



# The Institute of Chartered Accountants of India

(Setup by an Act of Parliament)

August  
2025

## WIRC GANDHIDHAM BRANCH E-NEWSLETTER

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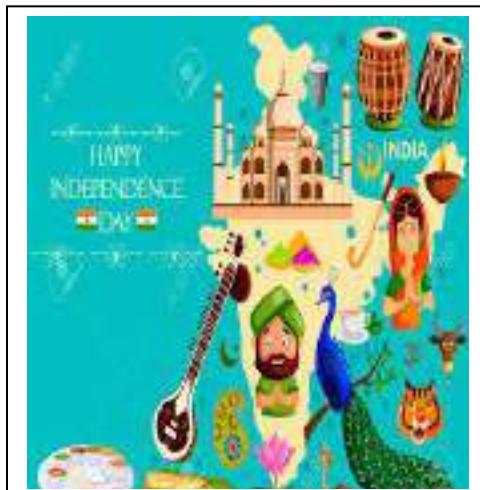
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## Chairman's Communique

Dear Professional Colleagues,

Warm greetings to all of you as we step into the vibrant and spiritually enriching month of August !!

August is a month that beautifully blends patriotism, devotion and celebration. As we prepare to commemorate India's 79th Independence Day, let us reflect on the values of freedom, integrity and service that define our great nation and our noble profession. May we continue to uphold these ideals in our work and in our community.



This month also brings a cascade of cherished festivals:

- **Raksha Bandhan (9 August)** – celebrating the sacred bond of protection and love between siblings.
- **Krishna Janmashtami (15–16 August)** – honoring the birth of Lord Krishna, symbolizing wisdom, joy and divine purpose.
- **Ganesh Chaturthi (27 August)** – invoking Lord Ganesha, the remover of obstacles and harbinger of new beginnings.

These festivals remind us of the importance of family, faith and cultural unity, values that resonate deeply within our professional and personal lives.

### Gandhidham Branch Initiatives on Professional Development for Members

We are proud to share that our branch continues to thrive with purposeful activities:

- The full day seminar on GST Litigation was conducted under the Indirect Tax Committee of ICAI on 12th July, 2025 at Renest Hotel. The sessions were taken by national level speaker CA Abhishek Raja, Delhi and CA Abhay Desai, Vadodara with over 100 participants.
- The seminar on MSME Finance and Subsidies was organized on 1st August, 2025 jointly with SIDBI and GCCI at Chamber Bhavan. We received overwhelming response from CA professional and from Businessmen fraternity making count of around 125-130 participants. Seminar has empowered many with insights into various financial products/schemes of SIDBI and further incentive schemes and subsidies of Gujarat Govt.
- This month on 7th August, 2025, we look forward to hosting sessions on “Scaling up Audit Quality for Non-Corporate Entities”, designed to enrich our members’ knowledge and uphold our standards for conducting audit.
- Our CA Foundation Day celebrations in July—featuring the distribution of personal care kit, food serving, tree plantation and blood donation camp—were a testament to our collective spirit and social commitment.
- Further, as rightly said “Health is your Wealth”, we organized health checkup at concessional rate in association with Metropolis Lab for various blood reports and for 2D ECO and ECG reports of heart with consultation of Dr. Devansh Khandol, Swasthya Hospital, Gandhidham. Almost 60 CA and their family members took benefit for this health checkup.

### Gandhidham Branch & WICASA Initiatives for Student Activities

- Webinar was organized on topic “Industrial Training V/s Articleship, what’s best for you” by CA Padam Bhanshali on 13th July, 2025.
- WICASA Premier League 2025 was played on 26th – 27th August, 2025 among CA students. Shyam 11 became Champions and Invincibles were runner up. Congratulations to both the teams.
- To motivate students who are going to appear in upcoming exam, webinar was organized on topic Restart with Purpose: Your CA Journey is not over by CA Rahul Batra on 27th July, 2025.
- Further, inspirational and motivational seminar was taken by our own Past Chairman CA Rajiv Singh Sir on topic “Beyond the Books: Navigating Real-World Learning During Articleship” on 3rd August, 2025 to inspire student by special movie feature “ Ek Ruka Hua Faisla” for importance of articleship in CA curriculum.

Let us also take a moment to appreciate the enthusiastic participation of students and non-members, whose energy and curiosity fuel our branch's inclusive growth.

As we celebrate festivals and national pride, let us also renew our commitment to professional excellence, ethical leadership and community service. May our actions reflect the values we hold dear and may our branch continue to be a beacon of learning, integrity and unity.

Wishing you and your families a joyful, safe and spiritually fulfilling August.

Let me conclude with quote from Dr.Abdul Kalam:

