

The Institute of Chartered Accountants of India Dhanbad Branch (CIRC)

Wish you a predictable, profitable, and
sustainable new year ahead. Happy
Financial New Year 2024!

E-Newsletter - April 2024



405, 4th Floor, New Market, Bank More, Dhanbad
826001, Jharkhand
Phone: 0326 - 2306336, 9852176644, E-mail:
dhanbad@icai.org, www.dhanbadicai.org

INDEX

SL. NO	CONTENTS	PAGE NO
01	Past Committee Members List	03-05
02	Managing Committee Members 2024-25	06
03	CPE Sub Committee 2024-25	07
04	E-Newsletter Sub Committee 2024-25	08
05	CICASA Committee 2024-25	09
06	Message from the Chairman's Desk	10
07	Article on Audit Evidence: An Analysis	11-13
08	Article on Basics of Audit: -Materiality	14-15
09	List of CPE Meetings	16
10	Photo Gallery	17-21
11	Request for Members Participation	22

Disclaimer:

The opinions and views expressed in the e-newsletter are sole responsibility of authors/writers and Dhanbad branch committee has no responsibility on emergence of any dispute and difference in opinion and facts of the laws referred therein.



Past Committee Members of Dhanbad Branch of CIRC of ICAI

<i>TERM</i>	<i>CHAIRMAN</i>	<i>VICE-CHAIRMAN</i>	<i>SECRETARY</i>	<i>TREASURER</i>
1990-92	 <i>H.P.LALA</i>	 <i>S.P.AGARWAL</i>	 <i>P.S.KESHRI</i>	 <i>R.K.PATNIA</i>
1992-93	 <i>S.P.AGARWAL</i>	 <i>D.N.SINHA</i>	 <i>P.S.KESHRI</i>	 <i>R.K.PATNIA</i>
1993-95	 <i>S.P.AGARWAL</i>	 <i>R.K.P.SHAH</i>	 <i>P.S.KESHRI</i>	 <i>R.K.PATNIA</i>
1995-98	 <i>D.N.SINHA</i>	 <i>S.K.GUPTA</i>	 <i>K.K.HARODIA</i>	 <i>P.K.GUTGUTIA</i>
1998-00	 <i>P.S.KESHRI</i>	 <i>I.M.MEHTA</i>	 <i>R.J.MATALIA</i>	 <i>S.K.PASARI</i>
2000-01	 <i>I.M.MEHTA</i>	 <i>S.K.GUPTA</i>	 <i>R.J.MATALIA</i>	 <i>S.K.PASARI</i>
2001-02	 <i>R.K.PATNIA</i>	 <i>S.P.KESHRI</i>	 <i>A.K.MOOKIM</i>	 <i>N.K.SINGH</i>
2002-03	 <i>P.K.GUTGUTIA</i>	 <i>S.P.KESHRI</i>	 <i>N.K.SINGH</i>	 <i>M.K.BALUKA</i>

Past Committee Members of Dhanbad Branch of CIRC of ICAI

TERM	CHAIRMAN	VICE-CHAIRMAN	SECRETARY	TREASURER
2003-04	 K.K.HARODIA	 A.K.MOOKIM	 N.K.SINGH	 M.K.BALUKA
2004-05	 R.J.MATALIA	 S.K.PASARI	 SHYAM PASARI	 R.K.AGARWAL
2005-06	 S.K.PASARI	 N.K.SINGH	 SHYAM PASARI	 R.K.AGARWAL
2006-07	 A.K.MOOKIM	 L.K.JHUNJHUNWALA	 R.B.GOEL	 SHYAM PASARI
2007-08	 R.B.GOEL	 ARUN KUMAR	 L.K.JHUNJHUNWALA	 DEEPAK VERMA
2008-09	 L.K.JHUNJHUNWALA	 DEEPAK VERMA	 ARUN KUMAR	 AMIT DALMIA
2009-10	 ARUN KUMAR	 DEEPAK VERMA	 SHYAM PASARI	 AMIT DALMIA
2010-11	 GOPAL AGARWAL	 SUNIL KUMAR MEHTA	 RAJESH KUMAR SINGHAL	 DEEPAK VERMA

