


www.vasai-icai.org

VASAI BRANCH OF WIRC NEWSLETTER

April 2020



CHAIRMAN'S COMMUNICATION

Dear Professional Colleagues,

First and foremost, hope you and your family are healthy and safe during these uncertain and unprecedented times. Certainly, we are living through a difficult time but Very soon, this phase will pass and all of us will be seeing each other as we used to, prior to March 2020.

As governments around the world are implementing measures to contain this public health crisis, we as Citizens and Governance Professionals, have to act as extended arms of the Government to respond to the health crisis and I am confident that we are going to

get through this, together.

Friends, despite all the hurdles and unfortunate happenings, I look at the positive side which is quite evident in the air we breathe, the river we live nearby and the opportunity to introspect ourselves. This is the time when we should do our SWOT analysis and work on our weaknesses.

Friends, our Institute has, till now, contributed an amount of 15 Crore rupees from the Corpus of ICAI and more than 4.5 crore now from contributions of members and employees of ICAI to the PM CARES Fund, with a view to support in combating and providing relief efforts against the Pandemic. I also feel proud that some of our members are working tirelessly during these testing times and helping the needy people around.

To keep our members updated, Vasai Branch is continuously organizing webinars. We completed the Webinar on Data Mining & Analysis for Bank Branch Audit, Overview of Audit of Bank Branch Audit, Impact of Corona Virus on Financial Reporting and the Auditors Consideration & Cyber securities in professional environment need and we get the overwhelming response. Vasai Branch also start Academic Quiz competition. More than 750 members join the Group for this competition.

Forthcoming

We are to launch various programs soon for your benefit. Such as Webinar on Impact of Covid 19- Accounting Impact, Valuation, Internal Audit Post Covid -19, Key Changes in GST.

I take this opportunity to pay my sincere thanks to the entire Managing Committee Members, Past Chairmen and Coordinators of Vasai Branch for the hard work and dedication they have put in this time of global pandemic for continuous development of members, students and all the stakeholders.

Stay Home. Stay Safe.

Thanks & Regards,

CA. Ankit Rathi
Chairman
Vasai Branch of WIRC of ICAI

MANAGING COMMITTEE

CA. Ankit Rathi Chairman	9029059911
CA. Abhishek Tiwari Vice Chairman	9029326651
CA. Vijendra Jain Secretary	9320942555
CA. Lokesh Kothari Treasurer	8108484120
CA. Sorabh Agrawal WICASA Chairman	9930357066
CA. Xavier Rajan Immediate Past Chairman	9371720027
CA. Amit Agarwal Committee Member	9821374485
CA. Vimal Agarwal RCM & Ex Officio Member	9320617447

EDITORIAL BOARD

CA. Ankit Rathi Chairman	9029059911
CA. Amit Agarwal Committee Member	9821374485
CA. Lokesh Kothari Treasurer	8108484120

CONTENTS

Chairman's Communication	1
CSR Amendments 2019	2
Important Circulars & Certificates for Bank Branch Audit (FY 2019-20-PSB/SCB Bank Branch)	3
Statutory Audit of Banks	5
E-invoicing under New GST Return.....	7
All About Crude Oil	8



CSR Amendments 2019



CA. Anil Verma

Mobile No. : 77158 99759

E-mail : ca.anilverma@gmail.com

Corporate Social Responsibility (CSR), by its name gives a meaning of responsibility on Corporate sectors towards society. This is a tool for these corporate entities to improve welfare of the society they are working with.

In India, CSR has been introduced through Companies Act, 2013 which has been amended in 2019.

Section 135 of the Act makes it mandatory for the profitable companies to contribute their certain share of profits for the cause of social activities through a dedicated procedure prescribed by the CSR rules and regulations.

This article is about the major changes made to the provision related to CSR in the Act.

