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The Institute of Chartered Accountant of India

VASAI BRANCH OF WIRC

NEWSLETTER

www.vasai-icai.org

December 2020

CHAIRMAN'S COMMUNICATION

I congratulate all of you and extend my greetings for Christmas which falls on 25th December, and for the upcoming New Year 2021. And may the sparkles of joy and immense opportunities unfold for all of you in the New Year!

The year 2020 has been an unprecedented and unpredictable year strewn with numerous ebbs and flows, yet the lessons we learnt from it are far greater in degree of significance and magnitude than the curveballs it threw. After all, every night is inevitably followed by a bright sunrise. This year taught us that no obstacle is bigger than us as long as we are equipped with positivity and faith as our armour. A consistent belief in the best helps us defy the trying tests of time and align the odds in our favour. Positive thoughts manifest into a positive reality; thus, by deploying the invincible strength and robust prowess of our mind, we can actualise our goals and ambitions. The entire humanity has cheered the news of successful trials of various vaccines. Every dark cloud has a silver lining and every disaster has an opportunity. But the opportunities come wearing the overalls of hard work. As the economies emerge from hibernation, the accounting community should strive to find innovative solutions to combat the aftermath of the things that have taken place this year.

I am sure that the students who have appeared in November 2020 CA Examinations must be eagerly waiting for the declaration of the results. My best wishes are with you and I hope that you will be able to achieve success with flying colors. Students who have opted out from November 2020 Examinations and opted for November 2020 Cycle – II scheduled from 21st January 2021 to 7th February 2021, due to any contingency, must stay focused and give their best. I again extend my best wishes to all of you. I am sure that you would improve your performance with your persistent efforts and do exceedingly well to prove your mettle.

Students can check the position from their dashboard at icaiexam.icai.org for the activity tab "OptOut Status Display/City Change for Jan-Feb 2021"/ May 21 examinations

Before I conclude, I wish to inform that last date for payment of Membership /COP fee for the year 2020-21 has been extended up to 31st December, 2020

Please remember the following Quote by Swami Vivekananda "Arise, Awake, stop not till the goal is reached". I hope the New Year brings an end to all the concerns related to the Pandemic and ushers in peace, happiness and success.

Ankit

CA. Ankit Rathi
Chairman
Vasai Branch of WIRC of ICAI

CONTENTS

BITCOINS: Philosophy, Vision and Future

CA. Pramod Soni
Mobile No. : 7014277128
E-mail : soni.pramod1993@gmail.com

Introduction:

Originally written under the pseudonym Satoshi Nakamoto, the title of 9 page document of Bitcoin's white paper is deceptively simple. *Bitcoin: A Peer-to-Peer Electronic Cash System.*

In Recent times after worldwide lockdowns this term in investment market become more popular. In this article we will know some Facts about Bitcoin and its advantage and drawbacks.

Some Facts about Bitcoin:

- Bitcoin ATMs are now available worldwide, with the United States having more than 2000 ATMs alone.
- The maximum number of Bitcoin that will ever be mined, or be existence, is capped at 21 million, of which 17 million are now in existence. Due to Scarcity of Bitcoin, it is often regarded as "Digital Gold".
- It has also been recorded that there are more than 23,000 Bitcoin wallet addresses that are holding over one million dollars' worth of Bitcoin, including Satoshi Nakamoto's wallet.
- There have been debates as to whether Bitcoin is a currency or a commodity. Government agencies like the IRS and SEC regard it as a commodity, Whereas Japan made it legitimate crypto and notified as legal tender.

Bitcoin: An asset class

On the 11th Anniversary of Bitcoin, Bitcoin has managed to appreciate from effectively having $0.00 in value to an all-time high value of roughly $20,000. Bitcoin has been among the best-performing assets of the past decade. Its market cap, at peak values, exceeded $250 billion, without a CEO, marketing team, or any central company behind it, So yes, in terms of returns Bitcoin is an legitimate asset class, and one of the top-performing ones at that. Many hedge funds adding crypto assets as investment for diversifying their systematic risk, PayPal has allowed access to its millions of customers to buy and sell crypto. In India many banks have also allowed to transact in Bitcoins.

Bitcoin brings an open financial system and allowing us to store and transact value in ways that we never thought imaginable before. It is disrupting the international payments and transfers business by cutting out the exorbitant fees of banks/ middlemen, the global remittance market as well as becoming the currency of the internet and fueling a new wave of global e-commerce.

Every pro has its con

Trust is crucial to financial transactions and payments. Investors in Bitcoins need assurance that the Investment they make are processed and completed in a fair and safe manner and legal in nature.

All Fiat Currencies are backed by governments. whereas in India vide circular dated April 6, 2018, the entities regulated by the RBI are prohibited from "providing any service in relation to Bitcoin, including those of transfer or receipt of money in accounts relating to the purchase or sale of Bitcoin".

Number of Bitcoin transactions going to illegal purposes because the company cannot identify some of the activity dedicated to ransomware, tax evasion and money laundering, Thus giving people full proprietorship much like having a Swiss bank Account.