Past Committee Members of Dhanbad Branch of CIRC of ICAI

TERM	CHAIRMAN	VICE-CHAIRMAN	SECRETARY	TREASURER
2011-12	 SUNIL KUMAR MEHTA	 SHYAM PASARI	 RAJESH KUMAR SINGHAL	 AMIT DALMIA
2012-13	 SHYAM PASARI	 RAJESH KR SINGHAL	 AMIT DALMIA	 VINAY KR. AGARWAL
2013-14	 AMIT RAJ GUPTA	 ANANT BHARTIA	 SHYAM S. SAH	 NAMAN KR. DOKANIA
2014-15	 ANANT BHARTIA	 SHYAM S. SAH	 RAHUL AGARWALLA	 SUNIL KR. DAS
2015-16	 SHYAM S. SAH	 RAHUL AGARWALLA	 SUNIL KR. DAS	 NAMAN KR. DOKANIA
2016-17	 RINKEY THACKER	 LUCKY PAL SINGH	 PRATIK GANERIWAL	 MOHIT KR. BANSAL
2017-18	 MOHIT KR. BANSAL	 ANUP AGARWAL	 VISHAL KR AGARWAL	 RAHUL .KR SINGHANIA
2018-19	 VISHAL KR AGARWAL	 ANUP AGARWAL	 RAHUL .KR SINGHANIA	 MOHIT KR. BANSAL
2019-20	 RAHUL KR SINGHANIA	 CHARANJEET S. CHAWLA	 SHIWAM AGARWAL	 RAHUL KR. AGARWAL
2020-21	 CHARANJEET S. CHAWLA	 PRATIK GANERIWAL	 SHIWAM AGARWAL	 RAHUL KR SINGHANIA
2021-22	 PRATIK GANERIWAL	 SHIWAM AGARWAL	 RAHUL KR. AGARWAL	 CHARANJEET S. CHAWLA
2022-23	 CA SANDEEP PANWAR	 SAURAV AGARWAL	 RAHUL SUREKA	 SUBHAM KHANDELWAL
2023-24	 SAURAV AGARWAL	 RAHUL SUREKA	 SUBHAM KHANDELWAL	 NAND KISHORE TULSYAN



Managing Committee 2024-25 Dhanbad Branch of (CIRC)



**CA RAHUL SUREKA
CHAIRMAN**



**CA SUBHAM KHANDELWAL
VICE-CHAIRMAN**



**CA SHASHANK SHEKHAR JAISWAL
SECRETARY**



**CA NAND KISHORE TULSYAN
TREASURER**



**CA SAURAV AGARWAL
CICASA CHAIRMAN**



**CA SANDEEP PANWAR
EXECUTIVE MEMBER**



CPE- Sub Committee

Dhanbad Branch of (CIRC)



CA RAJESH SINGHAL

CHAIRMAN

CA SHYAM PASARI

SECRETARY

CA VINAY KR AGARWAL

EXECUTIVE MEMBER

CA AMIT DALMIA

EXECUTIVE MEMBER

CA ROHIT PRASAD

EXECUTIVE MEMBER

CA RAHUL SINGHANIA

EXECUTIVE MEMBER



E-Newsletter Sub Committee

Dhanbad Branch of (CIRC)



CA SUNNY KATESARIA



CHIEF EDITOR

CA C. S. CHAWLA



EDITOR

CA MANISHA GUTGUTIA



EDITOR

CA AMAN GOENKA



EDITOR

CA EKJOT SINGH



EDITOR

CA MANISH KUMAR



EDITOR



CICASA - Sub Committee **Dhanbad Branch of (CIRC)**



CA SAURAV AGARWAL —————→ **CICASA CHAIRMAN**

MAHIMA CHANDWASIA —————→ **VICE-CHAIRMAN**

SNEHLATA SINGHAL —————→ **SECRETARY**

MAYANK BANSAL —————→ **TREASURER**

PRAGYA AGARWAL —————→ **EXECUTIVE MEMBER**

RITIKA JAISWAL —————→ **EXECUTIVE MEMBER**



Dhanbad Branch of Central India Regional Council The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)

Message from the of the Chairman's Desk

Respected Fraternity Members,

Namaste...