Activities considered as CSR activities (Schedule VII)

- Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the *Swachh Bharat Kosh* set-up by the Central Government for the promotion of sanitation, and making available safe drinking water;
- Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects;
- Promoting gender equality, empowering women, setting up homes and hostels for women & orphans, setting up old age homes, day care centres & such other facilities for senior citizens & measures for reducing inequalities faced by socially and economically backward groups;
- Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga;
- Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art, setting up public libraries, promotion and development of traditional art and handicrafts;
- Measures for the benefit of armed forces veterans, war widows and their dependants;
- Training to promote rural sports, nationally recognised sports, Paralympic sports and Olympic sports;
- Rural Development Projects;

- Slum Area Development;
- Disaster Management, including relief, rehabilitation and reconstruction activities;
- Covid-19: The Finance Minister Nirmala Sitharaman, said on March 23, 2020 that *"In view of the spread of novel Corona Virus in India, its declaration as pandemic by the WHO, and decision of Government of India, to treat this as notified disaster, it is hereby clarified that spending of CSR funds for Covid – 19 is eligible"*

Average Profit

Before the amendment, CSR amount was calculated on *"average profit of three immediately preceding financial years"*, so there was a doubt on applicability of Sec.135 on the companies which have not completed 3 years from its incorporation.

Amendment has done in section 135 of the principal Act by adding the words as *"or where the company has not completed the period of three financial years since its incorporation, during such immediately preceding financial years,"* That means, Companies that have not completed 3 whole years but fall under the following category will have to contribute 2% of their average net profit of the previous 3 years or years after the incorporation, if less than 3 years, on CSR:

- Companies that have a networth of INR 500 Crores or more
- Companies having an annual turnover of INR 1,000 Crores or more
- Companies having a net-profit of INR 5 Crores or more

Transfer of unspent CSR amount to Funds specified in Schedule VII

The following is a part of the amendment of Section 135 from the Companies (Amendment) Act, 2019 that talks about transferring unspent CSR amounts to various Funds.

(ii) in the second proviso, after the words "reasons for not spending the amount" occurring at the end, the words, brackets, figure and letters "and, unless the unspent amount relates to any ongoing project referred to in sub-section (6), transfer such unspent amount to a Fund specified in Schedule VII, within a period of 6 months of the expiry of the financial year" shall be inserted;

If the Company is unable to spend the amount allocated for CSR activities, then the company is required to transfer the unspent amount to a Fund prescribed in Schedule VII e.g. the Prime Minister's National Relief Fund. The unspent amount has to be transferred to such Fund within 6 months from the closure of the financial year.

Transfer of unspent CSR amount to Unspent CSR Account

The following is a part of the amendment of Section 135 from the Companies (Amendment) Act, 2019 that talks about transferring unspent CSR amounts to a special CSR account.

(b) after sub-section (5), the following sub-sections shall be inserted, namely:



“(6) Any amount remaining unspent under sub-section (5), pursuant to any ongoing project, fulfilling such conditions as may be prescribed, undertaken by a company in pursuance of its Corporate Social Responsibility Policy, shall be transferred by the company within a period of thirty days from the end of the financial year to a special account to be opened by the company in that behalf for that financial year in any scheduled bank to be called the Unspent Corporate Social Responsibility Account, and such amount shall be spent by the company in pursuance of its obligation towards the Corporate Social Responsibility Policy within a period of three financial years from the date of such transfer, failing which, the company shall transfer the same amount to a Fund specified in Schedule VII, within a period of thirty days from the date of completion of the third financial year.

Any unspent CSR amount related to the ongoing project undertaken by a Company, may be transferred to the unspent CSR account to be opened by the Company in that behalf. However, there will be specific rules and regulations under which a project will be selected as eligible for current projects. The amount shall be transferred to

such CSR account within 30 days from the end of the financial year. Expenditure from this account should be utilised within 3 years from the date of money transfer in this account. After 3 year, the unspent amount in the unspent CSR account shall be transferred to the fund specified in Schedule VII.

Penalty for Non-Compliance

The following is a part of the amendment of Section 135 from the Companies (Amendment) Act, 2019 that talks about penalties for non-compliance.

(7) If a company contravenes the provisions of sub-section (5) or sub-section (6), the company shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to twenty-five lakh rupees and every officer of such company who is in default shall be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both.



Important Circulars & Certificates for Bank Branch Audit (FY 2019-20-PSB/SCB Bank Branch)



CA. Urvashi Kothari

Mobile No. : 9833170227

E-mail : urvashikothari.15.in@gmail.com

• Introduction

The Reserve Bank of India (RBI) at frequent interval issues various circulars/notifications/guidelines applicable to all the regulated entities viz. Scheduled Commercial Bank's (SCB's), Regional Rural Banks (RRB's), Non-Banking Financial Companies (NBFC's) etc. These relevant guidelines can be obtained from [www.rbi.org.in /Notifications/](http://www.rbi.org.in/Notifications/) Master Circulars/Master Directions etc.