**“Luxury and Lies have huge maintenance costs. But Truth and Simplicity are self – maintained without any cost”.**

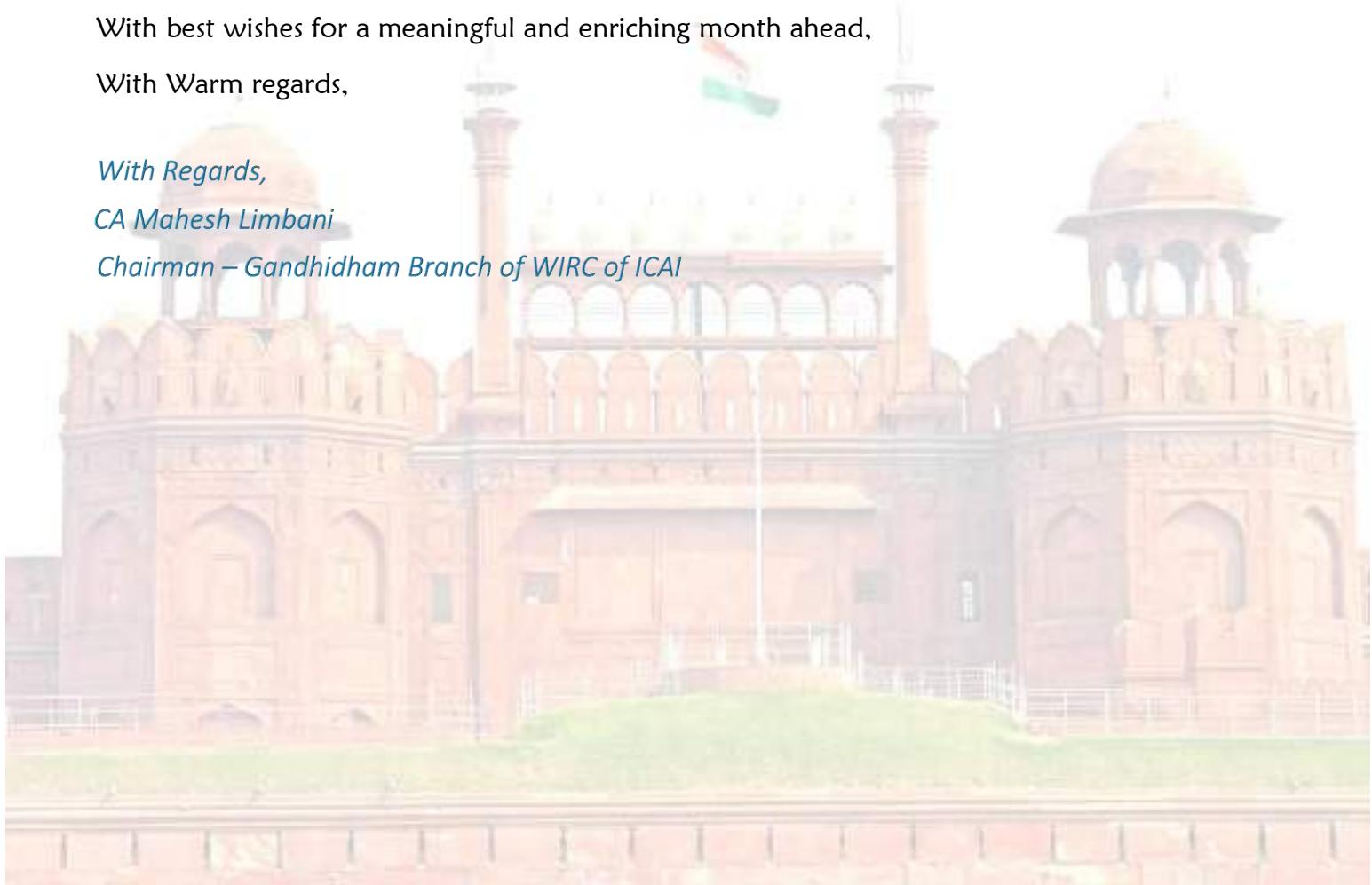
With best wishes for a meaningful and enriching month ahead,

With Warm regards,

*With Regards,*

*CA Mahesh Limbani*

*Chairman – Gandhidham Branch of WIRC of ICAI*



## Editorial Echoes

As we usher in **August 2025**, Chartered Accountants stand at a pivotal mid-year juncture—monsoon replenishes resources while compliance calendars fill up. This edition equips you with in-depth guidance, efficiency strategies, risk mitigation tactics, and sector insights tailored for CA professionals.

### 1. ⚖ Compliance Pulse for CAs

- **GST & TDS Vigilance:** Review client GST reconciliation, TDS challan mapping, and dispute resolutions to prevent future notices.
- **Payroll & Statutory Dues:** Audit PF and ESI ledgers, ensure retroactive corrections for missed contributions, and advise clients on new ECR validations.
- **E-Invoicing & ITC Controls:** Validate automatic e-invoice generation for high-value transactions; implement exception reports to flag mismatches in ITC claims.
- **Audit Preparation:** Start scheduling interim audits—collect key documents, confirm related-party disclosures, and update audit programs for Q2.

### 2. 📈 Growth & Operational Excellence

- **Rolling Cash-Flow Projections:** Build a dynamic model linking sale forecasts, debtors aging, and capital expenditure. Present client dashboards for transparent discussions.
- **Practice Automation:** Integrate workflow management tools to automate assignment tracking, client reminders, and report distribution.
- **Client Advisory Services:** Expand offerings beyond compliance, cost-accounting frameworks, and digital transformation roadmaps.

### 3. 🌦 Monsoon Risk Management

- **Continuity Planning:** Draft sector-specific templates (manufacturing, retail, services). Ensure clients test remote access to accounting systems.
- **Insurance Gap Analysis:** Compare client coverage against flood, fire, and business-interruption scenarios; recommend policy enhancements.
- **Data Security Protocols:** Enforce multi-factor authentication, regular backups, and encrypted data transfers to safeguard client information during heavy weather disruptions.

### 4. 🔎 Standards & Insights Spotlight

- **ICAI Updates:** Summarize recent ICAI notifications on valuation standards and tax audit amendments—circulate executive briefs to partners.
- **Case Study:** Analyze a recent high-profile GST litigation outcome—extract practical lessons on classification disputes and draft sample submissions.
- **Regulatory Watch:** Highlight SEBI's proposed changes to audit committee charters for listed entities—prepare checklist for board advisory.

## 5. ! Tip of the Month

**Empower Your Practice:** Leverage data analytics by adopting simple pivot-table dashboards. Track client receivables aging and tax liabilities to spot compliance gaps and revenue opportunities.

*Editorial Board of Gandhidham Branch of WIRC of ICAI*



## Voices of Gandhidham

### Non-Corporate Entity Financial Statements: A Comprehensive Guide

#### Need for Specific Guidance on Non-Corporate Entities

Non-corporate entities often operate with less formal structure and limited regulatory oversight compared to companies. Yet, their financial statements are critical for taxation, credit evaluation, partner/shareholder information, and compliance with various statutory requirements.

