



Central India CA Students Association  
Indore Branch of CIRC of ICAI

**NEWSLETTER**

**AUGUST 2024 | Digital Edition**

# Chairman Message



*Dear CA Students,*

*Warm greetings to all of you!*

*As we step into the month of August, I would like to start by expressing my heartfelt congratulations to all the successful candidates who cleared their exams in July. Your hard work and dedication have paid off, and you have earned your rightful place among the esteemed ranks of Chartered Accountants.*

*As we celebrate this achievement, I would like to share with you a motivational quote that I believe will inspire you to reach greater heights: "Believe you can and you're halfway there." - Theodore Roosevelt*

*These words resonate deeply with me, as they remind us that success is not just about achieving a milestone, but about having the conviction and courage to strive for excellence. As CA students, you have already demonstrated remarkable resilience and perseverance. Now, it's time to harness this energy to pursue your goals with renewed vigor and passion.*

*I am delighted to inform you that our branch has successfully organized the CA Students' Convocation last month. It was an honor to witness the pride and joy on the faces of our students as they received their certificates. This momentous occasion was a testament to the tireless efforts of our students, faculty, and staff.*

*As we move forward into the new academic year, I urge you to remain focused on your objectives. Remember that every challenge presents an opportunity to learn and grow. Stay committed to your studies, continue to seek guidance from your mentors, and never lose sight of your aspirations.*

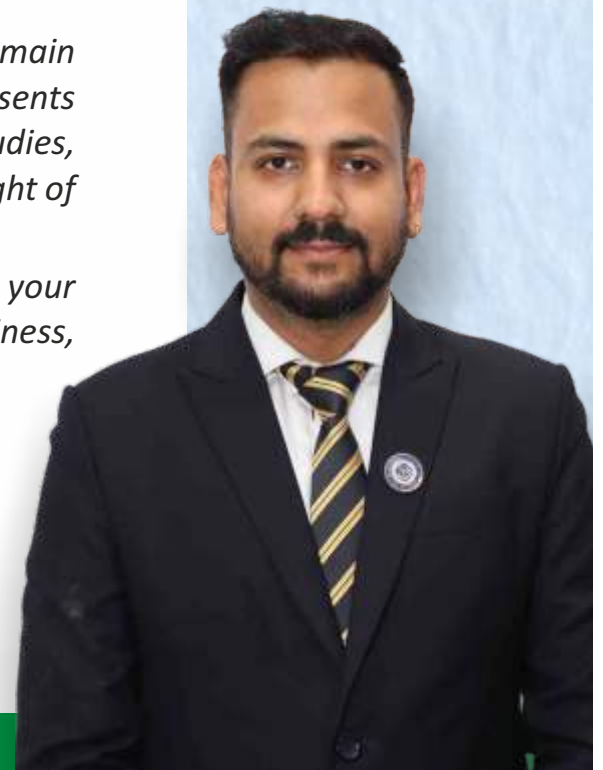
*On behalf of the ICAI Indore Branch, I wish you all the best for your future endeavors. May your journey be marked by success, happiness, and fulfillment.*

*Stay motivated, stay inspired!*

**CA. Atishay Khasgiwala**

*Chairman,*

*CICASA Indore.*





# Duties of **AN AUDITOR** in a Company

**SWATI GUPTA**  
CRO 0741784



## **Introduction :**

Auditing is a crucial step in the financial reporting process. To guarantee that a company's financial statements present a true and fair picture of its financial situation, an auditor must give an unbiased, independent evaluation of the financial statements. Maintaining the integrity of financial reporting and ensuring that investors and other stakeholders can rely on the information given in financial statements are the duties of auditors. We'll talk about the duties of an auditor under the Companies Act of 2013 and their eligibility in this article.

## **Who is an auditor?**

An auditor is a professional who is responsible for evaluating financial records, transactions, processes, and controls within an organization to ensure accuracy, compliance, and Auditors are appointed by the company's shareholders and are generally independent of the company being audited.

## **Eligibility Criteria for an Auditor :**

### **Following are the eligibility requirements for an auditor :**

A professional accounting or auditing qualification, such as a Certified Public Accountant (CPA), Chartered Accountant (CA), or Certified Internal Auditor (CIA), is typically required for auditors.

Auditors need to have significant experience in accounting or auditing in addition to their

educational qualifications. Working in corporate accounting departments or public accounting organizations for several years is required.

Auditors must have a thorough understanding of accounting principles, including Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS).

Independent and impartial conduct is required of auditors at all times during the audit process. This means avoiding any conflicts of interest that could compromise their independence or objectivity and being impartial in their assessment of the company's financial statements.

