



**ERNAKULAM BRANCH OF SOUTHERN INDIA CHARTERED  
ACCOUNTANTS STUDENTS' ASSOCIATION (SICASA)  
OF  
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**

# Capture



# Chairperson's message



Dear Budding Talents!

The 17 th Lok Sabha election results have been declared and the new Government has taken charge at the helm of affairs. That has brought about new hopes, new approaches and continued responsibilities.

SICASA Ernakulam branch had a quite peaceful month as most of the students were preparing for their examinations in June 2019. The fasting undertaken by our brethren didn't impact the excellent turn out for the study circles were undertaken on Thursdays and the mock examinations conducted by the branch.

The lecture meeting on GST Annual Return by CA Ravinath Pai followed by an IFTAR was a stupendous success. SICASA intends to undertake more workshops and lecture meetings on the relevant areas of importance each month so that the students are better equipped to support the members during the hours of need. The faculty meeting of the coaching class and mandatory courses in the branch gave us a wonderful opportunity to understand the ever changing needs and views of the students.

When you do a work, do it for yourself. Don't do it for other people. People's interest are going to fluctuate all over the place. As long as you stay true to yourself, and speak to your own passions, you will be fine and you'll be a much happier human being. Creativity is the key.....keep the energy moving..... Best Wishes!!

**CA Deepa Varghese**

Chairperson

Ernakulam branch of SICASA of ICAI



# Secretary's report



## Secretary's Report

Dear friends,

May has always been a month exams, but not this time, for all of us. Owing to Loksabha elction, Board of Studies did postpone our exams to July. I believe that you have worked very hard in the past six months. With a few days left, revise all that you have studied carefully. Don't be afraid of the exam because it is only a test of your hard work; and you have worked hard throughout last six months. There are no secrets or shortcuts success. It is the result of preparation, hard work and learning from failures. A lot of people would like to move mountains, but few of them are willing to practice on small hills. Successful people always keep moving. keep going.

We had two exceptionally well conducted study circles During this month. We have also been able to conduct a lecture meeting on the topic " GST annual return and audit. The Session was ever so elegantly handled by CA Ravinath R Pai who

Is an outstanding teacher and addressed the problems, faced by the students on GST audit and annual returns during articleship, directly and conceptually.

It is very rightly said that “Happiness is when what you think, what you say, and what you do are in harmony.”

So believe in yourself, have faith in God.  
Best wishes

**Jinu Baby**

Secretary, Ernakulam branch of SICASA of ICAI



# From the editor's desk...



The month of May has rolled in and with it comes a whole new set of challenges to deal with. With statutory audits, GST audits, MCA Compliances and whatnot, only a CA student can understand what goes on in a CA student's life. SICASA comes into relevance here, giving students a platform to interact with each other, as seen in the GST Seminar, Iftar meet and study circles held this month.

May is always the time to look back home and give our mothers all the love and care they deserve. They have showered upon us their unending love throughout our lives and it is only fit that we extend our gratitude every day, rather than restricting it to a single day of a month. After all, mothers know best!

With the GST deadlines moving closer, we all are neck-deep in filing returns, checking and compiling turnover figures and waiting with crossed fingers for the site to cooperate. As a frontrunner of prosperity of the Economy, GST is indeed the tax we need and as upcoming professionals, we can be proud that we are doing our little bit in building the nation.

May also means that the exams are right round the corner. We here at SICASA wish you all the very best. May we all pass with flying colours!

**Amal Sebastian**  
Editor, Ernakulam Branch of SICASA of ICAI

## THE SICASA MONTHLY QUIZ- MAY

The CA students fraternity has been hell bent on destroying their image of bookworms and the effort can be clearly seen from the enthusiastic responses to the monthly quiz. Congratulations to Mr. Neeraj for winning the April edition.

Mail us your answers to [ekmsicasa@gmail.com](mailto:ekmsicasa@gmail.com) before the 20<sup>th</sup> of this month. So, here comes the food-and-drink special May edition:

1. Which brand of drink, a staple at Iftar meets, has been missing from the shelves this year owing to shortage of ingredients (as well as alleged family feuds)?
2. What do you commonly call a rectangular pizza, due to the fact that pizzerias of the city saved money by converting old tool trays into pizza pans?
3. This mouth-watering candy (effective in keeping people awake during ISCA classes) is available in flavours such as Lychee and Kaccha Aam. Which button-sized drop of joy?
4. Which iconic food item lends its name to bonds issued by a foreign company in the Japanese financial market?
5. 80% of this drink comes from Kentucky, USA. It is named after a county, which was named after a French gallant family. In India, it is more famous as a biscuit. Name the drink.

Answers in the next edition.