I trust this message finds you well and thriving. As we move forward into the month, it's a time to reflect on our achievements, embrace ongoing endeavours and anticipate the challenges and opportunities that lie ahead.

This past month, we were honored to host the CAPL, a landmark event that underscored the invaluable contributions and growing influence of Chartered Accountants Fraternity in the field of Cricket. With an impressive participation of Students and members we were able to set a benchmark to inspire and empower the Tournament. My heartfelt congratulations and thanks to everyone who played a part in orchestrating this monumental success.

The bank audit season has just crossed us, it's crucial to gear up and tackle this period with diligence and preparedness. Bank audits are distinctive in their complexity and the depth of understanding required to navigate them effectively.

The bank audit season challenges us to apply our skills and knowledge rigorously, upholding the high standards of our profession.

As we progress through the year, our commitment to fostering innovation and professional excellence continues to guide our endeavors. In the coming pages, you will find detailed insights into a variety of initiatives and events that the Institute of Chartered Accountants of India (ICAI) Dhanbad has in store.

We have signed various MOUs with different organization of Dhanbad to get benefit for members of the fraternity. We are in continuous strategic planning to provide benefits to members and empower them in society.

Special Announcement for DHANBAD Branch Members:

The Dhanbad Branch (CIRC) is pleased to announce that we are going to host first ever National Conference this year on 3rd and 4th August namely "GOONJ" in which President and Vice President of ICAI will also be coming. Further, we are also hosting a Mega Student Conference on 15th and 16th June 2024 namely "Manthan" which will aid a special boost in student's preparation for the EXAMS. We have many more special events for the members in pipeline.

I encourage every one of you to actively participate in these upcoming opportunities. Your involvement is invaluable to the vibrancy and success of our branch. Let us leverage these platforms for learning, growth, and professional development.

I am incredibly thankful for your continued dedication and enthusiasm. Your contributions not only enhance our profession but also positively impact our community. As we move forward, let us maintain our commitment to excellence, integrity, and collaboration.

May this month bring you professional growth, meaningful connections, and opportunities to excel. Together, we will navigate the challenges and seize the opportunities that lie ahead, strengthening our profession and our community.

Jai Hind! Jai ICAI! Jai Dhanbad Branch!

Stay Safe and Stay Healthy!!



Yours' in Professional Service
CA Rahul Sureka
Chairman
Dhanbad Branch of CIRC of ICAI



Contributed by:

CA RAHUL SHARMA

Audit Evidences: An Analysis

Audit evidence is all the information, whether obtained from audit procedures or other sources that is used by the auditor in arriving at the conclusions on which the auditor's opinion is based. Audit evidence consists of both information that supports and corroborates management's assertions regarding the financial statements or internal control over financial reporting and information that contradicts such assertions.

Audit evidence must be sufficient and appropriate. Sufficiency signifies the quantity and appropriateness refers to quality of the evidence. In other words, sufficiency is decided by the risk associated with the control system and appropriateness is judged by the relevance and reliability of the evidence.

Audit evidence are aimed to prove or disprove the audit assertions made in the financial statements. Various elements (Assets, Liability, Income and Expenditure) of Financial Statements signify following assertions in respect of them: -