The articles cover all the relevant circulars issued between the periods 1st March 2019 to 15th February 2020 and the requirement of the new certification for FY 2019-20 relating to operation and management of the branches.

• Important circulars issued by RBI:

Subject	Brief details *								
Priority Sector Lending – Lending by banks to NBFCs for On-Lending Date: August 13, 2019 RBI Reference: - RBI/2019-20/39 FIDD.CO.Plan.BC.7/04.09.01/2019-20	In order of ongoing credit crisis for NBFC, the circular provides that bank credit to registered NBFCs (other than MFIs) for on-lending will be eligible for classification as priority sector. This benefit is available to the banks subject to the following condition; <table border="1"> <thead> <tr> <th>Class of Borrower</th><th>Limit on Lending by NBFC</th></tr> </thead> <tbody> <tr> <td>Agriculture</td><td>For 'Term lending up to Rs.10 lakh per borrower</td></tr> <tr> <td>Micro & Small enterprises</td><td>up to Rs. 20 lakh per borrower.</td></tr> <tr> <td>Housing</td><td>to Rs. 20 lakh per borrower.</td></tr> </tbody> </table>	Class of Borrower	Limit on Lending by NBFC	Agriculture	For 'Term lending up to Rs.10 lakh per borrower	Micro & Small enterprises	up to Rs. 20 lakh per borrower.	Housing	to Rs. 20 lakh per borrower.
Class of Borrower	Limit on Lending by NBFC								
Agriculture	For 'Term lending up to Rs.10 lakh per borrower								
Micro & Small enterprises	up to Rs. 20 lakh per borrower.								
Housing	to Rs. 20 lakh per borrower.								
	Role of BBA_r: From previous year, a specific certificate needs to be issued by the SCA's with respect to the correct classification of the loans under priority sector across various categories at the branches.								



Subject	Brief details *
IRAC Norms pertaining to Advances-Project Under Implementation Date: February 07, 2020 RBI Reference: - RBI/2019-20/158 DOR.No.BP.BC.33/21.04.048/2019-20	Based upon the recent downturn in the real estate industry, the regulator has decided to give further relaxation for non-infrastructure projects and commercial real estate (CRE). The brief details of such relaxation are as follows: <ul style="list-style-type: none"> CRE projects beyond the control of promoters, banks may restructure them by way of revision of DCCO up to another one year and retain the 'standard' asset classification if the account continues to be serviced as per the revised terms and conditions under the restructuring. Revised repayment schedule is extended only by a period equal to or shorter than the extension in DCCO. Other details regarding the above restructuring are detailed in the text of circular. Role of BBA_r: In case the branch has any such exposure which has been restructured as per the above circular, the auditor should critically verify the compliance of various term and conditions listed therein.
Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances Date: February 11, 2020 RBI Reference: - RBI/2019-20/160 DOR.No.BP.BC.34/21.04.048/2019-20	The circular permit a one-time restructuring of existing loans to MSMEs classified as 'standard' without a downgrade in the asset classification, subject to the certain conditions. These condition are similar as prescribed in the last year circular. <u>However, It is clarified that accounts which have already been restructured in terms of the circular dated January 1, 2019 shall be ineligible for restructuring under this circular.</u> Role of BBA_r : The branch auditor should be diligent in verification of the restructuring of these loans given to the MSME borrower. The auditor should specifically verify the eligibility of the borrower selected for implementing the restructuring package. Further, the auditor should also ensure that the earlier cases of restructuring are not considered under the above circular.

(*Please refer full text of circular for more details and guidance)

• **Important Certificates directed by RBI**

Subject	Brief Details*
Gold card Scheme for exporters Date: June 27, 2019 RBI Reference:- RBI/2018-19/224 DBR.Dir.BC.No.48/04.02.002/2018-19	<i>The RBI circular issued vide DBR. Dir. BC. No. 48/04.02.002/2018-19 dated June 27, 2019 point 2 which states "the instructions relating to the Gold Card Scheme for Exporters as contained in above-mentioned Master Circular shall be strictly implemented and the branch level functionaries suitably sensitised in this regard."</i> Gold Card Scheme is implemented for all creditworthy exporters including those in small and medium sectors, with good track record for easy availability of export credit on best terms. The Scheme envisages certain additional benefits based on the record of performance of the exporters. Certification requirement: Based on the representations from exporters and their Associations that the banks are not extending the benefits under the Gold Card Scheme as per extant instructions by RBI, the Bank Auditors need to certify whether Gold Card Scheme for Exporters has been implemented as per instructions contained in Para 8.1.3 of the Master circular.