However, the existing Indian Accounting Standards (Ind AS) and Accounting Standards (AS) are primarily framed considering corporate entities and may not comprehensively address the unique aspects of non-corporate entities such as partner's capital accounts, profit-sharing arrangements, and absence of share capital.



CA Hency Shah

Hence, the ICAI introduced the **Guidance Note on Financial Statements of Non-Corporate Entities** to provide a uniform framework tailored to their reporting needs, helping to bridge gaps and enhance financial statement quality and comparability.

#### Regulatory Framework

- **Institute of Chartered Accountants of India (ICAI)**
  - **Accounting Standards (AS):** The ICAI has issued Accounting Standards applicable to non-corporate entities, aligning largely with international best practices while catering to the Indian context.
  - **Guidance Notes:** Specific notes such as the Guidance Note on Accounting for Banks and the Guidance Note on Accounting for Housing Societies address sector-specific requirements.
- **Statutory Requirements**
  - **Income-tax Act, 1961:** Requires computation of taxable income and maintenance of books of account and supportive vouchers and documents.
  - **Partnership Act, 1932 (as amended) / LLP Act, 2008:** Mandates maintenance of books at principal place of business and submission of annual returns for certain LLPs.
  - **Trusts and Societies:** Depending on state laws, trusts must maintain accounts and may require audit under the Indian Trusts Act or Societies Registration Act.
- **Other Regulations**
  - **Goods and Services Tax (GST):** Maintenance of outward and inward supply registers.
  - **Customs and Excise Laws:** Relevant for entities in manufacturing or export.

#### Objectives of Financial Statements

The core objective is to provide a uniform "face-format" for non-corporate entities' financial statements, ensuring stakeholders can readily understand and compare financial information across entities and periods. By presenting minimum required line items and disclosures, the Guidance Note enhances decision-usefulness of such statements.

Financial statements for non-corporate entities aim to:

- Reflect true and fair view of financial position and performance.
- Provide clarity on asset ownership and liability obligations.
- Facilitate assessment of cash-flow generation and fund utilization.
- Ensure compliance with legal, regulatory, and contractual requirements.

- Support tax filings accurately and defensibly.

## Scope of the Guidance Note on Financial Statements of Non-Corporate Entities

The Guidance Note (GN) issued is intended for use by non-corporate entities which include:

- Sole proprietorship firms
- Hindu Undivided Family
- Partnership Firms
  - Registered Partnership Firms
  - Unregistered Partnership Firms
- Association of Persons
  - Partnership firms not covered above
  - Body of Individuals
  - Resident welfare Association
- Society registered under any law for the time being in force
- Trust (private or public) registered under any law for the time being in force or unregistered.
- Statutory Corporations, Autonomous bodies and Authorities
- Any form of organisation

## Out-of-scope Entities:

- Companies and LLPs (which have separate Guidance Notes)
- Entities subject to other statutory/regulatory formats (e.g., trusts under state public trust laws, educational institutions under specific government formats).

## Differences from Corporate Entity Reporting

Aspect	Corporate Entities	Non-Corporate Entities
Governing Law	Companies Act, 2013	Partnership Act, LLP Act, Trust Acts
Mandatory Audit Threshold	Paid-up capital and turnover thresholds	Varies by entity type and statute
Financial Statements Presentation	Prescribed formats in Schedule III	Flexible, subject to AS and Guidance Notes
Shareholder's Equity Statement	Statement of Equity Changes mandatory	Partners'/Members' capital statements
Interim Reporting	SEBI LODR for listed entities	Not generally applicable

## Components of Financial Statements

Typically, a complete set comprises:

- **Balance Sheet** (Statement of Financial Position),
- **Statement of Profit and Loss** (or Income and Expenditure Statement for not-for-profit entities),
- **Cash Flow Statement** (mandatory under AS 3) (where applicable) and
- **Notes to Accounts** and other statements and explanatory material that are an integral part of the financial statements. (disclosures required under individual AS, relevant statutes, and the ICAI's Guidance Notes)

## Key Accounting and Presentation Requirements

- **Basis of Accounting**
  - **Accrual Basis:** All AS-compliant entities adopt accrual accounting, recognizing income when earned and expenses when incurred.
  - **Consistency:** Entity must consistently apply accounting policies; changes require detailed disclosures (AS 5).
- **Valuation of Assets and Liabilities**
  - **Fixed Assets (AS 10):** Carried at cost less accumulated depreciation; impairment considerations under AS 28 align with fair value assessments.
  - **Inventories (AS 2):** Valued at lower of cost and net realizable value, with consistent cost formulae (FIFO/WAC).
  - **Receivables and Payables (AS 9):** Measured at recoverable amount; provisions for doubtful debts required.
- **Revenue Recognition (AS 9 / AS 7)**
  - **Sale of Goods:** Recognize when significant risks and rewards transfer.
  - **Services:** Recognize based on stage of completion reliably measured.
  - **Not-for-Profit Entities:** Income recognized on realization basis unless otherwise prescribed.
- **Depreciation and Amortization (AS 6)**
  - **Methodology:** Straight-line or written down value; rates to be disclosed.
  - **Residual Value and Useful Life:** Periodic review mandated for significant changes.

## Specialized Considerations

- **Partnership and LLP Accounting**
  - **Capital and Current Accounts:** Separate disclosure of partner's share of profits and contributions (AS 5).
  - **Profit Sharing Ratio:** To be disclosed; changes require retrospective adjustment and disclosure.
  - **Realization of Assets on Dissolution:** Guidance under the Indian Partnership Act on dissolution accounting.
- **Trusts and Societies**
  - **Fund Accounting:** Segregation between corpus fund, specific fund, and general fund; presentation in balance sheet and statement of income and expenditure.
  - **Treatment of Grants and Donations:** Recognized based on conditions; refundable/unutilized grants require disclosure.
- **Agricultural and Cooperative Entities**
  - **Agriculture Accounting (AS 29):** Biological assets measured at fair value less estimated point-of-sale costs.
  - **Cooperative Societies:** Guidance Note on Accounting for Co-operative Societies prescribes treatment of share capital and member deposits.