Regulations, such as those pertaining to license and registration, as well as ethical principles, as specified by the International Ethics Standards Board for Accountants (IESBA), must be complied with by auditors.

## **What are the duties of an auditor?**

To ensure accurate financial reporting, auditors have several duties to perform. The following are the key duties of an auditor:

### **Preparation of the audit report**

An audit report is an analysis of a business's financial position. Based on the company's financial statements, the auditor is responsible for creating an audit report. In addition to this, an

auditor must ensure that financial statements comply with relevant accounting laws, such as the Companies Act 2013 and accounting standards.

In addition to this, an auditor must ensure that the financial statements present an error-free and fair view of the company's financial position. An accurately written audit report can help businesses make informed decisions based on exact financial information.

#### Conducting Enquiries

Making inquiries as required is one of an auditor's main duties. This comprises determining whether personal expenses are charged to the Revenue Account, whether loans and advances are correctly shown as deposits, whether financial statements adhere to applicable accounting standards, and whether loans and advances issued based on security are adequately secured.

Assist in the matter of branch audits.

An auditor will help to complete the branch audit if they are a branch auditor for the entire company. Based on the branch's financial records, they will prepare a report and submit it to the company auditor to include in the main audit report.

Comply with audit standards.

To perform audit duties with relevant ease and accuracy, an auditor must comply with auditing standards issued by the central government in consultation with the National Financial Reporting Authority.

#### Fraud detection and reporting

Suppose an auditor detects any fraud in the financial statement while performing his duties. They must immediately report the matter to the central government, as outlined in the Companies Act 2013.

Adhere to the Code of Ethics and Professional Conduct.

An auditor is required to adhere to a code of ethics as well as a code of professional conduct. The auditor's behavior and activities are governed by guidelines and principles that are encompassed by these regulations. They comprise essential ideas, including professional skepticism, due care, and confidentiality.

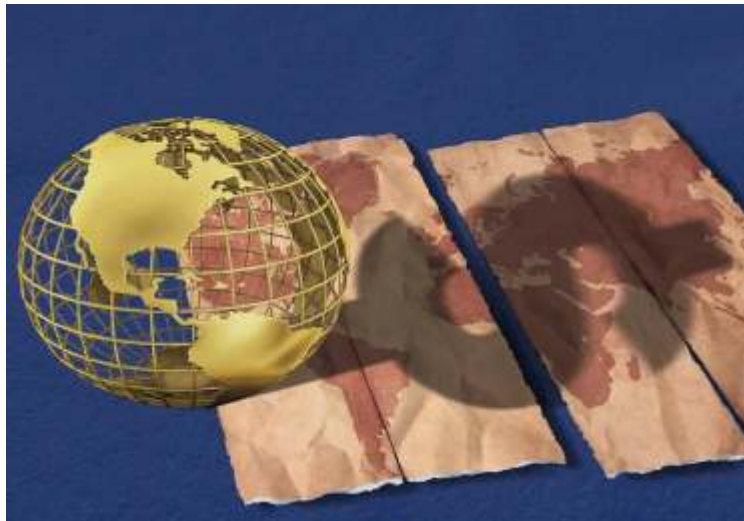
#### Training and development

Audit staff and other employees are trained and guided on audit-related matters, which comprise legal matters, growing risks, and best practices.

#### Conclusion

In conclusion, the duties of an auditor are to ensure the accuracy and reliability of a company's financial statements. Auditors play a vital role in maintaining the integrity of financial reporting, and their role is essential in helping investors and stakeholder groups make informed decisions about the company's health. The duty of an auditor requires high-level experience, independence, and objectivity, and an auditor needs to sustain these qualities throughout the audit process.





# Capital Gain From Foreign Shares

ADARSH DHARWA  
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## Introduction

As we all know, the gains arising out of the trading of shares (listed on a recognized stock exchange) are liable to be taxed under Section 111A/112A, depending upon the holding period. But what about foreign stocks? Do you know about the taxation of foreign stocks under the provisions of the Indian Income Tax Act? Let's elaborate on the same.

## Latest Amendment under Budget 2023

Till now, there is no TCS on foreign remittances up to Rs 7 lakh in a year. If investors remit more than Rs 7 lakh for investing in foreign securities under the Liberalized Remittance Scheme (LRS), a TCS of 5% is applicable.

But the Budget 2023 hiked TCS on foreign remittances of more than Rs 7 lakh through the LRS to 20% for investments in overseas assets, real estate, bonds, foreign company stocks, etc.

## Foreign stocks and their holding period

As per the provisions of income tax laws, the tax treatment of foreign stocks is similar to that of unlisted equity shares in India. As per the provisions of Section 2(42A) of the IT Act, if a foreign stock is held for up to 24 months, then the gains derived from such stocks would be treated as short-term capital gains; otherwise, such gains would be long-term in nature.