Subject	Brief Details*
Interest Subvention Scheme for Kisan Credit Card (KCC) to Fisheries and Animal Husbandry farmers Date: August 26, 2019 RBI Reference: RBI/2019-20/48 FIDD.CO.FSD. BC.No.10/05.02.001/2019-20	The GOI has issued operational guidelines of the Interest Subvention Scheme for KCC to Fisheries and Animal Husbandry farmers for a period of two years i.e. 2018-19 and 2019-20: <ul style="list-style-type: none"> Interest subvention of 2% per annum to be provided with an overall limit upto Rs. 2 lakh to such farmers. Limit of Rs. 3 lakh for farmers possessing KCC for raising crops and involved in activities related to animal husbandry and/or fisheries. Additional interest subvention of 3% per annum to such of those farmers repaying in time both short term crop loan and working capital loan for animal husbandry/fisheries activities. Aadhar linkage mandatory for availing short-term loans for Animal Husbandry and Fisheries in 2018-19 and 2019-20. Certification requirement: The Branch Auditor needs to certify the claims for subvention for the financial year ended on March 31 of the corresponding year as true and correct for both 2% interest subvention and 3% prompt repayment incentive. Any remaining claim pertaining to the disbursements made during the years 2018-19 and 2019-20 and due during 2019-20 and 2020-21 respectively, may be consolidated separately and marked as an 'Additional Claim' duly certified by the Branch Auditor as true and correct.

In addition to the above, there are certain additional certifications which are required to be submitted by SCA's like for e.g. relating to NEFT, RTGS and Harmonisation of turn -around Time (TAT) and customer compensation. The SCA's are still in process of discussion of these certificates and final certification requirement may differ from bank to bank.

• Conclusion

The above are certain important circulars/notifications which should be looked at by the Branch Auditor with professional skepticism. The Bank Branch Auditor should also go through the circulars applicable to the specific branches such Foreign Exchange Branches etc. The auditor should also go through the relevant Master Circulars/Master Directions/Other Circulars issued by the Reserve Bank of India from time to time.

Further, due to increase in the responsibility in the form of new certification the branch auditor needs to be more careful in terms of the data compiled for these certificates.



Statutory Audit of Banks



CA. Vaibhav Bhageria

Mobile No. : 9773582642

E-mail : vmbhageriaassociates@gmail.com

Statutory audit of banks is carried out to ensure that the financial statements and books of account presented to the regulators and the public are fair and accurate. At the end of every financial year, a rigorous statutory audit is conducted in every branch of a bank. This article talks

about the various essentials of the Statutory Audit of Banks. The auditor has to evaluate such system carefully. The fundamental requirement of an audit, as regards reporting on statement of account can be discharged from the examination of the internal checked and verification of assets and liabilities by making a comparison and

reconciliation of balance with those in the year and that of amount of income and expenses by application of test checks.

The banking regulation act casts greater responsibilities on the directors of banks as compared to those of other companies in the matter of supervision over their working. Therefore, they exercise, or are expected to exercise greater supervision over the affairs of bank. The auditor is entities to rely on such supervision and to limit his checking to test checks. The financial position of a bank is depended on the condition of assets, loan, investment, cash balanced and those of its liabilities and fund. Their verification forms an important part of the balance sheet. Most of the bank have their own internal audit or inspection department entrusted with the responsibilities of checking the account of various branches. The statutory auditor may not, therefore, duplicate work. The audit of banking companies plays a very important role in India as it helps to regulate the banking companies in right manner. In this, I have given more importance on the overall bank audit system.