## Special Considerations for Non-Corporate Entities

- **Receipts & Payments vs. Income & Expenditure**

Many trusts and societies prepare a Receipts & Payments Statement an account of cash receipts and disbursements rather than an Income & Expenditure Statement. However, for accrual-based reporting and matching principle adherence, an Income & Expenditure Account, prepared on an accrual basis, provides deeper insights into operational performance.

- **Capital vs. Revenue Nature**

Transactions must be classified correctly:

- **Capital receipts/expenditure** (e.g., donation for capital asset purchase, building renovation) are shown in the Statement of Changes in Equity/Capital and separately disclosed in Notes.
- **Revenue receipts/expenditure** (e.g., sale proceeds of services, administrative expenses) are shown in the Profit & Loss or Income & Expenditure account.

- **Treatment of Grants and Donations**

- **Capital grants** are recognised as a liability (deferred income) and released to income over the useful life of the related asset.
- **Revenue grants** are recognised directly in Profit & Loss or Income & Expenditure account in the period in which the related expenditure is incurred.

- **Related Party Transactions**

Non-corporate entities often transact with partners, trustees or promoters. Under AS 18, such transactions must be identified, quantified and disclosed, even if they are conducted on an arm's-length basis.

## Disclosure Requirements (Notes to Accounts)

ICAI mandates extensive disclosures to enhance transparency:

- **Significant Accounting Policies (AS 1):** Under AS 1, covering basis of preparation, valuation methods, revenue recognition, treatment of exchange differences, inventory measurement, depreciation/amortisation methods and rates, etc.
- **Related Party Transactions (AS 18):** Details of nature, volume, and outstanding balances with partners, trustees, or other related parties.
- **Contingent Liabilities and Commitments (AS 29):** Guarantees given, litigation pending, commitments for capital expenditure. Nature, timing, uncertainties and any defaults under debt agreements.
- **Segment Reporting (AS 17):** Where applicable, though most non-corporates may not have multiple reportable segments. Revenue, results and assets/liabilities by segment.
- **Events After the Reporting Period (AS 4):** Adjusting vs. non-adjusting events and disclosures.
- **Employee Benefits (AS 15):** Provision for gratuity, leave encashment, defined benefit/defined contribution plans.
- **Break-up of Loans and Advances:** Secured vs. unsecured, interest-bearing vs. interest-free.
- **Debtors and Creditors:** Aging analysis for trade receivables and payables.

## Practical Checklist for Chartered Accountants

Step	Key Considerations
1. Entity Analysis	Legal form, governing statutes, year-end, accounting framework
2. Identification of Applicable AS	Materiality assessment, exemptions (if any), sector-specific norms
3. Collation of Data	Trial balance, bank statements, fixed asset register, inventory records
4. Classification & Presentation	Correct grouping under assets/liabilities; choice between Receipts & Payments vs. I&E
5. Preparation of Draft FS	Statement of Assets & Liabilities, P&L or I&E, Changes in Equity/Capital, Cash Flows
6. Drafting Notes to Accounts	Summary of policies, detailed disclosures, sensitive judgments
7. Review & Quality Control	Compliance with AS, consistency checks, peer review, checklists
8. Finalisation & Board/Trustee Approval	Obtaining sign-off, preparing director's/trustee's report
9. Filing & Audit	Statutory audit (if applicable), filing with authorities, maintaining records

## Classification of Non-Corporate Entities

One of the significant contributions of the Guidance Note is its **categorization of non-corporate entities** based on size, helping to determine the level of disclosure and compliance expected.

### Classification Criteria (based on turnover and borrowings):

Class	Criteria
Level I	Turnover > ₹50 crore or Borrowings > ₹10 crore
Level II	Turnover > ₹10 crore but ≤ ₹50 crore or Borrowings > ₹2 crore but ≤ ₹10 crore
Level III	Turnover > ₹1 crore but ≤ ₹10 crore or Borrowings > ₹25 lakh but ≤ ₹2 crore
Level IV	Turnover ≤ ₹1 crore and Borrowings ≤ ₹25 lakh

This **multi-tier approach** ensures that the reporting requirements are scaled in accordance with the economic size and operational complexity of the entity.

## Key Accounting Standards and Their Application

AS No.	Title	Applicability Highlights	Level I Entities	Level II Entities	Level III Entities	Level IV Entities
AS 1	Disclosure of Accounting Policies	Mandatory disclosure of all significant policies adopted	Applicable	Applicable	Applicable	Applicable
AS 2	Valuation of Inventories	LIFO not permitted; FIFO or weighted average; cost formula disclosure	Applicable	Applicable	Applicable	Applicable
AS 3	Cash Flow Statements	Direct / indirect method; critical for liquidity analysis	Applicable	Not Applicable	Not Applicable	Not Applicable
AS 4	Contingencies and Events Occurring After Balance Sheet Date	Adjustments for events after balance sheet date; disclosure required	Applicable	Applicable	Applicable	Applicable
AS 5	Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies	Prior year comparatives and retrospective effects	Applicable	Applicable	Applicable	Applicable
AS 7	Construction Contracts	Percentage of completion method; recognition of contract revenue and costs	Applicable	Applicable	Applicable	Applicable
AS 9	Revenue Recognition	Based on transfer of risk and reward; applies to sale of goods, rendering of services	Applicable	Applicable	Applicable	Applicable
AS 10	Property, Plant and Equipment	Cost model / revaluation model option; component accounting required	Applicable	Applicable	Applicable with disclosures exemption	Applicable with disclosures exemption
AS 11	The Effects of Changes in Foreign Exchange Rates	For entities with foreign currency transactions; translation and reporting of FX items	Applicable	Applicable	Applicable with disclosures exemption	Applicable with disclosures exemption