Though the Supreme Court quashes this circular on March 4, 2020 saying disproportionate measure taken by regulator and it is a "legitimate" business activity and made trading in Bitcoin legal. Now, there remains some uncertainty about the future of the Crypto currency industry in India, also in the context of the Banning of Crypto currency & Regulating of Official Digital Currency Bill, 2019 (Bill), which proposes the ban of private Crypto currencies and the criminalization of their use.

Taxation of Bitcoin:

As a Chartered Accountant we are here to discuss the taxation angle of the transactions in Bitcoin, The tax authority has not yet categorized returns from crypto currencies under any specific bracket.

As regards the disclosure requirement of Bitcoins in the income tax return forms, there is ambiguity and no clarification issued by income tax department. Currently, if an investor submits his Income Tax declaration, the amount of earnings generated by investing in crypto currencies is highlighted under Income from Other Sources.

Conclusion:

In the budget 2018, Finance Minister, Mr Arun Jaitley, has clearly stated his intention on Bitcoins in the budget speech, *"112. Distributed ledger system or the block chain technology allows the organization of any chain of records or transactions without the need for intermediaries. The Government does not consider crypto-currencies legal tender or coin and will take all measures to eliminate use of these crypto assets in financing illegitimate activities or as part of the payment system. The Government will explore use of block chain technology proactively for ushering in digital economy."*

Therefore, though Bitcoin transactions are gradually increasing in India, whereas there is no regulation is yet formulated by government of India and laws regulating them are significantly absent, we are hopeful that the government will come up with a notification soon to dispel the ambiguity around the legality of Bitcoins, their taxability and disclosure requirement of Bitcoins.

Building The Nation With "Municipal Bonds"

CA Amar R Kakaria
Mobile No. : 9819512101
E-mail : amar@fusionadvisors.net

CA Yogesh Katariya
Mobile No. : 9822354593
E-mail : yogesh@ayg.in

With rapid urbanisation and steadily increasing population, pressure on urban infrastructure and civic amenities has increased exponentially. Moreover, Government has launched mega initiatives like AMRUT – Atal Mission for Rejuvenation Urban Transformation, Smart Cities Mission, etc. Usually, urban local bodies ("ULBs") do not have sufficient resources on their own to fund such infrastructure projects and hence, tapping capital markets by issuing municipal bonds is emerging as a viable option. Bengaluru was the first city in India to issue municipal bonds worth Rs 125 Crores in 1997 followed by Ahmedabad which had issued bonds worth Rs 100 Crores in 1998. Officially the first recorded municipal bond was a general obligation bond issued by the City of New York for a canal in 1812. Besides USA, ULBs in many other developed nations like France, Italy, etc have been successfully using this avenue for more than 100 years in order to improve own infrastructure. Municipal bonds can be of 2 types:

1. Revenue Bonds – These bonds are serviced with revenue generated from the given project.
2. General Obligation Bonds – These bonds are serviced out of tax proceeds as well as other receipts of ULBs and can further have following 2 variants.
    - Limited Tax GO Bonds
    - Unlimited Tax GO Bonds

Regulatory Framework for Issue of Municipal Bonds:
Municipal debt securities mean non-convertible debt securities, which create or acknowledge indebtedness, and include debenture, bonds or such other securities of an issuer. In 2015, SEBI has introduced SEBI (Issue and Listing of Municipal Debt Securities) Regulations ("ILDM Regulations") in order to monitor the process of issuing municipal debt securities by ULBs and their listing on recognised stock exchanges. Thereafter, it also issued a circular in 2019 to prescribe continuous disclosures and compliances by listed entities. Municipal bonds can be issued by ULBs either through public issue or on private placement basis. Following are primary considerations as per ILDM Regulations:

A. Primary Eligibility Criteria:

- Issuers are allowed to raise money only under the law / regulation that govern them
- ULBs / Issuers will have to prepare accounts in accordance with National Municipal Accounts Manual or Accounting Standards
- Issuer should not have defaulted in repayment of loan or debt securities over preceding 365 days. Further, the issuer, its promoters, group company or directors thereof should not be appearing in the list of wilful defaulters.
- There shall not be any order from SEBI in force against the issuer or its promoters to prohibit them from accessing capital markets. Promoters shall not be declared as fugitive economic offenders.

B. Mandatory Conditions related to Listing

- Issuer needs to appoint a merchant banker and also have demat connectivity through one or more depositories
- Issuer has to apply to at least one recognised stock exchange for listing
- It is mandatory to get a credit rating from a recognised credit rating agency & also disclose it in offer document
- Offer document needs to be submitted with SEBI alongwith due diligence certificate through the Merchant Banker

C. Issue Options

- Issuance of bonds will be in electronic mode
- There can be buy-back, put or call options for the bonds

D. Basic Requirement for Public Issue

- Issuer need to have surplus in Income & Expenditure statement in any of previous 3 years. If issuer is a body corporate then it shall not have negative networth in any of previous 3 years.
- At least 25% of the project cost has to be met by the issuer from internal resources or grants in cash or kind
- For successful issue, minimum subscription is of at least 75% of issue size
- Detailed advertisement in a national daily is needed before opening of issue

- Minimum subscription can be Rs 10 lakhs per investor

E. Requirement for Private Placement

- Private placement should be done through placement memorandum
- Minimum subscription should be Rs 25 lakhs per investor