## Types of income you might earn

When it comes to investments in stocks, there are two types of income to consider:

- **Capital Gains**
- **Dividends**

## Let's talk about capital gains first.

The taxability of capital gains depends on the holding period of the stocks. If you hold foreign company shares for more than 24 months, the gains are considered long-term capital gains and are taxed at 20% (plus applicable surcharge and cess).

On the other hand, if you hold the shares for up to 24 months, any resulting gains are considered short-term capital gains. These are added to your total income and taxed according to the applicable slab rates.

## Secondly, when you will earn a dividend,

It will be taxable at a flat rate of 25%.

Just like non-residents investing in India are taxed in India,

Indians investing abroad might face taxation in the foreign country too. You might wonder why you have to pay taxes twice, right?

So, in remedy of this problem, the Indian government has signed the Double Tax Avoidance Agreement (DTAA) with over 95 countries, which aids in the claim of tax credits in the event of double taxation.

## What is a DTAA (Double Tax Avoidance Agreement)?

Double Taxation Avoidance Agreements (DTAA) are treaties signed between two or more countries and are applicable in cases where a taxpayer residing in one country has to earn his or her income from another country. Which enable NRIs to get relief from having to pay taxes multiple times. DTAA does not mean that the NRI can completely avoid taxes, but it does mean that the NRI can avoid paying higher taxes in both countries.

It covers a range of incomes, including income from employment, business profits, dividends, interest, royalties, and capital gains. These agreements specify guidelines as to which country holds the right to impose taxes on particular types of income. Typically, the country where the income is generated will have the primary right to levy taxes on it, whereas the country of residency may also impose taxes at a lower rate.

## It offers relief via two methods:

### Exemption

Under this method, income in one country will be taxed while it is exempt in another, which will avoid double-time taxability of the same income.

### Tax Credit

The tax credit method allows the taxpayer to claim a credit for the tax paid in one country against the tax liability arising in another country. Which will eliminate double taxation.

## How to report it in the ITR

The taxpayers should file ITR Form 2 to report such gains under two heads:

- All gains from the sale of stocks must be reported on the capital gains schedule (Schedule CG).
- All gains from dividends shall be reported in Schedule OS.
- All assets should be reported in the foreign asset schedule (Schedule FA) if the investor has held the shares on or after March 31st of that particular year.



# “The Power Behind Wealth Accumulation **COMPOUND INTEREST**”



**ABHISHEK CHOUBEY**  
ERO 0261838

At its core, compound interest refers to the process of earning interest on both the initial principal and the accumulated interest from previous periods. Unlike simple interest, which is calculated solely on the principal amount, compound interest allows your money to grow exponentially over time.

To illustrate this concept, let's consider a hypothetical example:

Suppose you invest \$1,000 in an account that earns an annual interest rate of 5%. After the first year, you'll earn \$50 in interest, bringing your total balance to \$1,050. In the second year, however, you'll earn interest not just on the original \$1,000 but also on the \$50 of interest earned in the first year. This compounding effect continues to snowball over time, resulting in accelerated growth of your investment.

The key to harnessing the power of compound interest is time. The longer your money has to compound, the greater the impact it will have on your overall wealth. This is why starting to invest early is crucial, as it gives your investments more time to grow and recover from market fluctuations.

Let's explore the concept of time further with another example:

Suppose two individuals, Abhishek and Shivam, each invest \$10,000 at an annual interest rate of 7%. Abhishek starts investing at age 25 and contributes consistently for ten years before stopping, while Shivam waits until age 35 to start investing and contributes the same amount annually for thirty years until retirement at age 65.

Despite investing the same amount of money, Abhishek's investments have had more time to compound, resulting in a significantly higher final balance compared to Shivam's. This demonstrates the importance of starting early and allowing compound interest to work its magic over time.

In addition to starting early, maximizing the rate of return on your investments is another crucial factor in maximizing the power of compound interest. By investing in assets that offer higher returns, such as stocks or mutual funds, you can accelerate the growth of your investments and amplify the effects of compounding.

However, it's essential to strike a balance between seeking higher returns and managing risk, as higher returns often come with increased volatility and the potential for losses. Diversification, asset allocation, and regular portfolio rebalancing are strategies that can help mitigate risk while maximizing returns over the long term.

In conclusion, compound interest is a powerful force that can significantly impact your financial future. By understanding how it works and incorporating it into your investment strategy, you can harness its potential to build wealth over time. Remember, the key ingredients for success are starting early, maximizing your rate of return, and allowing time to work in your favour. So, start investing today and let compound interest work its magic for you.

## Editorial Board



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