AS No.	Title	Applicability Highlights	Level I Entities	Level II Entities	Level III Entities	Level IV Entities
AS 12	Accounting for Government Grants	Recognition based on conditions met; presentation as income or deduction from asset	Applicable	Applicable	Applicable	Applicable
AS 13	Accounting for Investments	Classification: current or long-term; valuation rules differ	Applicable	Applicable	Applicable	Applicable with disclosures exemption
AS 14	Accounting for Amalgamations	Purchase vs. pooling of interest method; goodwill/capital reserve treatment	Applicable	Applicable	Applicable	Not Applicable
AS 15	Employee Benefits	Recognition of short-term, post-employment, and other long-term benefits; actuarial valuation	Applicable	Applicable with exemptions	Applicable with exemptions	Applicable with exemptions
AS 16	Borrowing Costs	Capitalisation of directly attributable borrowing costs		Applicable	Applicable	Applicable
AS 17	Segment Reporting	If entity's revenue sources/activities are diverse; disclosure of segment revenue, results	Applicable	Not Applicable	Not Applicable	Not Applicable
AS 18	Related Party Disclosures	Identification and detail of related party transactions; required even if no transactions	Applicable	Applicable	Not Applicable	Not Applicable
AS 19	Leases	Operating vs. finance leases; impact on lessee/lessor financials	Applicable	Applicable with disclosures exemption	Applicable with disclosures exemption	Applicable with disclosures exemption
AS 20	Earnings Per Share	Basic and diluted EPS; applicable to listed and public interest entities	Applicable	Not Applicable	Not Applicable	Not Applicable

AS No.	Title	Applicability Highlights	Level I Entities	Level II Entities	Level III Entities	Level IV Entities
AS 21	Consolidated Financial Statements	Applicable to parent companies; full consolidation method for subsidiaries	Applicable	Not Applicable	Not Applicable	Not Applicable
AS 22	Accounting for Taxes on Income	Deferred tax accounting requirements; timing differences recognition	Applicable	Applicable	Applicable	Applicable only for current tax related provisions
AS 23	Accounting for Investments in Associates in Consolidated Financial Statements	Equity method for significant influence investments	Applicable	Not Applicable	Not Applicable	Not Applicable
AS 24	Discontinuing Operations	Identification and disclosure of discontinuing segments; expected timelines and effects	Applicable	Applicable	Not Applicable	Not Applicable
AS 25	Interim Financial Reporting	For entities publishing interim financials; recognition and measurement principles	Applicable	Not Applicable	Not Applicable	Not Applicable
AS 26	Intangible Assets	Recognition, amortisation and impairment; identifiable non-monetary assets	Applicable	Applicable	Applicable	Applicable with disclosures exemption
AS 27	Financial Reporting of Interests in Joint Ventures	Proportionate consolidation method; disclosure of jointly controlled operations/assets	Applicable	Not Applicable	Not Applicable	Not Applicable
AS 28	Impairment of Assets	Annual review for indicators; impairment loss recognition and reversal	Applicable	Applicable with disclosures exemption	Applicable with disclosures exemption	Not Applicable

AS No.	Title	Applicability Highlights	Level I Entities	Level II Entities	Level III Entities	Level IV Entities
AS 29	Provisions, Contingent Liabilities and Contingent Assets	Measurement and disclosure of provisions; recognition criteria for liabilities	Applicable	Applicable with disclosures exemption	Applicable with disclosures exemption	Applicable with disclosures exemption

**Note:** The full suite of AS is applicable unless specifically exempted. In practice, small entities may apply certain simplified norms, but professional judgment is crucial in determining materiality and relevance.

## Key General Instructions

The Guidance Note lays down several general principles for preparation:

- 1. Terminology & Flexibility**
  - Terminology may be adapted to entity type (e.g., “Partners’ Capital Account” vs. “Owners’ Equity”), but the essence of disclosures remains consistent.
  - If statute or Accounting Standards require additional or modified disclosures, entities must incorporate them by amending or supplementing the prescribed formats.
- 2. Cross-Referencing**
  - Every line item on the face of the Balance Sheet and Statement of Profit and Loss must be cross-referenced to related notes.
- 3. Rounding Off**
  - For entities with total income **below ₹100 crore**, figures may be rounded to the nearest hundreds, thousands, lakhs or millions (and decimals thereof).
  - For entities with total income **₹100 crore or more**, rounding may be to the nearest lakhs, millions or crores (and decimals thereof).
- 4. Comparatives**
  - Except for the first financial statements, entities must present comparative figures for the immediately preceding period for all items, including notes.
- 5. Uniform Measurement**
  - Once a unit of measurement is chosen (e.g., thousands or lakhs), it must be applied uniformly across all financial statement items.

## Challenges Faced in Reporting for Non-Corporate Entities

Despite ICAI’s initiatives, practical challenges persist, such as:

- Lack of Uniform Statute:** Diverse legal forms require tailored application of guidance.
- Data Limitations:** Incomplete books or absence of formal bookkeeping systems.
- Related Party Complexity:** Informal transactions with partners or trustees.
- Subjectivity in Valuation:** Particularly for donated assets, obsolete inventory and long-term provisions.
- Lack of awareness:** Entity owners are not aware of regarding financial reporting requirements
- Standardised Format:** Resistance to formal documentation or standardized procedures. Inconsistent interpretation of standards across practitioners
- Lack of Digital Awareness:** Limited digital adoption and accounting automation

Chartered Accountants must exercise professional scepticism, document their judgments and ensure that the financial statements fairly represent the financial position and performance.