F. Security of Debt

- In order to protect interests of investors, different types of escrow accounts such as No Lien Escrow A/c, Sinking Fund A/c, Interest Payment A/c, etc have been prescribed.
- Issuer needs to create a structured payment mechanism and maintain specific escrow account for debt servicing

G. Trust Deed

- A trust deed has to be compulsorily executed in favour of debenture trustees for securing the issue of bonds. Issue proceeds can not be utilised unless & until trust deed is executed. This trust deed must contain clauses specified in Schedule IV of the SEBI (Debenture Trustees) Regulations, 1993.
- In case of issue of debt securities by a body corporate, trust deed shall contain such clauses as prescribed u/s 71 of Companies Act, 2013 and Companies (Share Capital & Debentures) Rules, 2014
- Trust deed can not have any clause which has the effect to

  i. limit or extinguish the rights and obligations of debenture trustees or the issuer in relation to any rights of the investors

  ii. limit or waive the provisions of rules and regulations issued by SEBI

  iii. indemnify the debenture trustees or issuer for loss or damage caused by their act of negligence or commission or omission

H. Utilisation of Issue Proceeds

- Separate bank account needs to be maintained in which proceeds will be transferred immediately after the closure of issue
- Funds can be used only for the objects as mentioned in the placement memorandum or offer document
- For funds earmarked towards any specific project, prior approval from the relevant authority is necessary
- Implementation of project need to be done according to schedule given and funds can be utilised accordingly

I. Redemption & Rollover

- The issuer has to redeem debt securities in line with the offer document or placement memorandum
- If the issuer desires to roll over debt securities then it needs to get approval of investors by passing a special resolution with at least 75% consent after giving 21 days notice.
- The notice to investors need to contain latest details credit rating obtained from the agency
- Issuer has to redeem debt securities of all non-consenting investors by making applicable payment

Emerging Funding Avenue for Swift Development

Despite great popularity abroad, municipal bonds market is still evolving in India due to limited awareness but there may be a huge scope to efficiently use it while executing public projects. Since 1997, some of the larger municipal corporations including Ahmedabad, Amravathi, Bengaluru, Bhopal, Chennai, Hyderabad, Indore, Ludhiana, Lucknow, Madurai, Nagpur, Nasik, Pune, Surat and Visakhapatnam have successfully issued municipal bonds.

On analysis of bonds issued during last 3 years, ULBs have offered interest rate in the range of 8-10% which is much higher than bank deposits and further, the proceeds are secured through regulatory provisions as prescribed under ILDM Regulations which makes it an attractive option for HNIs. Tax concessions on returns earned on municipal bonds as well as liquidity provided through trading on stock exchanges can be great incentives to motivate larger pool of investors for actively participating in municipal bond markets. Moreover, if key issues related to demand and supply side are addressed systematically then it can help to fill large deficit in urban infrastructure financing. With this unique option, ULBs across India can empower themselves in true sense to become "Atma Nirbhar" for serving citizens with superior infrastructure.

Books of accounts of ULBs need to be compliant with the accounting standards for which Chartered Accountants will be of great help. Given the steeper penalties for regulatory violations, compliance needs to be done properly in order to gain confidence of the investors and so, CAs will have a critical role in this entire process. In fact, CAs can assist across different stages from initial planning of issue till actual fund raising exercise and thereafter, doing periodical compliances under ILDM Regulations to ensure that issue proceeds are being properly utilised for the respective public / infrastructure projects undertaken by ULBs.

Afterall, ICAI is "Partner in Nation Building" and CAs can continue to again reinforce key role by helping ULBs across India in building the Nation.

SME Lending: SME IPO may be an ideal option for fund raising

CA. Digambar Pednekar
Mobile No. : 9930300511
E-mail : digambar@dbpa.in

Every small companies has dream of getting themselves listed on the stock exchanges, but they generally fall short of meeting the eligibility criteria of the stock exchanges.

In India, governments have recognised the role and importance of the SMEs in economy, which have become silent drivers of economic development. The biggest challenge being faced by these enterprises is access to capital. To overcome this, almost all major capital markets have realised the need for a separate exchange for SME segment.

Recognising, SMEs contribute the major portion of country's industrial activity, the BSE and the NSE launched their platform for small and medium enterprises to list on the BSE and the NSE and later migrate to the main board of the BSE and NSE without the need to make an initial public offering. The BSE SME and NSE Emerge are a new source for SME IPOs and provide a listing opportunity to the SMEs with minimum compliances and cost compared to the main board.

The framework for setting up of SME exchanges was first propagated by SEBI in 2008. However, a major step in this direction was the report by the Prime Minister's Task Force in January 2010 on Micro, Small and Medium Enterprises, which recommended setting up of SME exchanges to promote inflow of equity capital in this sector. Subsequently, in 2012, the BSE SME and NSE Emerge platforms were established.

Why should SME explore IPOs on SME Exchanges

SME listing not only provides benefits to the companies but also benefits its investors, both existing and proposed, such as providing an exit route to private equity investors as well as liquidity to the ESOP holding employees. Listing pre-supposes good corporate governance, which results in sustainability and helps generate an independent valuation of the company. Funds raising is used for business expansion plans, working capital requirements and other general corporate purposes.

