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# LUDHIANA

Branch of Northern India  
Regional Council of  
The Institute of Chartered  
Accountants of India

## E-Newsletter October-2023

VOL. 10 | NO. 10 | October, 2023



CA. Vasu Aggarwal  
(Chairman)

## MESSAGE FROM THE DESK OF CHAIRMAN

Dear Esteemed Members,

Warm greetings! I trust this message finds you in excellent health and high spirits.

After a demanding September filled with audits and compliance filings, I hope you have completed your assignments promptly. Now you're relishing a well-deserved break.

I am thrilled to present the dynamic highlights of our Ludhiana Branch's activities in October 2023.

A Sub-Regional Conference on 6th and 7th October, 2023 Hosted by Ludhiana Branch and graciously organized by Ludhiana Branch, I extend my gratitude to CA Gaurav Garg Ji, Chairman NIRC, for providing us with the opportunity to host this knowledge-filled event.

Multi Disciplinary Partnership Firms & Mentorship Session on 28th October aimed at fostering collaborative growth within our fraternity, this session was a significant step towards enhancing professional development.

On 29th October Closing the month on a high note, our Box Cricket League brought members together for a day of camaraderie and sportsmanship.

For our students, the Open Mic program organized on 29th October, by NICASA Ludhiana Branch showcased the diverse talents within our budding professionals.

AICITSS – Advanced Information Technology (Batch No. 6) - 27th October to 14th November

Currently underway, this program offers valuable insights into the dynamic field of IT, providing a platform for continuous learning.

Looking ahead, we have an exciting line-up of activities, including seminars, career counselling programs, financial literacy drives, investor awareness programs, Dashboard Visualization & Sketching Competition, and the National Conference for CA Students.

I encourage all members and students to actively participate in these events, fostering knowledge exchange and community building. Additionally, consider contributing to the CABF fund to support our needy members and their families.

Your ongoing support and enthusiastic participation are invaluable.

Warm regards,

**CA. Vasu Aggarwal**

Chairman, Ludhiana Branch of NIRC of ICAI



CA. Subash Bansal  
(Secretary)

## MESSAGE FROM THE DESK OF SECRETARY

Dear Professional Colleagues  
Namaskare

"I can accept failure. Everyone fails at something. But I can't accept not trying." – Michael Jordan

As a man was passing the elephants, he suddenly stopped, confused by the fact that these huge creatures were being held by only a small rope tied to their front leg. No chains, no cages. It was obvious that the elephants could, at anytime, break away from their bonds but for some reason, they did not.

He saw a trainer nearby and asked why these animals just stood there and made no attempt to get away. "Well," trainer said, "when they are very young and much smaller we use the same size rope to tie them and, at that age, it's enough to hold them. As they grow up, they are conditioned to believe they cannot break away. They believe the rope can still hold them, so they never try to break free."

The man was amazed. These animals could at any time break free from their bonds but because they believed they couldn't, they were stuck right where they were.

Like the elephants, how many of us go through life hanging onto a belief that we cannot do something simply because we failed at it once before?

Failure is part of learning; we should never give up the struggle in life. October Month for us at Branch is month that is filled with Knowledge and fun.

We started the month by hosting the Sub-Regional Conference on 6 & 7th of October, which was being organised by the Northern India Regional Council. In this conference we had great speakers such as Tax Guru: CA (Dr.) Girish Ahuja Ji, CA. Subhash Jain Ji, CA. Gaurav Sukhija Ji, CA. Vinay Bansal Ji and CA. Anmol Gupta Ji. We also got the opportunity to interact with our Regional Council Chairman CA. Gaurav Garg Ji. A workshop on Multi Disciplinary Partnership Firms and Mentorship for Young Members was organised on 28th of October, from which a good number of young members were benefited.

We ended the month by organising our 2nd Box Cricket League on 29th October in which 8 teams participated and team Consortium of Chartered head by our chairman CA. Vasu Aggarwal was the winner.

I extend my whole hearted gratitude to all the dignitaries, speakers and members who took time from their busy schedule for making all the events a grand success.