## Practical Challenges and Best Practices

To enhance the quality and reliability of non-corporate financial statements, practicing Chartered Accountants should:

- **Record-Keeping Discipline:**
  - Maintain a robust chart of accounts, segregating business and personal transactions.
  - Leverage accounting software with audit trail capabilities.
  - Encourage clients to maintain digital records and books of account
- **Timely Reconciliation:**
  - Monthly bank reconciliations to detect discrepancies early.
  - Regular inventory verifications for accuracy.
- **Policy Documentation:**
  - Prepare a financial reporting manual outlining accounting policies, authority limits, and documentation standards.
  - Design entity-specific financial statement formats
  - Adopt a checklist-based approach to ensure AS compliance
- **Stakeholder Communication:**
  - Draft clear management reports highlighting working capital needs, profitability trends, and cash-flow projections.
  - Use dashboards for lenders or trustees demonstrating covenant compliance.
  - Clearly communicate changes in format and disclosures to users of financial statements to facilitate understanding and comparability.
- **Systems and Processes:**
  - Entities may need to upgrade accounting systems or processes to capture the additional disclosures and comparative schedules.
- **Continuous Training:**
  - Update accounting teams on amendments to AS, tax laws, and sector-specific guidance from ICAI.
  - Provide management commentary or audit observations where needed
  - Engage in regular training and updates from ICAI's publications
- **Statutory Compliance:**
  - Ensure that any sector-specific statutory requirements (for example, for NPOs, educational institutions, or political parties) are met in addition to the Guidance Note.
- **Audit Implications:**
  - Auditors should verify compliance with the Guidance Note as part of the financial statement audit and report under applicable Standards on Auditing.

Financial reporting for non-corporate entities demands an intricate balance between regulatory compliance and practical business needs. By adhering to ICAI's Accounting Standards and leveraging sectoral Guidance Notes, Chartered Accountants can ensure that such entities present a true and fair view of their financial position and performance. Proactive documentation, robust internal controls, and transparent disclosures not only satisfy statutory requirements but also foster credibility with stakeholders, ultimately contributing to the long-term sustainability and growth of non-corporate enterprises.

Name of the Non-Corporate Entity .....  
Statement of Profit and Loss for the year ended .....

	Particulars	Note	31 March 20XX	31 March 20XX
<b>I</b>	<b>EQUITY AND LIABILITIES</b>			
<b>1</b>	<b>Owners' Funds</b>			
(a)	Owners' Capital Account	3	-	-
(b)	Reserves and surplus	4	-	-
<b>2</b>	<b>Non-current liabilities</b>			
(a)	Long-term borrowings	5	-	-
(b)	Deferred tax liabilities (Net)	6	-	-
(c)	Other long-term liabilities	7	-	-
(d)	Long-term provisions	8	-	-
<b>3</b>	<b>Current liabilities</b>			
(a)	Short-term borrowings	5	-	-
(b)	Trade payables			
(c)	Other current liabilities	10	-	-
(d)	Short-term provisions	8	-	-
	<b>Total</b>		-	-
<b>II</b>	<b>ASSETS</b>			
<b>1</b>	<b>Non-current assets</b>			
(a)	Property, Plant and Equipment and Intangible assets			
(i)	Property, Plant and Equipment	11	-	-
(ii)	Intangible assets	11	-	-
(iii)	Capital work in progress	11	-	-
(iv)	Intangible asset under development	11	-	-
(b)	Non-current investments	12	-	-
(c)	Deferred tax assets (Net)	6	-	-
(d)	Long Term Loans and Advances	13	-	-
(e)	Other non-current assets	14	-	-
			-	-

2	<b>Current assets</b>			
(a)	Current investments	12	-	-
(b)	Inventories	15	-	-
(c)	Trade receivables	16	-	-
(d)	Cash and bank balances	17	-	-
(e)	Short Term Loans and Advances	13	-	-
(f)	Other current assets	18	-	-
	<b>Total</b>			
	Brief about the Entity	1		
	Summary of significant accounting policies	2		



Name of the Non-Corporate Entity .....  
Statement of Profit and Loss for the year ended .....

	Particulars	Note	31 March 20XX	31 March 20XX
I	Revenue from operations	19	-	-
II	Other Income	20	-	-
III	<b>Total Income (I+II)</b>		-	-
IV	<b>Expenses:</b>			
(a)	Cost of goods sold	21	-	-
(b)	Employee benefits expense	22	-	-
(c)	Finance costs	23	-	-
(d)	Depreciation and amortization expense	24	-	-
(e)	Other expenses	25	-	-
	<b>Total expenses</b>		-	-
V	<b>Profit/(loss) before exceptional and extraordinary items, partners' remuneration and tax (III- IV)</b>		-	-
VI	Exceptional items (specify nature & provide note/delete if none)		-	-
VII	<b>Profit/(loss) before extraordinary items, partners' remuneration and tax (V-VI)</b>		-	-
VIII	Extraordinary Items (specify nature & provide note/delete if none)		-	-
IX	<b>Profit before, partners' remuneration and tax (VII-VIII)</b>		-	-
X	Partners' remuneration*			
XI	Profit before tax (IX- X)			
XII	Tax expense:			
(a)	Current tax		-	-
(b)	Excess/ Short provision of tax relating to earlier years			
(c)	Deferred tax charge/ (benefit)		-	-
XIII	<b>Profit/(Loss) for the period from continuing operations (IXI-XII)</b>		-	-
XIV	Profit/(loss) from discontinuing operations		-	-
XV	Tax expense of discontinuing operations		-	-
XVI	<b>Profit/(loss) from discontinuing operations (after tax) (XIV-XV)</b>		-	-
XVII	<b>Profit/(Loss) for the year (XIII+XVI)</b>		-	-
	The accompanying notes are an integral part of the financial statements			

## Navigating Updates

- CA Mukund Lakhwani

### Case Study 1: Implementing Basel III Capital Adequacy Norms in an Indian Public Sector Bank

#### - Background

In 2019, State Bank of India (SBI)—India's largest public sector bank—accelerated its compliance with Basel III requirements, aiming to reach full Capital Conservation Buffer (CCB) by March 2020. Basel III, issued by the Basel Committee on Banking Supervision, mandates higher quality of capital and introduces buffers to absorb shocks.

