

ERNAKULAM BRANCH OF SICASA
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF
INDIA
E-NEWSLETTER



IGNITE

Aspired minds, Inspire.

APR EDITION, 2017

CHAIRMAN'S MESSAGE



Dear Young Friends,

What is success in life?

As per Dr. Joseph Murphy, the famous author, success in life means successful living-having long period of peace, joy and happiness in life. He says, there are three ways to achieve success. Firstly, identify the things you love to do and do them. Secondly, achieve mastery over what you do and try to know that more than anyone else. And thirdly, the most important one, whatever you do for your success must benefit others also. It's a circle and the circle becomes complete only when it benefits others and you.

Friends, every aspiring CA student loves to be a reputed professional. Those who put in hard work achieve success. However, what is after that? It is the duty of every qualified professional to complete the path of circuit to achieve real success in life. In other words, everyone should strive not to be a successful professional alone, but more than that - a successful human being.

By the time this news letter reaches you, many of you might have completed the examinations. Many may ask how you did this task. But I know, some of you might have the feeling that, 'I should have done better'. Friends once a mistake, is a mistake. But if we repeat it, it is not a mistake, it is our choice. Try not to have that feeling again. Be bold, be focussed and be successful.

We are going to have a hectic schedule in our activities soon with seminars, workshops, study circle meetings, sports and cultural activities. I request all of your involvement and participation in the activities. We need more of you to come forward to lead study circle meetings. All of you are talented. Why not utilise it? Further, you may also put your suggestions for any specific topics to be covered in our seminars, workshops and study circle meetings. We are at your service always.

With warm regards

CA Roy Varghese
Chairman, SICASA Ernakulam Branch

SECRETARY'S REPORT



Hello everyone,

I would like to extend my sincere thanks to all of you for the stupendous response that you have shown towards the Women's Day special edition of our newsletter. I would also like to express my gratitude to the editorial team for the tremendous effort they have put in behind the March edition of Ignite. We have planned interesting activities for the month of May. The most important among them is the Elocution Competition to be conducted by the end of this month. Hope you enjoy reading this edition of Ignite as much as the last one.

Regards,
Farzeen Fazal



EDITOR'S NOTE

Hello friends!

The SICASA team is extremely happy to present before you the April edition of our newsletter Ignite. But before that, we are extremely thankful and delighted at the response received for our Women's Day special edition. We are indeed inspired seeing your responses, and it has motivated us to think different and work. The month of April is a tense one and calls for focus, hard work and determination. Best wishes to all those who are appearing for exams this May. This edition features a technical article on Fraud under Companies Act, an inspirational article and a general article that would catch your attention. Do keep supporting by participating and writing to us all your creative thoughts and musings. Happy Reading!

Regards,
Sreelakshmy Menon

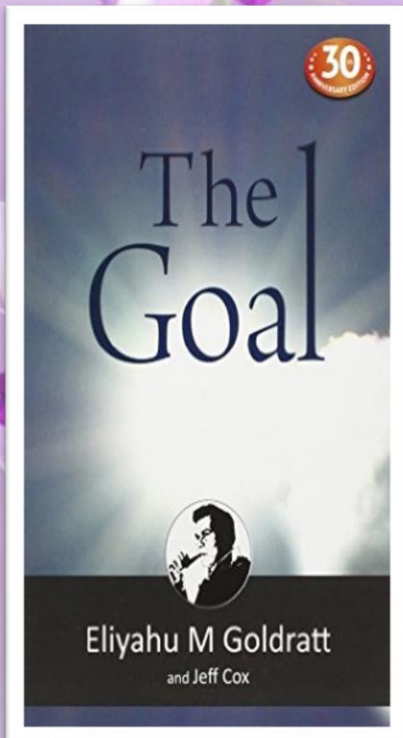
AT A GLANCE

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THE BOOKWORM!

Name of the book: *The Goal*

Author: *Eliyahu M. Goldratt*



The Goal is a management-oriented novel by Eliyahu M. Goldratt, a business consultant known for his Theory of Constraints. It was originally published in 1984 and can be used for case studies in operations management. Like other books by Goldratt, *The Goal* is written as a piece of fiction. The main character is Alex Rogo, who manages a production plant owned by UniCo Manufacturing, where everything is always behind schedule and things are looking dire. At the beginning of the book, Bill Peach, a company executive, tells Alex that he has three months to turn operations at his plant around from being unprofitable and unreliable to being successful.^[4] His distant acquaintance, Jonah (a physicist), whom many believe represents Goldratt himself, helps him solve the company's problems through a series of telephone calls and short meetings. The 'Time Magazine' listed the book as one of "The 25 Most Influential Business Management Books."