I appreciate the hard work and dedication put in by the branch staff members to make each event a successful one.

I am delighted to announce that your branch is going to organize "ICAI MSME SAHYOG & ICAI STARTUP Samvad" on 7th of November, so all are requested to kindly join the event in large number.

We will be happy to receive feedback from all of you regarding the branch activities and request you to participate in large number in all the branch activities.

We are here because of you and are always there for you all.

Wishing you all a Diwali filled with love, laughter, and the sweetness of festive treats. Have a joyous celebration!

Happy Diwali

Jai Hind

CA. Subash Bansal  
Secretary

Ludhiana Branch of NIRC of ICAI

## MESSAGE FROM THE DESK OF EDITORIAL BOARD



CA. Avneet Singh  
Editor-in-Chief  
NICASA member  
Ludhiana Branch of  
NIRC of ICAI

Dear Esteemed Members,  
As we wrap up the month of October, we are pleased to present the latest edition of the Ludhiana Branch E-Newsletter. This month was filled with a multitude of activities and events that encompassed



CA. Sagar Gambhir  
Co-Editor  
Ludhiana Branch of  
NIRC of ICAI

professional growth, camaraderie, and community building. Our journey in October led us to a significant milestone, the Sub-Regional Conference held in Ludhiana. This event brought together professionals from various facets of the finance and accounting sector, creating a platform for discussion, deliberation, and knowledge exchange. Conferences like these strengthen the bonds within our community and contribute to the overall growth and development of our members.

Beyond the confines of our professional world, we recognized the importance of recreation and camaraderie. The Box Cricket League for our CA members was a resounding success, where members came together to showcase their sportsmanship and team spirit. These moments of camaraderie are an essential part of our professional journey.

We ended the month on a strong note with a One-Day Workshop that delved into the significance of multi-disciplinary partnership firms and mentorship for our young members. The event emphasized the value of collaboration and mentorship in our profession, serving as a guiding light for our budding professionals.

Our commitment to nurturing the aspirations of the next generation continued with the provision of regular IT batches for students, including the ICITSS courses. These courses play a pivotal role in equipping students with the essential skills required for a thriving career in finance and accounting.

The article in our September newsletter, titled "Social Media Influencers: Direct Tax Implications" by student Sukhshant Chhabra, has been

selected as Best article for the month by Editorial team. We thank the author for shedding light on this pertinent topic and encourage all members to continue sharing their knowledge and insights with our community. In this spirit, we invite all our members to submit articles, share their experiences, and contribute to the growth of our E-Newsletter. Your insights and expertise are invaluable in enriching our community.

As we move forward into November, we hope this newsletter serves as a valuable resource for your professional journey. We express our gratitude to our members, contributors, and readers for their continuous support.

**Best Regards,  
Editorial Team**

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CA. Rahul Sharma

## ANALYTICAL PROCEDURES : AUDIT EVIDENCE

“The analysis of significant ratios and trends including the resulting investigation of fluctuations and relationships that are inconsistent with other relevant information or which deviate from predicted amounts”. Analytical Procedures may include :

### (I). Comparison of **financial information**:

a. **Trend Analysis**: Trend analysis involves comparing financial data from one period to another to identify trends or changes over time. This can help auditors and analysts to identify areas of concern or to assess the reasonableness of financial statement balances.

b. **Ratio Analysis**: Ratio analysis involves the comparison of financial ratios to industry benchmarks, prior year results, or other relevant factors. This can help auditors and analysts evaluate an organization’s financial health and identify potential risk areas.

c. **Regression Analysis**: Regression analysis involves using statistical techniques to identify relationships between different financial variables. This can help auditors and analysts to identify potential areas of concern or to develop predictive models.

d. **Variance Analysis**: Variance analysis involves comparing actual financial results to budgeted or expected results to identify areas of variance. This can help auditors and analysts identify areas of concern or assess internal controls’ effectiveness.

e. **Reasonableness Analysis**: Reasonableness analysis involves comparing financial information to external data sources, such as industry averages or publicly available financial information. This can help auditors and analysts to evaluate the reasonableness of financial statement balances and to identify potential areas of risk.