#### - Key Issues

1. Capital Shortfall: At March 2019, SBI's Common Equity Tier 1 (CET 1) ratio stood at  $\sim 9.8\%$ , below the 10.5% regulatory requirement (6 % minimum + 2.5 % CCB + 1.5 % counter-cyclical buffer)<sup>1</sup>.
2. Retained Earnings vs. Dividend Pressure: Management faced tension between retaining profits to shore up CET 1 and satisfying stakeholders' expectations for dividends.
3. ALM & Liquidity Impact: Strengthening capital ratios implied slower credit growth and tighter Asset-Liability Management (ALM) to avoid eroding capital.

#### - Role of the Chartered Accountant

As part of the Bank's Risk & Compliance Division, the CA was tasked to:

##### 1. Capital Forecasting & Reporting

Build a detailed Projected Capital Adequacy Model under multiple scenarios (e.g., credit growth 5 %/10 %, stress losses) to estimate CET 1 trajectory.

Liaise with Statutory Auditors to validate provisioning norms and loss estimates, ensuring they reflect IFRS 9 expected credit losses.

##### 2. Dividend Policy Advisory

Analyze distributable profits under the Companies Act, 2013, vs. regulatory constraints. Present trade-offs to the Board's Audit & Risk Committee, quantifying how different dividend payouts would affect buffer buildp.

##### 3. Stress Testing & Regulatory Filings

Coordinate with the Finance, Credit & Treasury teams to run quarterly Internal Capital Adequacy Assessment Process (ICAAP) stress tests.

Prepare disclosures for the Reserve Bank of India's (RBI) Quarterly Financial Results and Basel III templates (Return of Capital Adequacy).

#### Outcome

SBI raised  $\sim ₹10,000$  Cr through a Qualified Institutions Placement (QIP) in Oct 2019, boosting CET 1 by 70 bps. Through disciplined profit retention and provisioning, it achieved a CET 1 ratio of 10.7 % at Mar 2020. The exercise strengthened the Bank's risk-management culture and positioned it to support credit growth even under stress.

-CA Manish Talreja

### Case Study 2: Forensic Audit & Resolution of NPAs under IBC in a Private Sector Bank

#### **Background:-**

Yes Bank Ltd. witnessed a surge in Non-Performing Assets (NPAs) post-2017, with gross NPAs peaking at ~18 % by Dec 2018. Under RBI's Prompt Corrective Action (PCA), Yes Bank's lending was curtailed. The Insolvency and Bankruptcy Code (IBC), 2016, became the key mechanism to resolve large stressed-loan accounts.

#### **- Key Issues**

1. Complex Group Exposures: Several large corporate accounts involved shadow banking entities and ring-fenced SPVs, obscuring true exposure.
2. Accounting Divergence: Inconsistent provisioning approaches pre-2017 led to under-stated NPAs on the books.
3. Stakeholder Coordination: Multiple creditors, inter-creditor agreements and overlapping security interests made resolution intricate.

#### **- Role of the Chartered Accountant**

As an External Forensic Auditor appointed by the Committee of Creditors (CoC), the CA performed:

##### **1. Detailed Loan-Portfolio Mapping**

Reconciled on-book exposures with off-balance-sheet items (e.g., letters of credit, guarantees).

Used data-analytics to spot unusual transaction patterns among group entities.

##### **2. Accounting & Provisioning Review**

Examined historical provisioning schedules, comparing ('90 % provisioning for > two years' NPAs vs. actual) to uncover shortfalls.

Recommended ₹1,200 Cr of additional provisioning to reflect true credit losses, bringing Yes Bank's capital ratios in line with RBI norms.

##### **3. IBC-Based Resolution Support**

Prepared the Information Memorandum under Regulation 36A of the IBC, detailing assets, liabilities, security valuations and projected cash flows.

Assisted the CoC in evaluating Resolution Plans submitted by bidders, focusing on viability, funding structures and compliance with the Insolvency & Bankruptcy Board of India regulations.

#### **Outcome**

The Supreme Court approved the ₹10,000 Cr resolution plan led by SBI in Mar 2020.

Yes Bank's gross NPAs declined from 18 % to 7.6 % by Dec 2020, as stressed accounts were restructured or written-off.

The forensic audit findings and provisioning recommendations were pivotal in restoring creditor confidence and ensuring a fair resolution process.

Wife pays no income tax after selling two houses for Rs 6 crore gifted by her husband, wins case in ITAT Mumbai; here's how it happened A wife managed to win an income tax case in ITAT Mumbai, even after selling two house properties gifted by her husband in Mumbai for Rs 6 crore without paying any income tax. These properties were originally bought in 2002 for Rs 34 lakh and Rs 17 lakh each, and she sold them in 2020 for Rs 6 crore. According to income tax rules, she made a long term capital gain (LTCG) of just over Rs 4 crore after factoring in indexation (inflation). However, despite this LTCG of Rs 4 crore, she didn't owe any income tax because she reinvested the money to buy her husband's Lodha house property, also located in Mumbai, by claiming Section 54 benefits.

As strange as it may seem, all of her transactions were completely legal, and she even paid the full stamp duty required for these real estate deals.

The Income Tax Assessing Officer (AO) said in this case since the husband is the deemed owner of the said property, as per income tax clubbing provisions, the capital gain earned on sale of property counts as the income of her husband. "One cannot claim exemption under Section 54 on purchase of one's own property."

Apart from this, the AO also raised six objections as to why this lady should be liable for income tax on the sale of her Rs 6 crore property. One of the objections relates to the money used to pay for the flats.

The AO took a look at the bank account statement of the husband and wife and saw that the wife received Rs 70 lakh on March 12, 2021 from a company where both she and her husband are employed as directors. On the same date, she transferred the Rs 70 lakh to her husband's bank account. And then, on the very same day, her husband transferred back the Rs 70 lakh to the company's bank account where they both serve as directors.

