF "SIRC OF ICAI" ALLEPPEY BRANCH
5	26.06.2014	GMCS-II	09.30 A.M. 04.30 P.M.	ICAI BHAWAN ICAI LANE ATHITHARA TEMPLE ROAD PAZHAVEEDU-P.O.ALAPPUZHA.	<b>Rs. 5500/-</b> DD IN FAVOUR OF "SIRC OF ICAI" ALLEPPEY BRANCH