Listing raises a company's public profile with customers, suppliers, investors, financial institutions and the media and provides continuing liquidity to the shareholders.

Growing SME Capital Markets have addressed several myths and lent a lot of confidence to growing entrepreneurs. With companies listed on SME platform becoming more established, investor base is being broadened. Moreover, with increasing number of SME stocks and greater returns thereon, more and more investors are attracted to SME investing.

Key differences between traditional Exchanges and SME Exchanges

So how is the BSE and NSE platform different than a SME platform? As we know, the BSE and the NSE platforms, where companies list their securities, are commonly known as the "main board". This platform is the primary platform where IPOs have been taking place for years. The BSE and the NSE have strict eligibility criteria, which must be adhered to list on their platforms.

On the other hand, the BSE SME and NSE Emerge platforms eligibility criteria are not so arduous. The differences in the eligibility criteria of the main board and the SME platforms are predominantly on the following parameters:

Particulars	Main Board	SME platform
Post-issue paid up capital	Not less than Rs. 100,000,000	Less than Rs. 2,500,000
Underwriting	Compulsory, except where 75% is allotted to QIBs	100% underwritten
Minimum application value	Rs 100,000	Between Rs 10,000 to Rs. 14,000
Minimum allottees	1000	50
Market making	NA	Compulsory for 3 years
Offer document	SEBI	Stock exchanges

With sufficient support from exchange boards and a continuation of investor confidence, 2019 looks to be another good year for SME IPOs. In a country like India, these enterprises are very crucial for overall growth and employment generation. Their expansion will serve to increase the overall health of the Indian economy and the financial market.

LTC Scheme for Pvt Sector

CA. Sunil karnani
Mobile No. : 8976957799
E-mail : sunilkarnani05@gmail.com

Introduction

The press release dated 29 October 2020 issued by the Central Board of Direct Taxes (CBDT) extending the LTC Cash Voucher Scheme to non-central government (CG) employees. The Finance Minister had announced this Scheme for all employees on 12 October 2020.

The current Press Release now extends similar benefits to non-CG employees as well and has given some conditions to be satisfied by such employees in order to avail of the benefits of the Scheme.

I. Pre-conditions to avail the Scheme for Private Sector employees

- Buy goods/ services worth three times of deemed LTC fare from 12th October 2020 to 31st March 2021.
- The money must be sent on goods /services attracting GST of 12.5 or more from a GST-registered vendor.
- The payment must be made through a digital mode and employee must produce GST invoice.
- Deemed LTC fare is subject to Maximum of INR 36000 per person (Round Trip)
- Scheme shall not be available under concessional personal tax regime.
- In case the amount spent by an employee falls short of the three times of the deemed LTC fare on specified expenditure during the specified period, *the tax exemption will be restricted to pro rata amount of the shortfall of LTC fare and excess LTC fare received by an employee.*
- Tax is not required to be deducted on the reimbursement of the deemed LTC fare

II. Guidance to the employer on LTC Scheme implementation

✓ LTC Scheme is an employee friendly Scheme considering the restrictions on travel. To extend the benefits. the employer could adopt LTC Scheme and roll out a policy around the same

✓ Undertake a review of existing compensation structure of employees and determine the scope tor compensation optimisation within the construct of recent developments

✓ Evaluate the LTC entitlement based on employee salary grades and spending requirements

✓ Educate employees on finer details of the Scheme by designing FAQ around the same

✓ Define rules on submission and collection of proofs

✓ Step up the payroll process for timely review of employee Invoices and reimbursement of eligible claims

III. Goods and services attracting 12% or more GST*

Goods (Illustrative List) :-

Air conditioning machines
Refrigerators
Washing machine
Vacuum cleaners
Digital cameras and video camera recorders
TV
Power bank
Mobile phones
Tableware, kitchenware, other household articles and toilet articles
Contact lenses Spectacle lenses and frames for spectacles LED llghts or fixtures including LED lamps
Motor cars and 2 wheelers
Fitness equipment
Readymade furniture

Services (Illustrative List) :-

Accommodation in hotels, Inns, guest houses, clubs etc
Transport of passengers by air, in other than economy mode
Rental services of transport vehicles
Legal and accounting services
Maintenance, repair and installation services
Interior decoration
Phone bills

Points to Note:-

✓ No compulsion on travel for availing LTC Scheme.

✓ Flexibility In spending - All goods and services attracting GST of 12% and above are eligible.