Answers to the April edition: 1.Sree Krishna Sweets 2. Lego 3. Volkswagen 4. DreamWorks SKG 5. Game of Thrones

# Related Party Disclosures

Neeraj C  
SRO0606535

The present corporate scenario of obtaining synergies and financing arrangements has led to transactions with related parties that are not on arms' length basis. Such transactions are also used as a tool to shift profits or losses and drain the entity of its' capital base. Hence, disclosures of such transactions with related parties have been placed on top priority.

Related party disclosures have been mandated under various statutes. This article particularly deals with Related Party Disclosures under the Companies Act, 2013 and supported by the Accounting standards.

## **Definition:**

**Related Party Transaction** - A related party transaction is a transfer of resources, services or obligations between a RE and a related party, regardless of whether price is charged. (The definition is same in Ind AS 24 also)

## **Related Party Transaction as per section 2(76) of Companies Act, 2013**

2(76) "related party", with reference to a company, means—

- (i) a director or his relative;
- (ii) a key managerial personnel or his relative;
- (iii) a firm, in which a director, manager or his relative is a partner;
- (iv) a private company in which a director or manager 1[or his relative] is a member or director;
- (v) a public company in which a director and manager is a director 2[and holds] along with his relatives, more than two per cent of its paid-up share capital;
- (vi) any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- (vii) any person on whose advice, directions/ instructions a director/ manager is accustomed to act:
- (viii) any body corporate which is—
  - (A) a holding, subsidiary or an associate company of such company;
  - (B) a subsidiary of a holding company to which it is also a subsidiary; or
  - (C) an investing company or the venturer of the company;
- (ix) such other person as may be prescribed –

(For the purposes of sub-clause (ix) of clause (76) of section 2 of the Act, a director 1[other than an independent director] or key managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party. )

## **Related party AS-18 :**

- parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

**Control:**

- (a) OWNERSHIP directly or indirectly of more than 50% of voting power
- (b) control of the composition of BoD
- (c) a Substantial Interest in voting power(20% or more) AND the power to direct the financial/operating policies of an enterprise

For the purpose of this Standard, an enterprise is considered to control the composition of The board of directors of a company:-

if it has the power, without the consent or concurrence of any other person, to appoint or remove all or a majority of directors of that company.

An enterprise is deemed to have the power to appoint a director if any of the following conditions is satisfied:

- (a) a person cannot be appointed as director without the exercise in his favour by that enterprise of such a power as aforesaid; or
- (b) a person's appointment as director follows necessarily from his appointment to a position held by him in that enterprise; or
- (c) the director is nominated by that enterprise; in case that enterprise is a company, the director is nominated by that company/subsidiary thereof.

**Significant Influence:**

Significant influence may be exercised in several ways, for example,

- by representation on the board of directors,
- participation in the policy making process,
- material inter-company transactions,
- interchange of managerial personnel, or
- dependence on technical information.

Significant influence may be gained by share ownership, statute or agreement. As regards share ownership, if an investing party holds, directly or indirectly through intermediaries, 20 per cent or more of the voting power of the enterprise, it is presumed that the investing party does have significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the investing party holds, directly or indirectly through intermediaries, less than 20 per cent of the voting power of the enterprise, it is presumed that the investing party does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investing party does not necessarily preclude an investing party from having significant influence.

**Section 188(1)**

Except with the consent of the Board of Directors given by a resolution at a meeting of the Board and subject to such conditions as may be prescribed, no company shall enter into any contract or arrangement with a related party with respect to—

- (a) sale, purchase or supply of any goods or materials;
- (b) selling or otherwise disposing of, or buying, property of any kind;
- (c) leasing of property of any kind;
- (d) availing or rendering of any services;
- (e) appointment of any agent for purchase or sale of goods, materials, services or property;

- (f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- (g) underwriting the subscription of any securities or derivatives thereof, of the company:

### **Conditions prescribed:**

A company shall enter into any contract or arrangement with a related party subject to the following conditions, namely:-

- (1) The agenda of the Board meeting at which the resolution is proposed to be moved shall disclose-
  - (a) the name of the related party and nature of relationship;
  - (b) the nature, duration of the contract and particulars of the contract or arrangement;
  - (c) the material terms of the contract or arrangement including the value, if any;
  - (d) any advance paid or received for the contract or arrangement, if any;
  - (e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
  - (f) whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
  - (g) any other information relevant or important for the Board to take a decision on the proposed transaction.
- (2) Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

### **Disclosure**

188(2)

–Every contract or arrangement entered into under sub-section (1) shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

134(3)(h)

– There shall be attached to statements laid before a company in general meeting, a report by its Board of Directors, which shall include particulars of contracts or arrangements with related parties referred to in sub-section (1) of section 188 in the prescribed form; (The prescribed form is form AOC-2)

### **Conclusion**

Hence, Related party transactions are to be disclosed in the Financial statements (notes to accounts) if they fall within the ambit of AS-18 or Ind AS-24, if not, would move into non-compliance of accounting standards.