1. **Existence:** The existence verifies that asset, liability and equity exist in the same manner as they are specified by the financial statements. For Example, if balance sheet is showing Inventory @ Rs. 15,00,000 then there is first and foremost assertion in that respect is – Inventory of Rs. 15,00,000 exist.
2. **Occurrence:** It determines transaction recorded in financial statements have actually taken place. Example: if Financial Statements shows a sale of Rs. 50,00,000 then this assertion specify that transactions of Sales of Rs. 50,00,000 has actually occurred.
3. **Accuracy:** This is assertion as to the recording of correct amount in the financial statements. Example: Customer account is looked and checked with an intention to find that all transaction in his account including payments is recorded correctly and Account is showing accurate balance.
4. **Completeness:** This assertion depicts that all the transactions occurred during the financial period are completely recorded. Example: if it has to be established that all salaries and wages arises during the period are recoded completely. For the said purpose Payroll records, Payroll Journal and Active Employee List are to be referred.
5. **Valuation:** This assertion signify that all elements of financial statements are truly valued and presented. Example: Receivable must be shown at their realizable value. If any receivable is being shown without allowing probable allowance of Bad Debts, then certainly receivables are not perfectly valued.
6. **Rights and Obligation:** This assertion speaks about the ownership of Asset, Liability and Equity of the business. It signifies that Assets are rights of the business and Liabilities are the obligation of the business. Example: if Expenditure is incurred by the business on behalf of owner, it is not business expenditure.

7. **Classification:** This assertion says that Statements are presented in acceptable format, include all necessary information and easy to understand. Example: Interest payable and account payable must be shown separately as per the approved format of balance sheet.
8. **Cut Off:** This assertion determines whether the transactions recorded have been recorded in appropriate accounting period. Example: Prior Period, Outstanding and Prepaid are to be recorded.

Different authors and scholars have classified Audit Evidences in their own way. Professor Jim Crockett have also specified different Types of Audit Evidences as follows:-

1. **Physical Evidence:** He says such evidence are evidences produced by Auditors' senses i.e. Evidence obtained from seeing, Touching, Hearing, Smelling or Tasting. **Audit evidences is anything that causes an Auditor to get closer to knowing that assertions are true.** For some assets it is very important audit evidence Like Stock and Fixed Assets. Through this evidence qualitative assurance as to stock is also obtained.
2. **Arithmetical Evidence:** Such evidence are produced by the auditors by performance of Arithmetical Calculations. Auditors normally computes how the value of inventory arrived and how gratuity and pension liabilities are recognized in balance sheet. The first step in this direction is to make sure that data and assumptions used by the preparer are appropriate, secondly auditor themselves calculates the value of financial statement items from the data and Lastly they compare those figures with the figures of balance sheet. Example: in a contractual liability plaintiff may value at Rs. 4.00 crore and defendant may value at 350 crores. In such cases auditors should find sufficient appropriate audit evidence and value that liability at a reasonable level.
3. **Analytical Evidence:** Analytical evidence is based on postulate **“In the absence of clear evidence to the contrary, what has held true in the past for the enterprise under examination will hold true in the future.”** Example: If business has expended Rs. 15000, 17000 and 14000 for Audit in last three years than it is expected to be reasonable if it expends around Rs. 15000 in the current year. Analytical evidence themselves has only persuasive vale and not conclusive value. The analytical evidence simply signify that figures appearing does not seems to be reasonable and therefore substantial evidence is needed for acceptance or rejection of audit assertion in respect of those elements of financial statements.
In our example if audit expense during the current year are shown as Rs. 14,500 then auditor can be satisfied with the less or less weighty evidence.
4. **Testimonial Evidence:** Auditor converse with people and secure answers to their query and from them auditor draw conclusions. Such oral evidences are lest weighty type of audit evidence, it normally needs to be corroborated by one or more other type of audit evidences. The success of Oral evidence depends on “asking right question to the right person in proper language (Tone)”. What has to be asked requires home work and plan on the part of auditor. Right person is one who is reliable, honest and who has by virtue of his position has knowledge and authority to answer the question. Right language depends how words and phrases are understood commercially.