(II). Consideration of relationships between **financial information and non financial information**: A study of plausible relationships among both financial and nonfinancial data. A basic premise underlying the application of analytical procedures is that plausible relationships among data may reasonably be expected to exist and continue in the absence of known conditions to the contrary.

Particular conditions that can cause variations in these relationships include, for example, specific unusual transactions or events, accounting changes, business changes, random fluctuations, or misstatements. Particular conditions that can cause variations in these relationships include, for example, specific unusual transactions or events, accounting changes, business changes, random fluctuations, or misstatements.

**Analytical Procedures as an Audit Evidence:** It may provides auditor an evidence as to the completeness, accuracy and validity of the data. For example, where the production process is standardized, the ratio of various elements of manufacturing inputs to total manufacturing inputs are expected to remain stable over the years. Similarly, where the client follows an established policy of granting one month credit to the buyers, the relationship between outstanding debtors and creditors is a logical relationship. Thus, analytical procedures involve understanding the relationship between data and examining whether the actual data are consistent with this understanding.

**How much we can rely on Analytical Procedures as an evidence :** Where it is expected that logical relationships among data exist, the auditor can rely on the results of analytical. The extent to which the auditor can rely on the results of analytical procedures depends on the following factors:

a. **Materiality of the items involved:** analytical procedures normally provides a lower level of assurance hat the tests of the details of transactions and balances. Therefore, in respect of material items, the auditor may use analytical procedures in conjunction with tests in details.

b. **Nature of Assertion:** Analytical procedures may be effective tests for those assertions in which potential misstatement are not likely to be detected by an examination of detailed evidence or in which detailed evidence is not readily available.

c. **Predictability of relationships among data:** For application of analytical procedures, it is essential that relationships among items of



financial information are predictable so that any deviation there from can be taken as being indicative of potential misstatements. Relationship involving items of the profit and loss account are generally more predictable than relationship involving only balance sheets accounts, since items of the profit and loss account represent items over a period of time whereas the balance sheet items represent transactions amount as of a point of time. Auditor can expect a greater consistency in comparing gross profit margins from one period to another than in comparing the ratio of cash and bank balance to total current assets.

**d. Evaluation of Internal Control System:** Analytical procedures may not provide to the auditors the desired level of assurance in areas where the internal controls are weak. This is because, in such cases, data used by the auditor for developing relationships may themselves be misstated. For example, Where the auditor concludes that internal controls over sales are weak, he may decide to rely more on tests of details of transactions and balances than on analytical procedures in drawing his conclusions on sales.

There are four elements that comprise distinct steps that are inherent in the process to using substantial analytical procedures:

**STEP 1: Develop an independent expectation:** The development of an appropriately precise, objective expectation is the most important step in effectively using substantive analytical procedures. An expectation is a prediction of a recorded amount or ratio. The prediction can be a specific number, a percentage, a direction or an approximation, depending on the desired precision.

The auditor should have an independent expectation whenever s/he uses substantive analytical procedures (ISA 520). The auditor develops expectations by identifying plausible relationships (eg between store square footage and retail sales, market trends and client revenues) that are reasonably expected to exist based on his knowledge of the business, industry, trends, or other accounts.

**STEP 2: Define a significant difference (or threshold):** While designing and performing substantive analytical procedures the auditor should consider the amount of difference from the expectation that can be accepted without further investigation (ISA 520).

The maximum acceptable difference is commonly called the 'threshold'. Thresholds may be defined either as numerical values or as percentages of the items being tested. Establishing an appropriate threshold is particularly critical to the effective use of substantive analytical procedures. To prevent bias in judgment, the auditor should determine the threshold while planning the substantive analytical procedures, ie before Step 3, in which the difference between the expectation and the recorded amount are computed.

The threshold is the acceptable amount of potential misstatement and therefore should not exceed planning materiality and must be sufficiently small to enable the auditor to identify misstatements that could be material either individually or when aggregated with misstatements in other disaggregated portions of the account balance or in other account balances.