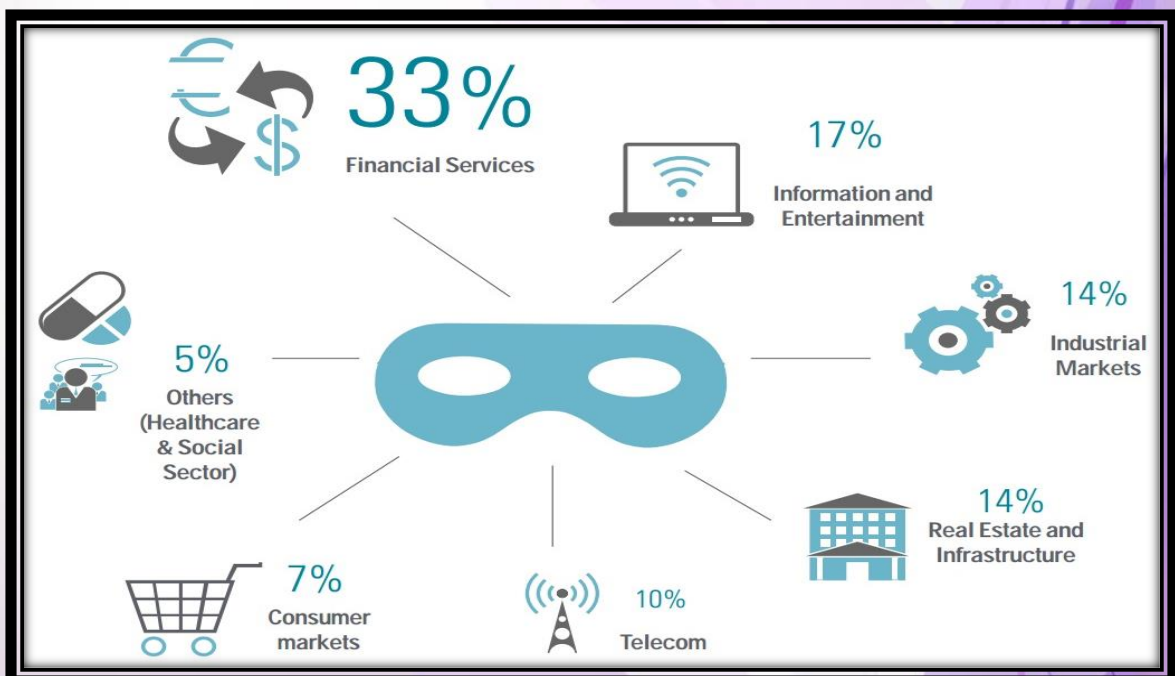
Fraud Reporting under Companies Act 2013

-Aasiya A

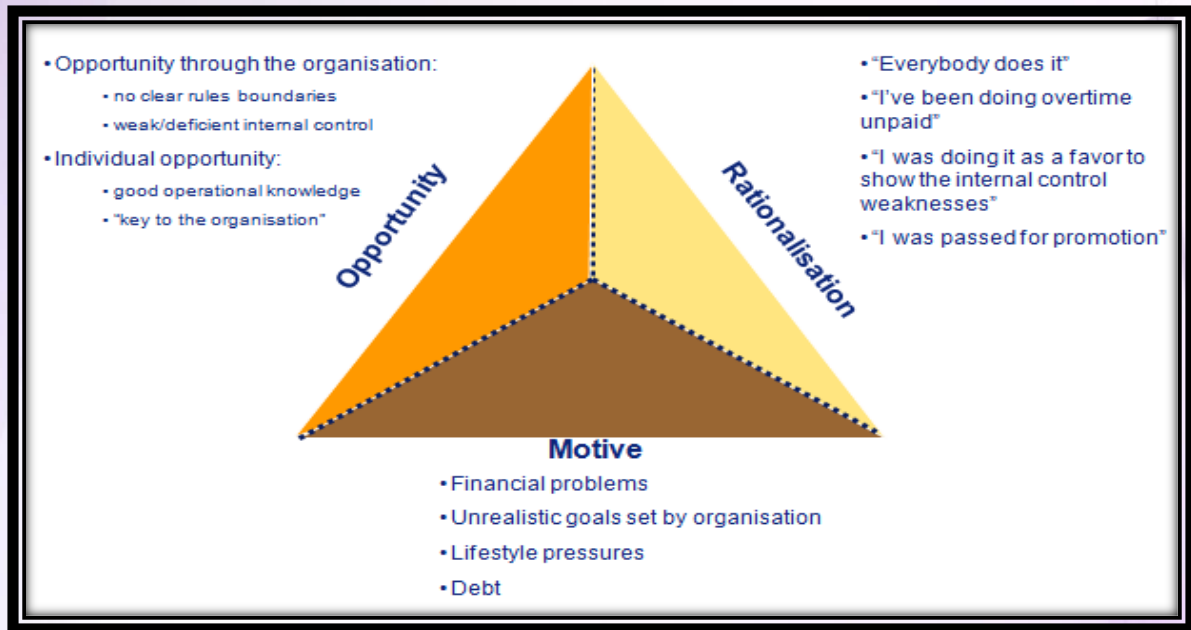
Corporate fraud is a major problem that is increasing both in its frequency and severity. Research evidence has shown that growing number of frauds have undermined the integrity of financial reports, contributed to substantial economic losses, and eroded investors' confidence regarding the usefulness and reliability of financial statements. The increasing rate of white-collar crimes demands stiff penalties, exemplary punishments, and effective enforcement of law with the right spirit.