5. **Documentary Evidence:** Documentary evidences are developed by the auditors as they examine documents. One main source documentary evidence is the entity's accounting information system. Sometime reports generated by Management Information system also plays a crucial role while conducting audit. There can be 4 type of documentary evidences, which have various level of quality:

Documents that are produced and retained by the entity: Such type of evidences are subject to various Internal Controls laid within the organization. Value and weight that can be assigned to these documents depends on the quality of Internal control system prevailing in the organization to which these documents are subject. The better the design and functioning of the control system the higher the quality of the documentary evidence it produces. Examples are Vouchers, Payroll, Purchase requisitions, Purchase orders placed by the entity and various reports generated for use of management. These type of evidences can be easily manipulated.

Documents produced by the entity and circulated outside the entity, returned back to the entity and form part of record: These documents may have marking of the external party indicating their agreement with what is recorded on the documents. Marking by external party is called "Cleansing". It is somewhat difficult to fabricate such evidences. The classic example of such documents is Dishonored Cheques.

Documents produced by the external party and retained into the entity's system: These documents are considered to be of a higher quality, here it is to be understood that these documents are also subject to entity's control system once they enter the system. Here also the value and weight is substantially affected by the organization's laid internal control system. Example of such evidences are Purchase Order received from external entities, Invoices etc.

Documents produced by the third party directly to the Auditor: Such type of audit evidences never enters the system of the Auditee. Such type of documents have highest vale and weight. Superiority of such documents is due to reliability and integrity associated with them. Example of such evidences are Receivable confirmation and Bank Balance confirmation.

Documenting Oral Audit evidence: Questionnaire, Flow charts, Representation and electronic records are some of the ways how oral evidences can be documented. Electronic records may not be retrievable after a certain period of time if the information is not backed up.

Last but not the least documentation of Audit Plan, Procedure and Work Progress report are also comes with in this category.

Audit Evidence Vs. Audit Procedures

In Audit literature Audit Procedures/ Tests/ Techniques are normally misunderstood as Audit Evidences. Audit techniques (Procedure & Tests) are normally employed to produce Evidences and are not evidence it self. On the other hand Audit evidence is some thing which influence auditor's mind in respect of assertions. Audit procedure and test are done with an intention to produce the influence over views of the auditor.

Most common texts perceive Physical Examination, Confirmation, Documentation, Analytical Procedure, Inquires, recalculation, re-performance and observation as audit evidence. Actually these are techniques to generate audit evidence.

Basics of Audit:-Materiality

Audit Materiality explained – Misstatements, including omissions, are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decision of users taken on the basis of financial statements.

Various legal provisions and professional pronouncements contains reference to the concept of materiality. Clause 5,6,8 and 9 of part I of the Second Schedule to the Chartered Accountants Act, 1949, refer to material fact, material misstatement, material exceptions and to material departure from the generally accepted procedure of audit. Schedule III of the Companies Act, 2013 is designed to ensure that the Financial Statements disclose all material Information so as to give a true and fair view of the state of affairs and working results of a company. Similarly, disclosure of all material accounting policies at one place and disclosure of all changes in polices is also due to materiality concept.

It is not possible to lay down precisely, either in terms of specific items or in terms of amounts, what could be considered material. Percentage comparison may be useful in determining the materiality of an item. Part II of Schedule III of the companies any item of income or expenditure which constitute 1% of revenue from operations or 100000 Rs has to be disclosed separately. The relative significance of an item has to be viewed from many angles while judging its materiality – One indicator of materiality will be its impact on the overall figures of profit or loss, another indicator would be impact on total of the category of the expenditure or income to which it pertains and there can be materiality adjudged by comparison with previous year figures.

Various stages of application of Materiality concept:

- a. At Inception of Audit:** In determination the nature, timing and extent of audit procedures.
- b. During Audit:** In evaluating the effect of misstatements on the measurement and classification of accounts; and
- c. While Reporting:** In determining the appropriateness of presentation of financial information.

Types of Materiality:-

a. Overall Materiality (For Financial Report as a whole) : the highest amount of information that if omitted, misstated or not disclosed, then that information has the potential to affect the economic decision of users of the financial report or the discharge of accountability by management or charged with governance.