**STEP 3: Compute difference:** The third step is the comparison of the expected value with the recorded amounts and the identification of significant differences, if any. This should be simply a mechanical calculation.

It is important to note that the computation of differences should be done after the consideration of an expectation and threshold. In applying substantive analytical procedures, it is not appropriate to first compute differences from prior-period balances and then let the results influence the 'expected' difference and the acceptable threshold.

**STEP 4: Investigate significant differences and draw conclusions:** The fourth step is the investigation of significant differences and formation of conclusions (ISA 520). Differences indicate an increased likelihood of misstatements; the greater the degree of precision, the greater the likelihood that the difference is a misstatement. Explanations should be sought for the full amount of the difference, not just the part that exceeds the threshold. There is a chance that the unexplained difference may indicate an increased risk of material misstatement. The auditor should consider whether the differences were caused by factors previously overlooked when developing the expectation in Step 1, such as unexpected changes in the business or changes in accounting treatments.

If the difference is caused by factors previously overlooked, it is important to verify the new data, to show what impact this would have on the original expectations as if this data had been considered in the first place, and to understand any accounting or auditing ramifications of the new data.

The expectation should be precise enough to provide the desired level of assurance that differences that may be potential material misstatements, individually or when aggregated with other misstatements, would be identified for the auditor to investigate (see paragraph .20). As expectations become more precise, the range of expected differences becomes narrower and, accordingly, the likelihood increases that significant differences from the expectations are due to misstatements. The precision of the expectation depends on, among other things, the auditor's identification and consideration of factors that significantly affect the amount being audited and the level of detail of data used to develop the expectation. There are four key factors that affect the precision of analytical procedures:

**1. Disaggregation:** The more detailed the level at which analytical procedures are performed, the greater the potential precision of the procedures. Analytical procedures performed at a high level may mask significant, but offsetting, differences that are more likely to come to the auditor's attention when procedures are performed on disaggregated data.

The objective of the audit procedure will determine whether data for an analytical procedure should be disaggregated and to what degree it should be disaggregated. Disaggregated analytical procedures can be best thought of as looking at the composition of a balance(s) based on time (eg by month or by week) and the source(s) (eg by geographic region or by product) of the underlying data elements. The reliability of the data is also influenced by the comparability of the information available and the relevance of the information available.

**2. Data Reliability:** The more reliable the data is, the more precise the expectation. The data used to form an expectation in an analytical procedure may consist of external industry and economic data gathered through independent research. The source of the information available is particularly important. Internal data produced from systems and records that are covered by the audit, or that are not

subject to manipulation by persons in a position to influence accounting activities, are generally considered more reliable.

**3. Predictability:** There is a direct correlation between the predictability of the data and the quality of the expectation derived from the data. Generally, the more precise an expectation is for an analytical procedure, the greater will be the potential reliability of that procedure. The use of non-financial data (eg number of employees, occupancy rates, units produced) in developing an expectation may increase the auditor's ability to predict account relationships. However, the information is subject to data reliability considerations mentioned above.

**4. Type of analytical procedures:** There are several types of analytical procedures (As discussed above) commonly used as substantive procedures and will influence the precision of the expectation. The auditor chooses among these procedures based on his objectives for the procedures (ie purpose of the test, desired level of assurance).

Stages at which analytical procedures are used to gather Audit Evidences: Analytical procedures are used for the following purposes:

- a. To assist the auditor in planning the nature, timing, and extent of other auditing procedures
- b. As a substantive test to obtain evidential matter about particular assertions related to account balances or classes of transactions
- c. As an overall review of the financial information in the final review stage of the audit

Analytical procedures should be applied to some extent for the purposes referred to in (a) and (c) above for all audits of financial statements made in accordance with generally accepted auditing standards. In addition, in some cases, analytical procedures can be more effective or efficient than tests of details for achieving particular substantive testing objectives.

There are numerous benefits of uses of analytical procedures out of them Some are below.

**1. Enhanced Efficiency:** It helps auditors and analysts quickly identify potential financial statement

issues. By identifying potential risks early in the audit or analysis process, auditors and analysts can plan their work more effectively, improving overall efficiency.