✓ Tax saving on regular household expenditure/ shopping

✓ Spending Is must between 12 October 2020 to 31 March 2021

Example-1: Private Sector employee

- Mr. B is an employee of Private company
- His family consist or 3 members

- The company has adopted LTC Scheme and offered a deemed LTC fare of Rs 36000 per family member per round trip
- He has spent Rs 3, 30,000 on product and services during October 2020 to March 31, 2021

Particular	Reference	Amount (INR)
Eligible deemed LTC fare	A = 3*36000	1,08,000
Amount to be spent	B= 3 times of A i.e. 3*1,08,000	3,24,000
Amount spent by Mr. B	C	3,30,000
Eligible amount of non-taxable allowance receivable	C>=B	1,08,000
Tax saving at 30%		32,400

Example 2 Mr. X an employee of a private sector company incurs the following expenditure on various dates:

Date of Invoice	Nature of Expenditure	Amount
15-10-2020	DTH Recharge (1 year Subscription)	10000
30-10-2020	Renewal of Car Insurance	20000
10-11-2020	Purchase of Electrical Appliances	7500
24-11-2020	Purchase of Mobile Phone	30000
20-03-2020	Advance payment of insurance premium which is due on April 30, 2021.	75000

Issues & Solutions:-

1. Can employee submit multiple invoices under LTC Scheme? - **Yes**
2. Is annual subscription of DTH recharge or car insurance qualify for exemption under LTC Scheme? – **Yes as there is no exception list given as Goods & services which attract GST 12% & Above**
3. Whether advance payment of insurance will qualify for exemption? – **clarification awaited, however same should be allowed provided declaration can be taken from employee that same will not be reversed later on**

IV. Point Clarified in FAQ issued for LTC Scheme :-

✓ An individual (employee) need not take leave for availing the Scheme, nor undertake any travel. It is a scheme in lieu of LTC travel.

✓ The Scheme is applicable to the LTC fare unutilized during the block period of 2018-21. So, it will not apply to LTC fare which has already been utilized till 12 October 2020

✓ If an employee has already exhausted leave entitlement, they can still avail the Scheme for LTC fare without leave encashment. The expenditure should be three times the LTC fare

✓ If an employee avails of an advance amount and spends it but does not spend three times the LTC fare, the advance drawn will be treated as underutilized and pro rata amount will be recovered from the employee

✓ Multiple bills for different purchases will be accepted from employees. But, the purchase should be done from 12 October 2020 to 31 March 2021, should carry GST of 12% or more and payment should be made in digital mode.

✓ There is no prescribed format for applying for the Scheme. A simple application conveying the desire of the employee for availing of the Scheme can be made and if advance is required for the purpose, it can be mentioned in the application.

✓ The invoice submitted for reimbursement under the Scheme should be in the name of the employee availing of the Scheme, even if the digital payment is made by using credit card of spouse or any other family member.

✓ Procurement from e-commerce platforms like Amazon, Flipkart is also permissible

✓ Case of Partial Exemption:-

Particular	Reference	Amount (INR)
Eligible deemed LTC fare	A = 3*36000	1,08,000
Amount to be spent	B= 3 times of i.e. 3*1,08,000	3,24,000
Amount spent by Mr. B	C	2,50,000
Eligible amount of non-taxable allowance receivable	A*B/ C	83,333
Tax saving at 30%		25,000

Series on Valuation Methods

CA. Sagar Surana
Mobile No. : 9822558610
E-mail : sagar.surana@experity.co.in

In this series of articles till now we have primarily understanding the Income Approach and methods used for this approach. We have discussed about the Discounted Cash Flow (DCF) Method and Relief from Royalty (RFR) Method.

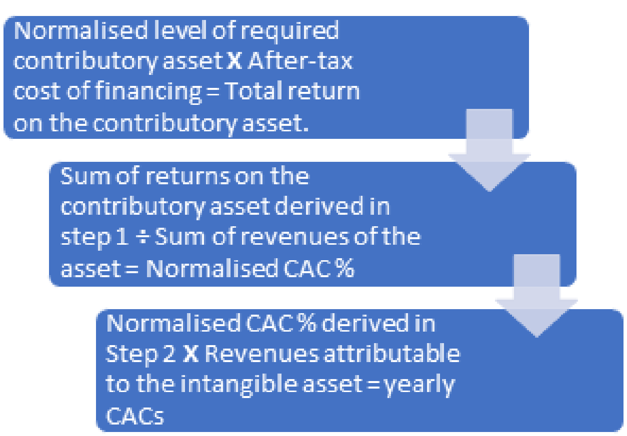
In this article we will discuss about Multi-Period Excess Earnings Method (MEEM). This method is primarily used when the prospective revenue and earnings generated by the specific intangible asset which cannot be directly identified.

Multi-Period Excess Earnings Method (MEEM)

The premise of the Multi-Period Excess Earnings Method is that the value of an intangible asset is equal to the present value of the after-tax earnings streams attributable to the sole considered intangible asset. The earnings are indistinctly generated by several assets including the asset under consideration. We need to reduce the earnings attributable to all the other assets and it is known as Contributory Asset Charges (CAC).

What is Contributory Asset Charge (CAC) ?

Contributory assets are assets which supports the intangible asset to generate cash flows and are used in combination with the intangible asset. CAC is widely used to calculate the return on assets supporting the cash flow generation of the intangible asset. Contributory assets could be in the form of working capital, fixed assets, assembled workforce and any other intangible asset so considered. The CAC is calculated by applying rate of return on revenues. The rate of return varies for each asset and can be determined based on nature of the asset. The rate of return is usually considered on the post-tax basis.



Key steps in deriving a value using the MEEM method:

(a) Use the projections for the entity or the combined asset group over the remaining useful life of the intangible asset to be valued.