The determination of overall materiality should be made with the following questions in mind:

- Who are the major users of the financial report?
- What information is important to their economic decision making and discharging of their responsibilities?
- In addition to quantitative amounts, what qualitative factors might impact upon the users financial reporting requirements as they relate to materiality?

b. Overall Performance Materiality: The amount set by us as auditor at less than the Overall Materiality, to reduce to an appropriately low level, the probability that the aggregate of undetected misstatements exceeds

Overall Materiality. Overall Performance Materiality must be set at a % of the Overall Materiality so as to allow us a margin or buffer for the possible undetected misstatements that may occur during the engagement. We use a sliding scale of % based upon an estimate of the engagement risk associated with the client.

c. Specific Materiality (For Particular classes of transactions, account balances or disclosures): The misstatements or events that are used by the auditor to identify misstatements at lesser than the Overall Materiality. Specific Materiality could relate to sensitive areas such as particular note disclosures (that is, management remuneration or industry-specific data), compliance with legislation or certain terms in a contract, or transactions upon which bonuses are based. It could also relate to the nature of a potential misstatement such as an illegal act, non-compliance with loan covenants and statutory/regulatory reporting requirements.

Disclosure of the following **transactions, balances or events** would normally be **subject to a Specific Materiality level** lower than Overall Materiality:

- Related party transactions and balances
- Disclosure of items such as those related to financial instrument risk
- Significant management estimates or valuations including sensitivity analysis
- Director’s remuneration
- Director’s expense accounts
- Auditor’s remuneration, particularly non-audit services
- Significant accounting policies or changes in accounting policies
- Sensitive income and expense accounts such as management fees and commissions.

Determining materiality for the financial statements as a whole and performance materiality
 Determining materiality involves the exercise of professional judgment.

- A percentage is often applied to a chosen benchmark as a starting point in determining materiality for the financial statements as a whole.
- Examples of benchmarks that may be appropriate, depending on the circumstances of the entity, include:
 - Profit before tax
 - total revenue
 - gross profit
 - total expenses
 - total equity or net asset value etc.

Factors that may affect the **identification of an appropriate benchmark** include the following:

- The elements of the financial statements
- Whether there are items on which the attention of the users of the particular entity’s financial statements tends to be focused
- The nature of the entity, where the entity is at in its life cycle, and the industry and economic environment in which the entity operates
- The entity’s ownership structure and the way it is financed
- The relative volatility of the benchmark

Scenario	Benchmark
Profit before tax is nominal	Profit before tax and remuneration
Entities doing public utility programs/projects	Total Cost or Expenses Less Revenues
Current Year Profits are Low	Average of the Past three years
Profit oriented entity with break-even results	Revenue
Private Equity Firm primary focus on EBITDA	EBIDTA
Production Costs recharged to Group	Production Costs
Mutual Funds	Net Assets

List of CPE / Non-CPE Meeting Organized by Dhanbad Branch

SI No	Date	Seminar Topic	Jointly With	Faculty	CPE Hours
01	01-04-2024 3:00 Pm to 6:00 pm	LFAR and 10. Bank Audit under CBS Environment (Special/Exception Reports and Audit Trails)	Auditing & Assurance Standards Board, ICAI	CA Atul Agarwal	03

Classes for CA Students

SI No	Start Date	End Date	Course Name
01	21-05-2024	07-06-2024	MCS- AICITSSMCS-DHANBAD_3
02	11-06-2024	28.06.2024	Orientation- ICITSSOC-DHANBAD_5
03	21-05-2024	07-06-2024	-ITT- ICITSSITT-DHANBAD_9
04	11-06-2024	28.06.2024	Adv.IT- AICITSSMCS-DHANBAD_4

PHOTO GALLERY

BCCL CAPL on 29th to 31st March 2024









Bank Audit on 1st April 2024



Request for Members Participation

Dhanbad branch of CIRC of ICAI requests the members to come forward & share the articles (Professional & Other) to be published in the upcoming e-newsletter. The resource materials may be sent to dhanbad@icai.org with the subject line "Article Newsletter" along with a passport size photo.