**2. Improved Quality of Financial Reporting:** It can help identify errors, omissions, or other irregularities in financial statements. By identifying these issues, auditors and analysts can help to ensure that the financial statements are accurate and complete.

**3. Enhanced Risk Assessment:** It helps auditors and analysts to assess the risk of material misstatements in the financial statements. By identifying potential risk areas, auditors and analysts can develop appropriate audit or analysis procedures to mitigate those risks.

**4. Better Decision Making:** It provides valuable information to management, investors, and other stakeholders.

Similarly there are various shortcomings of using Analytical Procedures in auditing which can be understood in the following ways.

**1. Data Availability and Quality:** It requires reliable and accurate financial data. If the data is available and of good quality, the results of the analytical methods may be reliable.

**2. Subjectivity:** It requires judgment and interpretation, which can introduce subjectivity. The results of analytical methods may result from the auditor or analyst's personal biases or assumptions.

**3. Limitations of the Techniques:** It has restrictions, such as the inability to detect fraud or errors that are difficult to detect.

**4. Industry-Specific Challenges:** It may be more difficult in specific industries, such as the technology industry, where the underlying data may be more complex or difficult to interpret.

**5. Interpretation of Results:** The results of it can be challenging, mainly if they are unusual. Auditors and analysts must be able to analyze the results of the analytical methods and determine whether further investigation is necessary.

Compiled By  
**CA. Rahul Sharma**



CA. Ritesh Arora

## **GST CASE LAW COMPENDIUM – OCTOBER 2023 EDITION**

### **Whether the pre-deposit can be made through E-Credit Ledger?**

Yes, The Honorable Orissa High Court in M/s. Kiran Motors v. Addl. Commissioner of CT & GST [W.P (C) No.22817 of 2023 dated August 10, 2023] set aside the appeal rejection order passed by the First Appellate Authority and held that a pre-deposit under GST can be made through electronic credit Ledger (“ECL”).

The Honorable Orissa High Court noted that the CBIC vide circular dated July 06, 2022, clarified that payment of pre-deposit can be made by using the electronic credit Ledger and opined that the Petitioner has already made the pre-deposit using the electronic credit Ledger, which will now be accepted by the Revenue Department and Set aside the Impugned Order.

#### **Author’s Comments:-**

This kind of order by the First Appellate Authority shakes the confidence of the taxpayers in the administration. The CBIC vide circular No. 172/04/2022 dated July 06, 2022, clearly clarified that the Electronic credit ledger can be used to pay Pre-deposit required to prefer an appeal. Moreover, circulars issued under section 168 are binding on the Proper Officer. Circulars are issued to avoid administrative anarchy where divergent treatment is extended by different officers.

There was no reason to reject the appeal on such grounds and force the taxpayer to knock on the doors of the Honorable High Court. The Honorable Court must have taken strict action against such erring officers to set an example.

#### **Link to Download:-**

[https://drive.google.com/file/d/1\\_22eQBMLxU-ZuOm9qQvPytqCQUH-hd5WR/view?usp=sharing](https://drive.google.com/file/d/1_22eQBMLxU-ZuOm9qQvPytqCQUH-hd5WR/view?usp=sharing)

### **Whether the Adjudicating Authority passes an order without offering the opportunity to be heard?**

No, The Honorable Allahabad High Court in *B.L. Pahariya Medical Store v. State of U.P* [Writ Tax No. 981 of 2023 dated August 22, 2023] set aside the demand order passed by the Adjudicating Authority and held that the assessee is not required to request for opportunity of personal hearing, and it remained mandatory upon Adjudicating Authority to afford such opportunity before passing an adverse order.

The Honorable Allahabad High Court noted that the stand of the Petitioner may remain unclear unless a minimal opportunity of hearing is first granted and directed to issue a fresh SCN to the Petitioner within two weeks. The Honorable Court relied upon the Judgment of *Bharat Mint & Allied Chemicals v. Commissioner Commercial Tax & 2 Ors.* [(2022) 48 VLJ 325] wherein the Honorable Allahabad High Court held that the Adjudicating Authority was bound to afford the opportunity of a personal hearing to the Petitioner before he may have passed an adverse assessment order.