(b) prepare the expected future after tax cash flows.

(c) Analyse the projections and its underlying assumptions to assess the reasonableness of the cash flow.

(d) To arrive at the incremental after-tax cash flows CAC (as calculated from the steps mentioned above) has to be reduced from the projected total net after-tax cash flows for the entity or combined asset group.

(e) to arrive at the present value using an appropriate rate of discount, the incremental after-tax cash flows should be discounted pertaining to the intangible asset to be valued.

(f) Tax amortisation benefit (TAB) to be added to the overall value of the intangible asset.

(g) For customer-based intangible assets, consider attrition, which refers to the possible expected loss of customers which is based on the historical behaviour of customers. Attrition can either be calculated using the mid-point convention (average of beginning and end of the year) or by considering the year-on-year customer count or change in revenue.

Illustration for Calculation of Fair Value using Multi-Period Excess Earnings Method

ASSUMPTIONS

Attrition Rate on Opening	12.50%
Discounting Rate	17.50%
Tax Rate	25.17%
Valuation Date	31-Mar-20
Depreciation Rate - WDV	25.00%

INR Million

PARTICULARS	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Existing Customer Revenue	495										
Opening		100.00%	87.50%	76.56%	66.99%	58.62%	51.29%	44.88%	39.27%	34.36%	30.07%
Attrition (as a % of Opening)		12.50%	10.94%	9.57%	8.37%	7.33%	6.41%	5.61%	4.91%	4.30%	3.76%
Closing		87.50%	76.56%	66.99%	58.62%	51.29%	44.88%	39.27%	34.36%	30.07%	26.31%
Total revenue Attributable to existing customers		**433.13**	**378.98**	**331.61**	**290.16**	**253.89**	**222.15**	**194.38**	**170.09**	**148.83**	**130.22**
EBIT Margins		10.50%	10.76%	11.03%	11.31%	11.59%	11.88%	12.18%	12.48%	12.79%	13.11%
EBIT		45.48	40.79	36.58	32.81	29.43	26.39	23.67	21.23	19.04	17.08
Tax		11.45	10.27	9.21	8.26	7.41	6.64	5.96	5.34	4.79	4.30
Earnings After Tax		**34.03**	**30.52**	**27.37**	**24.55**	**22.02**	**19.75**	**17.71**	**15.89**	**14.25**	**12.78**
Contributory Asset Charges											
Fixed Assets	1.63%	7.06	6.18	5.41	4.73	4.14	3.62	3.17	2.77	2.43	2.12
Other Net Assets	2.42%	10.47	9.16	8.02	7.02	6.14	5.37	4.70	4.11	3.60	3.15
Assembled Workforce	0.83%	3.60	3.15	2.75	2.41	2.11	1.84	1.61	1.41	1.24	1.08
Brand	2.99%	12.96	11.34	9.93	8.69	7.60	6.65	5.82	5.09	4.45	3.90
Total Contributory Asset Charges		**34.09**	**29.83**	**26.10**	**22.84**	**19.98**	**17.49**	**15.30**	**13.39**	**11.71**	**10.25**
Net Available Excess Earnings											
Discounting Rate	17.50%										
Time Factor		0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5	8.5	9.5
Present Value Factor		0.92	0.79	0.67	0.57	0.48	0.41	0.35	0.30	0.25	0.22
Present Value of Excess Earnings		**31.45**	**23.42**	**17.44**	**12.99**	**9.67**	**7.20**	**5.36**	**3.99**	**2.97**	**2.22**
Sum of Present Value of Excess Earnings	**116.73**										
Tax Amortisation Benefit Factor	1.19										
Preliminary Indication of Value	**138.74**										

Contributory Asset Charges

INR Million

PARTICULARS	Indicated Values	Rate of Return	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Total Revenue			550	600	639	681	725	772	822	875	932	993
Revenue Growth (%)				9.09%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
CONTRIBUTORY TANGIBLE ASSETS												
Fixed Assets	100	12.00%										
Beginning Balance			100.00	103.25	103.25	103.25	103.25	103.25	103.25	103.25	103.25	103.25
Capital Expenditure for the period			18.00	19.35	20.80	22.36	24.04	25.84	27.78	29.86	32.10	34.51
Depreciation for the period	12.50%		14.75	19.35	20.80	22.36	24.04	25.84	27.78	29.86	32.10	34.51
Ending Balance			**103.25**	**103.25**	**103.25**	**103.25**	**103.25**	**103.25**	**103.25**	**103.25**	**103.25**	**103.25**