Primarily responsibility for prevention & detection of fraud rests with the management and those charged with governance. The Companies Act 2013 had also made the statutory auditor a whistle blower and report to the Central Government the frauds committed against the company by its officers or employees regardless of materiality of the amount of fraud involved.

Financial services and information and entertainment sectors have been identified as most vulnerable to fraud by respondents. In case of the information and entertainment sector, despite functioning as global entities and complying with stringent foreign legislations, they have been identified as the second most fraudulent sector in India. Thus, organisations need to be more proactive and adopt a zero tolerance approach towards fraud risk management.



The Fraud Triangle: General ideas on fraud



The Methods for Creating Fraudulent Financial Statements

- The Overstatement of the Assets.
- The Understatement of Liabilities.
- The Overstatement of Revenue.
- The Understatement of Expenses.
- One Time Expense Mischaracterization.
- The Misrepresentation of Information.
- The Improper Use of Reserve Accounts.
- The Misapplication of the GAAP Rules.

Responsibilities of Auditor

- An auditor is responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement.
- Due to inherent limitations of audit, there is unavoidable risk that some material misstatements of the financial statements will not be detected, even though the audit is properly planned and performed in accordance with SAs.
- The risk of not detecting material misstatements resulting from fraud is higher than the risk of not detecting one resulting from error. This is because fraud may involve carefully organized schemes to conceal it.
- It is difficult for auditor to determine whether misstatements in judgment areas such as accounting estimates are caused by fraud or error.
- The risk of the auditor not detecting a material misstatement resulting from management fraud is greater than for employee fraud as management can manipulate accounting records.
- The auditor is responsible for maintaining an attitude of professional skepticism throughout the audit.

Punishment for default (to the Auditor)

Section 143 (15) If any auditor, cost accountant or company secretary in practice do not comply with the provisions of subsection (12), he shall be punishable with fine which shall not be less than 1 lakh rupees but which may extend to 25 lakh rupees.

Punishment for Fraud in Companies Act, 2013:

“Without prejudice to any liability including repayment of any debt under this Act or any other law for the time being in force, any person who is found to be guilty of fraud, shall be punishable with imprisonment for a term which shall not be less than 6 months but which may extend to 10 years and shall also be liable to fine which shall not be less than the amount involved in the fraud, but which may extend to 3 times the amount involved in the fraud:



Forensic Audit – Career Opportunity

- **Curiosity** : to know more and in details i.e. beyond certificate/ documents.
- **Observation**: remember unusual things & co-relate : manner- posture.
- **Memory** : to remember past facts.
- **Human nature** : behavioral finance / psychology



Overall, the Act will improve corporate governance, protect the interest of minority shareholders and make it tougher for companies to hide illegal transactions or commit fraud. Considering the number of corporate frauds that are surfacing in the country today. It is anticipated that the provisions of the Companies Act, 2013 would bridge the gulf between increasing corporate frauds and the statutory regime. The new company law envisages the metamorphosis of the statutory auditors from being a watchdog to a whistle-blower.

The End of something is better than its Beginning: Patience is better than Pride

This article has been written by Anu Susan Alias. She is currently pursuing IPCC.

Why is it that patience evaporates when we are late for a very crucial assignment and we are stuck in a traffic jam? Or we feel like throwing away our smart phones when it shows the loading sign on our screen?

Being forced to wait ratchets up the stress and shortens our fuse. When that happens, we not only fail to be patient but we undercut our conscious mind.

Bursts of impatience only demonstrate that we are selfish and more concerned with our own agendas than the needs and struggles of others. So let's all take a deep breath and turn our focus away from ourselves by patiently loving others instead of ourselves in the midst of stress.

It's true that we can't be patient at many circumstances of our lives. But as they say 'if there is a will there is definitely a way'.

It truly takes immense patience to teach others and pass on a legacy. Be it any profession, patience is something which is important to form part of our character. When you take the time to be patient and teach others, you're investing in the future; whether it's your subordinates, peers, kids or a friend. You're making the world a better place by sharing your knowledge in a tangible way. The pay-off is exponential as they in turn, develop others after them.