Key Pointers during Audit

1. **Integrity, objectivity and independence:** The auditor should be honest and sincere in his audit work. He must be fair and objective. He should also be independent.
 2. **Confidentiality:** The auditor should keep the information confidential as obtained during audit. He should not disclose such information to any third party except asked by the Law. He should, keep his eyes and ears open but his mouth shut.
 3. **Skill and competence:** The auditor should have adequate training, experience and competence in Auditing. Auditor should have a professional qualification (i.e. be a Chartered Accountant) and practical experience. He should be aware of recent developments in the field of auditing such as statement of ICAI, changes in company law, decisions of courts etc.
 4. **Audit papers:** The auditor should maintain working papers of important matters to prove that audit was conducted with due care according to the basic principles.
 5. **Planning:** The auditor should plan his audit work. He should prepare an audit programme to complete the audit efficiently and in time.
 6. **Audit evidence:** The report of the auditor should be based on evidence obtained in the course of audit. The evidence may be obtained through vouching of transactions, verification of assets and liabilities, ratio analysis etc.
 7. **Evaluation of accounting system and internal control:** The auditor should ensure that the accounting system is adequate. He should see that all the transaction has been properly recorded. He should study and evaluate the internal controls.
 8. **Opinion and report:** The auditor should arrive at his opinion on the account based on the audit evidence and submit his report. The opinion may be unqualified, qualified or adverse. The audit report should clearly express his opinion.
3. The auditor should also obtain and understanding of the nature of books and records maintained and the terminology used by the bank to describe various types of transaction and operations. In case of joint auditors, it would be preferable that the auditor also obtains a general understanding of the books and records, etc, relating to the work of the other auditors. In addition to the above, the auditor should undertake the following:
 - a) Obtaining internal audit reports, inspection reports, Stock and receivables audit report of Borrowers and concurrent audit reports pertaining to the bank/branch.
 - b) Obtaining the latest report of revenue or income and expenditure audits, where available.
 - c) In the case of branch auditors, obtaining the report given by the outgoing branch manager to the incoming branch in the case of change in incumbent at the branch during the year under audit, to the extent the same is relevant for the audit.
 4. RBI has introduced an offsite surveillance system for commercial banks on various aspects of operations including solvency, liquidity, asset quality, earnings, performance, insider trading etc., and has indicated that such reports shall be submitted at periodic intervals. It will be appropriate to be familiar with the reports submitted and to review them to the extent that they are relevant for the purpose of audit.

Statutory Audit Report

A statutory auditor has to submit an audit report after conducting a thorough audit of the bank's branch. An auditor has the responsibility to create a report in which the following has to be stated, as mentioned in the engagement letter.

1. If the balance sheet shows a fair and accurate view of all the essential particulars required to exhibit an honest and right view of affairs within the bank.
2. If the profit and loss accounts display the correct balance for a period covered by such an account.
3. If there were any transactions carried out by the branch which does not come within the power of a bank's branch.
4. Any other issue that the statutory auditor feels that has to be brought to the notice of the Statutory Central Auditor.

Long Form Audit Report (LFAR)

The terms and conditions of Public, Private and Foreign Sector Banks required the branches of the bank to be audited by a statutory auditor and furnish a Long Form Audit Report (LFAR). This LFAR must be issued apart from the standard audit report that is required as per regulatory requirements. The Reserve Bank of India prescribes the matter of the bank that the auditors have to check. The LFAR of a bank's branch must be submitted before the 30th of June of every year. But due to Covid-19, this Date may be extended by RBI. An auditor may submit an executive summary of the LFAR if they feel it is required.





E-invoicing under New GST Return



CA. Ashok Kumawat

Mobile No. : 9870688805

E-mail : kumawatashoka1993@gmail.com

The GST Council, in its 35th meeting, has decided to implement a system of e-invoicing, which will be applicable to specified categories of persons. e-invoicing is not the generation of invoice on GST portal. It is a myth. e-invoicing is the submission of an already generated standard invoice on a common portal. Thus, it automates multi-purpose reporting with a one-time input of invoice details.

1. Meaning of E-invoicing

- 'E-invoicing' or 'electronic invoicing' is a system in which B2B invoices are authenticated electronically by GSTN for further use on the common GST portal.
- Under the proposed electronic invoicing system, an identification number will be issued against every invoice by the Invoice Registration Portal (IRP) to be managed by the GST Network (GSTN).
- All invoice information will be transferred from this portal to both the GST portal and e-way bill portal in real-time.
- Therefore, it will eliminate the need for manual data entry while filing ANX-1/GST returns as well as generation of part-A of the e-way bills, as the information is passed directly by the IRP to GST portal.