PARTICULARS	Indicated Values	Rate of Return	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Average Balance			**101.63**	**103.25**	**103.25**	**103.25**	**103.25**	**103.25**	**103.25**	**103.25**	**103.25**	**103.25**
Total Return on Fixed Assets			12.20	12.39	12.39	12.39	12.39	12.39	12.39	12.39	12.39	12.39
Normalised Return as a % of Revenues		1.63%										
Other Net Assets	124	10.00%										
Beginning Balance			123.75	137.50	150.00	159.75	170.13	181.19	192.97	205.51	218.87	233.10
Ending Balance			137.50	150.00	159.75	170.13	181.19	192.97	205.51	218.87	233.10	248.25
Average Balance			130.63	143.75	154.88	164.94	175.66	187.08	199.24	212.19	225.98	240.67
Total Return on Other Net Assets			13.06	14.38	15.49	16.49	17.57	18.71	19.92	21.22	22.60	24.07
Normalised Return as a % of Revenues		2.42%										
CONTRIBUTORY INTANGIBLE ASSETS												
Assembled Workforce	36	17.50%										
Total Return on Assembled Workforce			6.30	6.30	6.30	6.30	6.30	6.30	6.30	6.30	6.30	6.30
Normalised Return as a % of Revenues		0.83%										
Brand												
Royalty Rate (pre-tax)		4%										
Royalty Rate (post-tax) = Normalised Return as a % of Revenues		2.99%										

Tax Amortisation Benefit (TAB) Factor

			FY21	FY22	FY23	FY24	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30
Year			1	2	3	4	5	6	7	8	9	10
Opening Value of Intangible			100.00	75.00	56.25	42.19	31.64	23.73	17.80	13.35	10.01	7.51
Depreciation			25.00	18.75	14.06	10.55	7.91	5.93	4.45	3.34	2.50	1.88
Closing Value of Intangible			75.00	56.25	42.19	31.64	23.73	17.80	13.35	10.01	7.51	5.63
Savings in Tax			6.29	4.72	3.54	2.65	1.99	1.49	1.12	0.84	0.63	0.47
Present Value Factor			0.9225	0.7851	0.6682	0.5687	0.4840	0.4119	0.3506	0.2983	0.2539	0.2161
Present Value of Tax Savings from Depreciation			5.81	3.71	2.37	1.51	0.96	0.62	0.39	0.25	0.16	0.10
Sum of PV Tax Savings from Depreciation		**15.87**										
Fair Value of Intangible (Including TAB)	100.00											
Fair Value of Intangible (Excluding TAB)	84.13											
Tax Amortization Benefit Factor	**1.19**											

Summary of Major Changes in CARO, 2020 VS CARO, 2016

CA. Arun Karnani
Mobile No. : 8291199389
E-mail : arunkarnani101@gmail.com

As you all are aware, Companies (Auditor's Report) Order 2020 has been notified by the MCA with effect from 25th February, 2020.

Note that **earlier it was 16 Clauses and now there are 21 Clauses** i.e. 5 new Clauses have been added in CARO 2020.

Introduction to CARO 2020

CARO 2020 is a new format for issue of audit reports in case of statutory audits of companies under Companies Act, 2013. It has included additional reporting requirements with the aim of enhancing the overall quality of reporting by the company's statutory auditors.

Applicability of CARO 2020

Initially CARO 2020 was applicable from financial years commencing on or after the 1st April, 2019 but considering recent outbreak of Corona Virus, MCA has vide its order dated 24th March 2020 announced that CARO 2020 will applies, for the financial years commencing on or after the 1st April, 2020.

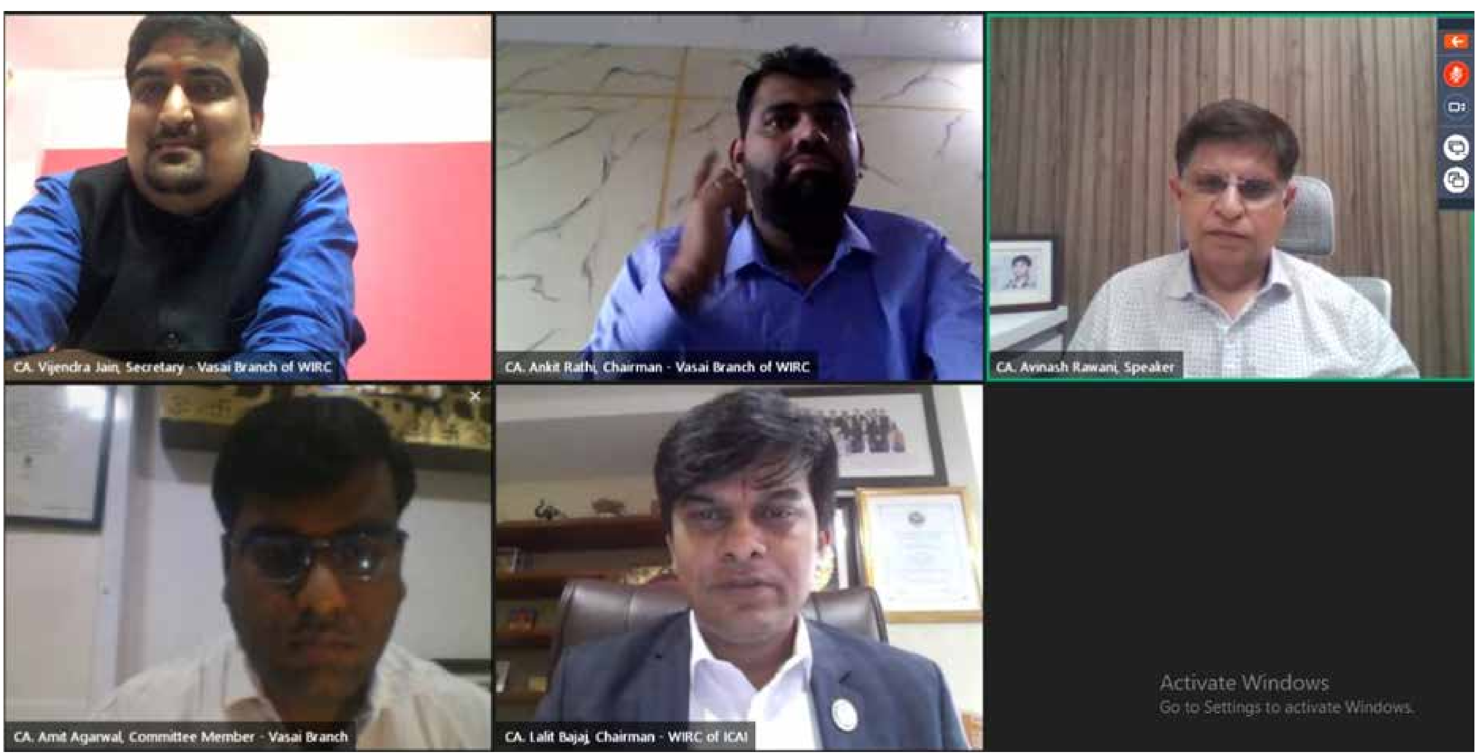
Below are the major changes for Quick Summarisation:-