The Honorable Court held that a principle of law is laid down that the Petitioner is not required to request for "opportunity of personal hearing" and it remained mandatory upon the Adjudicating Authority to afford such opportunity before passing an adverse order.

#### **Author's Comments:-**

This is a welcome decision by the Honorable Allahabad High Court and it comes to the rescue of the taxpayer once again the Rule of Law stands tall against the over-passionate administration.

The Revenue Department has to understand that this kind of approach renders the "due process" laid down in the statute "Superfluous, unnecessary and nugatory", which is impermissible in the law. Section 75(4) clearly states that "an opportunity of hearing shall be granted where a request is received in writing from the person chargeable with tax or penalty, or where any adverse decision is contemplated against such person".

A similar judgment was passed in the case of Mohini Traders v. State of U.P. [WRIT TAX No. 551 of 2023 dated May 3, 2023].

**Link to Download:-**

<https://drive.google.com/file/d/1lqCbxzy16i0yJGtuXGukIF-ZLdyVeRvsK/view?usp=sharing>

**Compiled By**  
**CA. Ritesh Arora**

**Disclaimer:**

Ludhiana Branch of ICAI is not in any way responsible for the result of action taken on the basis of views expressed in different articles published in this Newsletter.

**Best Article for the month of October 2023 was  
"Social Media Influencers: Direct Tax Implications"  
by student CA. Sukhshant Chhabra**



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**Sub Regional Conference”**  
on 06-10-2023 &  
07-10-2023 at ICAI Bhawan  
Pakhawal Road, Ludhiana  
**Organised by:**  
Northern Indian Regional  
Council of ICAI  
**Hosted by:** Ludhiana  
Branch Of NIRC of ICAI

Speakers:

CA. (Dr.) Girish Ahuja  
CA. Subhash Jain  
CA. Gaurav Sukhija  
CA. Vinay Bansal  
CA. Anmol Gupta

3

**“Open Mic Programme”**  
on 15-10-2023  
at ICAI Bhawan Pakhowal  
Road, Ludhiana  
**Organised by:**  
Ludhiana Branch of NIRC of  
ICAI & NICASA of Ludhiana  
Branch of NIRC of ICAI

## Detail of Activities for the Month of October 2023

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**Career Counselling  
Programme** on 13-10-2023  
by CA. Parvinder Singh  
at Springdale  
Public, Sherpur Road,  
Focal Point, Ludhiana.

Career Counselor:  
CA. Parvinder Singh

4

**AICITSS - Advanced  
Information Technology  
(Batch no. 6)**  
from 27-10-2023  
to 14-11-2023 at ICAI  
Bhawan Pakhowal Road,  
Ludhiana

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**“One Day Workshop on:  
Multi Disciplinary Partnership  
Firms & Mentorship of  
Young Members” on  
28-10-2023 at  
ICAI Bhawan Pakhowal  
Road, Ludhiana**

**Session Speakers:  
CA. Maninder Kaur  
CA. Akshit Maheshwari**

## **Detail of Activities for the Month of October 2023**

6

**“Box Cricket League”  
on 29-10-2023 at  
Joyobox, South City,  
Ludhiana**

## Glimpses of Sub Regional Conference for CA Members 06<sup>th</sup> & 07<sup>th</sup> October, 2023



## Glimpses of Sub Regional Conference for CA Members 06<sup>th</sup> & 07<sup>th</sup> October, 2023



## Glimpses of Sub Regional Conference for CA Members 06<sup>th</sup> & 07<sup>th</sup> October, 2023



Glimpses of  
Sub Regional Conference for  
CA. Members 06<sup>th</sup> & 07<sup>th</sup> October, 2023



Glimpses of  
Open Mic Competition for Students  
on 15<sup>th</sup> October, 2023



Glimpses of "Box Cricket League"  
on 29th October, 2023 at  
Joyobox, South City, Ludhiana.



Glimpses of "Box Cricket League"  
on 29th October, 2023 at  
Joyobox, South City, Ludhiana.