2. Applicability of E-invoicing.

- As per the notification no. 70/2019 of CGST, it has been specified that every registered person, whose **aggregate turnover** in a financial year exceeds one hundred crore rupees (Rs.100 crores), shall prepare invoice as per the newly specified norms for E- Invoicing in accordance with the provisions of Rule-48(4) of the Central Goods and Services Tax Rules, 2017 from 01 April, 2020 (**Now applicable from 01 Oct 2020, notification no 13/2020, CGST dated 21st March 2020**).
- As per Notification No. 72/2019, it has been specified that from 01 April, 2020 (**Now from 01 Oct 2020, notification no 14/2020, CGST dated 21st March 2020**), an invoice issued by a registered person, whose aggregate turnover in a financial year exceeds five hundred crore rupees (**Rs.500 crores**), to an unregistered person (B2C invoice), shall have Quick Response (QR)code.

3. Advantages of e-invoicing

- Valid invoice for shipment of goods or ITC availment.
- Easy online verification or validation by scanning QR code.

- Auto-population of data in GST returns and E-way bill portal.
- Reduction in Input Tax Credit (ITC) reconciliation effort.
- Transparency in reporting.

4. Structure of Draft E-invoice

Government has released draft template for E-invoice. Draft comprises of three parts as under:

1. E-invoice schema defines the essential fields to be sent to IRP for preauthentication of invoice

- Essential fields and their Technical name (invoice Num, Invoice Date, Invoice type code etc.)
- Brief Description all Technical fields (i.e. information to be populated in such fields)
- Categorization of Fields - Mandatory or optional
- Few sample values (i.e. the methodology/format of information like Decimal places, max length, type of characters, etc.)

(The schema is to be either enabled in ERP or through external software used to push data to IRP) **Fields to be mapped in ERP or through external tool.**

2. Masters define the various terminologies to be used for invoicing like:

- UQC - Unit Quantity Code (Like BKL-Bottles, NOS-Numbers, OTH-Others, etc.)
- State Code. (Defines State Codes for all States like 01-J&K, 02-H.P and 97 for other territory)
- Invoice type (Regular, SEZ, etc.)
- Supply type etc. (Inter/ Intra State)
- Sub-Supply type – (like import, Export, Job work, sales returns etc.)

3. E-Invoice Template

Mandatory and Non-mandatory fields in e-invoice Template

Fields of E-invoice Template

4 Auto Generated Fields:

1. Version number – (Version of schema required to keep track of version of Invoice specification).
2. Unique Identification Number (Invoice Reference Number)
3. Category of Document (invoice – Schema for Debit Note/Credit Note etc. yet to be specified)
4. Code for Invoice Type (regular, exports, SEZ etc. based on invoice type specified by User.)



• **40 Mandatory Fields:**

Fields	Fields	Fields	Fields
Invoice Type	Supplier Legal Name	Ship-to Legal Name	Payee Name
Invoice Number	Supplier GSTIN	Ship-to GSTIN	Payee Account No
Invoice Date	Supplier Address	Ship-to Address	Payment Mode
Sub-supply Type (Supply / export)	Supplier State	Ship-to State	IFSC Code
Transaction Mode	Supplier PIN Code	Ship-to PIN Code	Signature Details (DSC)
Item Description	Buyer Legal Name	Dispatch-from Legal Name	Assessable Value
Quantity	Buyer GSTIN	Dispatch-from GSTIN	GST Rate
Rate	Buyer Address	Dispatch-from Address	IGST / CGST / SGST
Total Invoice Value	Buyer State	Dispatch-from State	Total Invoice Value
Total Tax Value	Buyer PIN Code	Dispatch-from PIN Code	Batch Number (for certain manufacturers)

- **Non-Mandatory Fields:** Multiple non-mandatory fields like additional address details of supplier/buyer, details of consignee, e-way bills, purchase orders, contract/project, batch and payment details/currency etc.



All About Crude Oil



CA. Shubham Bahety

Mobile No. : 8976739377

E-mail : shubham.bahety25@gmail.com

Definition - Prices and supply of Crude oil plays a vital role in major economies of the world. Every day we hear / see some or other news about crude oil. However, maximum of lay man does not understand the economies behind crude oil, pricing structure and their impact on economies

when prices are falling or rising.