Furthermore, Related Party Transactions as specified by the provisions of the Companies Act requires disclosures in the Director's Report.

# Transactions which require disclosure if they are with a Related Party

## A COMPARISON

### Under AS 18 ▲

- ⊙ purchases or sales of goods (finished or unfinished);
  - ⊙ purchases or sales of fixed assets;
  - ⊙ rendering or receiving of services;
  - ⊙ agency arrangements;
  - ⊙ leasing or hire purchase arrangements;
  - ⊙ transfer of research and development;
  - ⊙ licence agreements;
  - ⊙ finance (including loans and equity contributions in cash or in kind);
  - ⊙ guarantees and collaterals; and
  - ⊙ management contracts including for deputation of employees.
- 
- ⊙ Name (s) of the related party & nature of relationship
  - ⊙ Nature of contracts/arrangements/transaction
  - ⊙ Duration of the contracts/arrangements/transaction
  - ⊙ Salient terms of the contracts or arrangements or transaction including the value, if any
  - ⊙ Date of approval by the Board
  - ⊙ Amount paid as advances, if any

### ▲ Under The Companies Act (Form AOC-2)

### ▼ Under Ind AS

- ⊙ purchases or sales of goods (finished or unfinished);
- ⊙ purchases or sales of property and other assets;
- ⊙ rendering or receiving of services;
- ⊙ leases;
- ⊙ transfers of research and development;
- ⊙ transfers under licence agreements;
- ⊙ transfers under finance arrangements (including loans & equity contributions in cash or in kind);
- ⊙ provision of guarantees or collateral;
- ⊙ commitments to do something if a particular event occurs or does not occur in the future, including executory contracts (recognized and unrecognised);
- ⊙ settlement of liabilities on behalf of the entity or by the entity on behalf of that related party;
- ⊙ management contracts including for deputation of employees.



# A scene to remember...



Kannathil Muthamittal (2002) is a classic by the maestro Mani Ratnam which tells the tale of how war can affect a family unit in the backdrop of the civil war-stricken Srilanka. R. Madhavan and Simran play Thiru and Indira, the adoptive parents, while Nandita Das features as Shyama, the biological mother. P.S. Keerthana, who won the National award for her stellar performance plays the protagonist Amudha. The movie won a total of 6 awards at the 50<sup>th</sup> National Film Awards and was in the run for India's official entry to the Academy awards (eventually won by *Devdas*).

The beauty of Kannathil Mutamittal lies in the various contrasts it draws– between normal Chennai and terror-ravaged Srilanka, the innocence of a nine-year old with the game of war played by adults and the demons of war that drives the birth mother away with the unconditional love of the adoptive parents. Mani Ratnam has made a masterful film that blended many ingredients into a saga that is soul stirring. AR Rahman's music beautifully complements the magical and the poignant moments in the film.

Amudha was abandoned at birth by her mother, who had fled to India in a boat. Her journey through the troubled sea and her giving birth in the refugee camp at Rameshwaram happen in the early minutes of the movie. She is adopted by (or, She adopts, as said by her adoptive father later on) a young couple Thiruchelvan and Indira who get married to adopt her. Nine years later, her father reveals to her that she is not their daughter, to which she initially reacts with disbelief and later on, confusion. She obstinately demands to meet her birth mother, which Thiru promises to do. The story follows the journey of the young family to war-torn Northern Srilanka.



The ultimate scene in the movie is when Amudha confronts her biological mother and shoots questions at her, most of which are met with silence from Shyama, who then explains that she could never hold her child after she gave birth- she was taken away from her at birth. Childlike Innocence is contrasted with the harsh reality as she requests her parents to take her birth mother to 'normal' Madras, where there is no war, no army. They part tearfully, and that is when the young girl calls the woman who abandoned her 'Amma'.

One of the more striking aspects of the film is the two faces of motherhood that it presents. The birth mother believes that India will be the best for her daughter, leaving with a silent prayer as she touches the baby with her finger through a window – the only contact she had before Amudha came searching for her. The unconditional love of the adoptive parents, particularly Indira is another parallel. They had risked their lives, even got shot in the arm after realising how important it is for their daughter to meet her mother.

A very fitting movie for the month of May, to all the mothers in the universe bringing up lives. You can watch this scene through this link: [https://www.youtube.com/watch?v=bXh9L\\_uQdOc](https://www.youtube.com/watch?v=bXh9L_uQdOc)



# Lens...

Chronicling the SICASA events of May 2019



From the GST seminar and Iftar meet ▲



From the study circles held during the month



The Institute of Chartered Accountants of India

# 2019 CA Students' Conference

Organised by BOS, ICAI

**proudly hosted by the Ernakulam branch of ICAI and  
SICASA**

ON 19TH AND 20TH OF JULY,

2019 |

AT

FINE ARTS HALL, ERNAKULAM