Sr. No.	Area	Major Changes
1	Fixed Asset	-Earlier word Fixed Assets was used, now replaced with Property, Plant & Equipment and Intangible Assets (PPEIA). -If Title Deeds are not in the name of company (except in case of lease) then report all such instances in the tabular format with reasoning. -Any revaluation in PPEIA to be reported. -Any Benami proceedings initiated to be reported.
2	Inventory	-Inventory verification coverage and procedure to be disclosed. -Any discrepancy beyond 10% or more in aggregate for each class of inventory need to be disclosed. -Any Working capital limit above 5 Cr on collateral of Current Assets to be disclosed and returns filed with Bank in consonance with books.
3	Loans & Advances	-Earlier dues settled by extension, renew or fresh loans to be now reported. -Any Loans receivable on demand basis to be separately disclosed. - Overdue amount for more than 90 days to be reported.
4	Default in Loan Repayment	-Specified table for reporting default. -Disclosure if declared wilful defaulter by Financial Institutions. -Term loans applied for right purpose or not. -Short term loans whether applied for long term purpose. -Funds obtained to service obligation of Subsidiary, JV or Associate Companies. -Funds obtained on pledging of shares of Subsidiary, JV or Associate Companies.
5	Fraud Reporting	-ADT-4 filed by Auditor's (if any) to be reported. -Any whistle blower complaint referred to during audit.
6	Managerial Remuneration	Payment of Managerial Remuneration in accordance with Schedule V has been deleted.
7	NBFC Companies Reporting	-Whether NBFC has valid certificate from RBI. -Whether it is Core Investment Company (CIC), whether group has more than 1 CIC and compliance.
8	Internal Audit	-Whether Internal Audit System exists or not as per company's size. -Whether any Internal audit report has been considered by the auditors.

Sr. No.	Area	Major Changes
9	Income Tax Transaction	Whether any transactions offered in income tax but not recorded in books.
10	Nidhi Company	-Maintaining of net owned funds to deposit ratio of 1:20 for meeting liabilities. – Maintaining 10% term deposits (which are unencumbered) for meeting liabilities. – Details of any default in payment of interest on deposits or repayment of for any period.
11	Five New Clauses (Clause 17 to 21)	17 – Cash Losses – Cash Losses to be reported for FY, if any 18 – Resignation of Auditor – The issues raised by him whether considered or not if any. 19 – Company's ability to meet its current liabilities in auditor's opinion based on ratios, realizations and ageing. 20 – CSR Compliance – On going project whether unspent amount transferred to fund within 6 months / Special account 21 – Companies in Consolidation – All negative CARO remarks whether of any subsidiary, JV or Associate company as consolidated has to be reported in the Holding Company Clause 21 CARO.

Conclusion: These are the welcome changes and will improve the reporting specially after ILFS, DHFL Fiasco.

32nd Virtual CPE Meeting on Tax Audit Report held on 12th December, 2020



Speaker- CA. Avinash Rawani, Welcome note - CA. Lalit Bajaj (Chairman, WIRC of ICAI), Session Chairman – CA. Ankit Rathi (Chairman – Vasai Branch of WIRC), Coordinators – CA. Vijendra Jain (Secretary – Vasai Branch) & CA. Amit Agarwal (Committee Member – Vasai Branch)

Vasai WIASA Premier League 2020 held on 27th December 2020

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The Institute of Chartered Accountants of India,
Vasai Branch of WIRC
Address: Maxus Mall, B Wing, 7th Floor, Above Maxus Banquet Hall, Temba Road, Bhayandar (West) Thane-401 101.
Contact: 9029868900/ 8655068901/ 8976068902 | Email: vasaibranch@gmail.com | Website: www.vasai-icai.org