What is crude oil - Crude oil is a naturally occurring, unrefined **petroleum** product composed of hydrocarbon deposits and other organic materials. A type of fossil fuel, **crude oil** can be refined to produce usable products such as gasoline, diesel, and various other forms of petrochemicals.

Uses of Crude Oil - Many products can be manufactured from Crude oil which form part of our day to day life. Few of them are - 1) Liquefied Petroleum Gas (LPG) 2) Bitumen. 3) Kerosene. 4) Diesel 5) Gasoline 6) Diesel 7) Lubricants 8) Paint etc.

Quantification – Crude oil is generally quantified into **Barrels**. One barrel is equal to 158.99 liters.

Why Barrels - One of the most basic questions to ask is why oil is measured in barrels and why is it priced in US dollars? No one actually buys a barrel of oil; it's not even transported in barrels. The main reason is that the US measures it in barrels (one barrel is the equivalent of 42 gallons) and that has become the "normal" way that oil is talked about. To understand its origins we need to look back to

the 1860's early oil fields in Pennsylvania USA. The first oil that was pumped wasn't stored in barrels. As the oil industry grew during the 19th Century explorers needed to find a way to transport it around the country. Inspiration came from the whiskey industry. It transported the golden liquid in wooden barrels of a standard size, 40 gallons.

Largest oil producing country – US is the largest oil producing country in the world followed by Saudi Arabia and Russia. US and Russia both are not part of OPEC (will discuss on later part of this article about OPEC). Hence, we generally see price war between US, OPEC countries and Russia. Below is the list of largest oil production country.

Country	Oil Production (Million BBL)
World production	89.59
United States	15.04
Saudi Arabia (OPEC)	12.00
Russia	10.80
Iraq (OPEC)	4.45
Iran (OPEC)	3.99
China	3.98
Canada	3.66
United Arab Emirates (OPEC)	3.11
Kuwait (OPEC)	2.92
Brazil	2.52
Venezuela (OPEC)	2.28
Mexico	2.19



Top crude oil importing countries – India is **third largest importer** of crude oil in the world. It is interesting to know that despite being the largest oil producer in the world, the United States imports oil to meet its energy needs. In 2018, the US exported ~2.8 billion barrels of crude oil and petroleum products. At the same time, it imported ~3.6 billion barrels of crude oil and products during the year. So, it imported net ~0.9 billion barrels, or ~2.3 million bpd (barrels per day), of crude oil and petroleum products in 2018. India also produce crude oil however it not enough for domestic consumption.

- China: US\$239.2 billion (20.2% of total crude oil imports)
- United States: \$163.1 billion (13.8%)
- India: \$114.5 billion (9.7%)
- Japan: \$80.6 billion (6.8%)
- South Korea: \$80.4 billion (6.8%)
- Netherlands: \$48.8 billion (4.1%)
- Germany: \$45.1 billion (3.8%)
- Spain: \$34.2 billion (2.9%)
- Italy: \$32.6 billion (2.8%)

Difference between Bren Crude and WTI - There are two benchmark indices for crude oil – **Brent Crude and West Texas Intermediate (WTI)**. Brent crude is extracted from the North Sea and WTI is usually extracted from US oil fields in Texas, Louisiana, and North Dakota. Brent crude price is the international benchmark price used by the OPEC, while WTI crude price is a benchmark for US oil prices. Since India imports primarily from OPEC countries, Brent is the benchmark for oil prices in India. Most of the oil produced in Europe, Africa and the Middle East is priced according to the cost of Brent crude. Brent futures are primarily traded on the Intercontinental Exchange (ICE) in London, while WTI is the underlying asset for oil futures on the New York Mercantile Exchange (NYMEX). Other benchmarks are Dubai Crude, Canadian Crude, Urals (For Russia) etc.

What is OPEC and Why it is formed? - The Organization of the Petroleum Exporting Countries (OPEC) is a permanent, intergovernmental Organization, created at the Baghdad Conference on September 1960, by Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. The five Founding Members were later joined by: Qatar (1961); Indonesia (1962) Libya (1962); United Arab Emirates (1967); Algeria (1969); Nigeria (1971); Gabon (1975) - terminated its membership in January 1995 but rejoined in July 2016; Equatorial Guinea (2017); and Congo (2018). OPEC had its headquarters in Geneva, Switzerland, in the first five years of its existence. This was moved to Vienna, Austria, on September 1, 1965.