The AO observed: "The same rotation was followed for another payment of Rs 3 crore or 3,00,00,000 (Rs 1.5 crore each) on the same day that is 12.03.2021. Hence, it is seen that the payment of Rs 3.7 crore was moved from the company and reached the company through the wife and husband in a single day. This is nothing but rotation of money just to evade tax. There's no actual transfer of money, no right to use the property changed, only title of the property has changed. In view of the above, it is nothing but a colourable device used to evade tax."

The Income Tax Appellate Tribunal (ITAT) Mumbai rejected the objections of the Income Tax Assessing Officer (AO) and confirmed that the wife in this case is not required to pay any income tax on the capital gains of Rs 4 crore since she claimed Section 54 tax exemption by purchasing another house from her husband.

Regarding the rotation of money, the ITAT Mumbai's judge said that the AO only focused on the transactions on March 12, 2021, when most of the purchase consideration has been discharged. The transactions prior to that date were not considered, where the assessee (wife) had initially parked the money in fixed deposits/with the company and then, received it back, which was used to pay the husband for buying the house apartment built by Lodha Developers.

## Schedule Smart, Deadlines at a Glance

Due Date	Compliance	Remarks
<b>Income Tax</b>		
07-August-2025	TDS/TCS Payment for June 2025	Challan ITNS-281
15- August -2025	Issuance of TDS Certificate (Form 16A)	Annual Form 16 for salary was due on June 15, 2025
<b>GST</b>		
10- August -2025	GSTR-7 (TDS under GST) for June 2025	Monthly return for TDS under GST
10- August -2025	GSTR-8 (TCS under GST) for June 2025	Return by e-commerce operators
11- August -2025	GSTR-1 (Monthly) for June 2025	Monthly GSTR-1 Filing
13- August -2025	IFF for June 2025 (QRMP)	Invoice Furnishing Facility for QRMP
20- August -2025	GSTR-3B for June 2025	Monthly GST Return
22- August -2025	GSTR-3B (QRMP – Group A) Apr–Jun 2025	Quarterly GSTR-3B (Group A States)
24- August -2025	GSTR-3B (QRMP – Group B) Apr–Jun 2025	Quarterly GSTR-3B (Group B States)
<b>Others</b>		
15- August -2025	PF/ESI Payment	EPFO & ESIC Monthly Payment
31- August -2025	DPT-3 Filing (if not filed in June)	Annual Return of Deposits
07-August-2025	Filing a monthly return (Form ECB-2) detailing all External Commercial Borrowings (ECB) transactions during July 2025	RBI Form ECB-2 Return

\*The due dates mentioned are subject to changes notified by the concerned department.

## Moments in July, 2025

### ONE DAY SEMINAR ON GST 12<sup>TH</sup> JULY 2025-AT HOTEL RENESE



What's Next?

 **The Institute of Chartered Accountants of India**  
(Setup by an Act of Parliament) 

**Seminar on**  
**Scaling up Audit Quality for Non-Corporate Entities**  
(Specially designed for proprietorships/Partnership firms/LLP's)

Organized by  
**Centre for Audit Quality Directorate**  
Hosted by  
**Gandhidham Branch (WIRC)**

**Session - I**

Topic: Important Aspects of Guidance Notes on "Financial Statements of Non-Corporate Entities - Enhancing Audit Quality" and "Reports and Certificates for Special Purposes - Enhancing Audit Quality"  
Faculty: CA. Pramod Jain, CCM  
Timing: 05:00 PM to 06:30 PM



 Thursday  
7<sup>th</sup> August, 2025  
05:00 PM - 08:00 PM

**CPE**  
**3 Hours**

**Session - II**

Topic: Overview of CAQD Tools & Utilities and Common Non-Compliances in Financial Statements  
Faculty: CA. Vishal Doshi, CCM  
Timing: 06:30 PM to 08:00 PM



The event shall be followed by Dinner (08:00 PM to 09:00 PM)

**Fees (Excluding 18% GST)**  
Early Bird (Up to 5<sup>th</sup> Aug' 25) - Member: 200/- | Thereafter - Member: 250/-

Program Convenor - CA. Pramod Jain, Convenor, Centre for Audit Quality  
Program Coordinator - CA. Vishal Doshi, Deputy Convenor, Centre for Audit Quality

Program Coordinators:  
CA. Mahesh Limbani  
Chairman, Gandhidham Branch (WIRC)

CA. Sameer V Mehta  
Secretary, Gandhidham Branch (WIRC)

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**The Institute of Chartered Accountants of India**  
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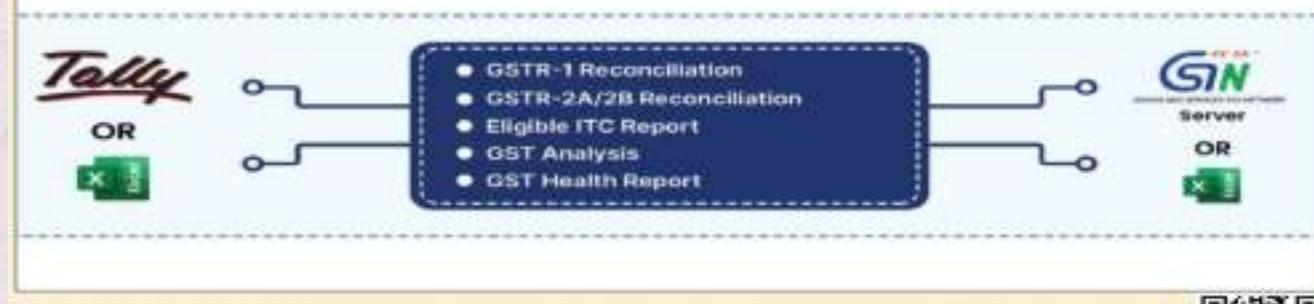
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