If you become successful in a very quick span you will not be able to afford even a simple failure. What we need is a strong foundation to support our growth and that comes from the patience to build well from the beginning.

Talk with anyone who has been to a few rodeos and they will give you a list of what they would do differently if they had to do it all over again. That is the real wisdom, which cannot be found in any search engine.

So friends take a deep breath, let your tensions fly away and be patient because everything in this world happens for a reason and if it is meant to be it will definitely find its way to reach you. The only thing to do is to wait and be patient.



THE CELEBRITY CHARTERED ACCOUNTANTS

Every profession has some eminent personalities who think and work differently, that makes them a celebrity in their field. CA fraternity is blessed to have certain such personalities who motivate us students, to stay firm in our dreams and achieve all our goals. Few have deviated from their profession and have chosen another line of career following their heart. So here's a few celebrities you ought to appreciate for thinking and being different in their own ways.

1) T.N Manoharan

➤ **Padma Shri (CA.) T. N. Manoharan** is an Indian Chartered Accountant and a former president of Institute of Chartered Accountants of India.

➤ In 2009, Manoharan was one of the four members (as representatives of Government of India) appointed to the board of the scandal hit information technology company Satyam Computer Services for restructuring the company.

➤ He is very popular amongst CA Students and he is very much involved with students. In 2009, he won the CNN-IBN "Indian of the Year" award (along with his fellow board members of Mahindra Satyam) in the business category. He was awarded the Padma Shri (India's fourth highest civilian honour) in 2010.



2) Suresh Prabhu

➤ **Suresh Prabhakar Prabhu** is an Indian politician and the current Railway Minister of India, under the Narendra Modi government.

➤ He is a Chartered Accountant by profession and a member of the Institute of Chartered Accountants of India. Since 1996, Prabhu has been a repeatedly elected Member of Parliament from Rajapur Lok Sabha constituency in Maharashtra as a member of the Shiv Sena (SS) political party. He quit Shiv Sena and joined BJP on 9 November 2014.^[3] He currently represents Andhra Pradesh in Upper House of Indian Parliament.



3) Piyush Goyal

- **Piyush Goyal** is the Minister of State with Independent Charge for Power, Coal, New and Renewable Energy and Mines in the Government of India. He is currently a Member of Parliament (Rajya Sabha) and was earlier the National Treasurer of the Bharatiya Janata Party (BJP)
- He has had a strong academic record - all-India second rank holder Chartered Accountant^[4] and second rank holder in Law in Mumbai University.



4) Shekhar Kapur



- **Shekhar Kapur** is an Indian film director, actor and producer known for his works in Hindi cinema and part of the Anand family.
- Kapur's schooling was at Modern School, New Delhi. He studied economics at St. Stephen's College. At 22, Kapur became a Chartered Accountant with the ICAEW in England, having studied accountancy at the behest of his parents.
- Shekhar Kapur started his career working with a multinational oil company. He moved to United Kingdom in 1970, and spent several years working as an accountant and management consultant.

5) Naina Lal Kidwai

- **Naina Lal Kidwai** is an Indian banker, Chartered Accountant and business executive. She is currently the Group General Manager and Country Head of HSBC India. Kidwai holds a Bachelor's degree in Economics from University of Delhi (1977 batch) and an MBA from Harvard Business School in 1982. Kidwai was the first Indian woman to graduate from Harvard Business School and also the first woman to guide the functioning of a foreign bank in India.
- She is currently Chairman of Max Financial Services Ltd. Along with serving as the Chairman of HSBC Asset Management (India) Pvt Ltd and HSBC InvestDirect (India) Ltd, her other positions include being a non-executive director on the board of Nestle SA and Altico Capital Partners, Chairwoman, City of London's Advisory Council for India, Global Advisor, Harvard Business School. She is on the Governing Board of NCAER, Audit Advisory Board of the Comptroller and Auditor General of India, and on the National Executive Committee of CII and FICCI.



Let the writer in you never die. Pen us your articles and we'll publish it in 'IGNITE'.

- Articles can be academic-oriented or on general topics
- It can be maximum of 500-600 words or 2-3 pages, not beyond.
- Interested students can send in their articles, along with their Name, SRO Number and contact details.

You may email us at, ekmsicasa@gmail.com or contact us at 8921810968/8075561658.

UPCOMING EVENTS

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|---------------------------|--|
| 11.05.2017 (Thursday) | Half Day Seminar on How to Face CA Examinations & Motivational Talk |
| 20.05.2017 (Saturday) | Industrial Visit to Kitex Ltd and Kitex Garments, Kizhakkambalam |
| 26.05.2017 (Friday) | One Day Seminar on Audit of Companies & Compliance |
| 27.05.2017 (Saturday) | National Talent Hunt (Elocution Competition for CA Students) |
| 31.05.2017 (Wednesday) | Lecture Meeting |