OPEC's objective is to co-ordinate and unify petroleum policies among Member Countries, in order to secure fair and stable prices for petroleum producers; an efficient, economic and regular supply of petroleum to consuming nations; and a fair

return on capital to those investing in the industry. Currently, the Organization has a total of 13 Member Countries.

How long will the world's oil reserves last? - It is believed that global oil reserves (1.67 trillion barrels of oil globally) will be exhausted sometime between 2050 and 2060. This assumes that global consumption (currently 92 million barrels per day) will increase over the next few decades.

The Determinants of Oil Prices - he two primary factors that impact the price of oil are: 1) Supply and demand 2) Market sentiment

The concept of supply and demand is fairly straightforward. As demand increases (or supply decreases) the price should go up. As demand decreases (or supply increases) the price should go down. Sounds simple?

Not quite. The price of oil as we know it is actually set in the oil futures market. An oil futures contract is a binding agreement that gives one the right to purchase oil by the barrel at a predefined price on a predefined date in the future. Under a futures contract, both the buyer and the seller are obligated to fulfill their side of the transaction on the specified date

Price History of Crude Oil – Below is the price history of crude oil. There were many ups and downs in prices of crude oil. In month of April 2020, first time in world history prices of crude oil (WTI) gone below zero (**April Expiry**) i.e. suppliers are forced to sell crude by paying money or at zero oil as they did not have capacity to store the oil. However, prices of Brent Crude cannot go to negative since OPEC countries have sufficient storage facility and facilitate deliveries in cash. However, in case of WTI at end of expiry, trader either have to take physical delivery or can roll over the position for next month.

Price of crude oil always depends on demand and supply. OPEC countries mostly do focus on supply cut which helps them to maintain prices at optimum level. However, US and Russia was always a biggest challenge as one of them any time focus on exports of oil at lower prices and which leads to drop in oil prices of OPEC countries also. As of 2019, OPEC controlled roughly 75% of the world's total crude oil reserves and produced 42% of the world's total crude oil output.

However, the U.S. was the world's largest oil-producing country in 2019 with more than 12 million barrels per day. Although OPEC still has the ability to drive prices, the U.S. has limited the cartel's pricing power by ramping up production whenever OPEC cuts its output.

In past 5 years, countries whose 90% of economy depended on crude oil came to standstill such as Saudi Arabia, Qatar, Kuwait etc. If UAE had not focused on tourism, it will also the worst hit country from price fall. Economic crisis and recession was already started in these countries. These countries had enjoyed huge amount of profits and monopoly during 2008-2009 when prices soars highest at \$140 per barrel.



Source – Trading Economics – WTI Benchmark - \$ Barrel per day

Top Oil and Gas Companies in the World–

We have always heard about Saudi Aramco as biggest oil company in the world however it is myth in current scenario. **Sinopec group** from China is biggest oil and gas company with total revenue of \$414 billion in 2018 followed by Royal Dutch Shell – \$388.37bn, China National Petroleum Corp (CNPC) – \$346bn and **Saudi Aramco – \$ 355 bn**. Saudi Aramco was biggest oil company till 2017 however revenue dropped drastically due to oil cut on other side China had good control over domestic oil prices.

Reference – Wikipedia, Investopedia, Moneycontrol & Trading Economics



OBITUARY

CA. Ashwin Dedhia

From Mira Road

We express our deep condolence and grief on sad demise of
CA. Ashwin Dedhia on 25th April 2020.
May the departed soul rest in peace.

Editor: CA. Ankit Rathi Published by Vasai Branch of Western India Regional Council of The Institute of Chartered Accountants of India at Finesse Graphics and Prints Pvt. Ltd., 309, Parvati Ind. Est., Sun Mill Compound, Lower Parel, Mumbai 400 013. Tel. : 4036 4600

The views and opinions expressed or implied are those of the authors or contribution and do not necessarily reflect those of Vasai Branch. Unsolicited articles and transparencies are sent in at the owner's risk and the publisher accepts no liability for loss or damage. Material in this publication may not be reproduced, whether in part or in whole, without the consent of Vasai Branch.

DISCLAIMER: The Vasai branch is not in any way responsible for the result of any action taken on the basis of the advertisement published in the Newsletter. The members, however, may bear in mind the provision of the Code of Ethics while responding to the advertisements.

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