

The Institute of Chartered Accountants of India



# VASAI BRANCH OF WIRC NEWSLETTER

[www.vasai-icai.org](http://www.vasai-icai.org)

February 2020

**Vasai Branch has been awarded as  
2nd Best Branch & 2nd Best WICASA 2019  
from WIRC in large branch category.**





## CHAIRMAN'S COMMUNICATION

With this belief in mind, As I pen down my last communication from the esteemed office of the Chairman of the most vibrant branch of ICAI, it is time to reflect back on the year, that passed by and I am glad to inform that all the Action Plans that were identified have been realised with the continuous Planning, Perseverance, which ultimately resulted in Progress, thus accomplishing the Mission Statement unveiled at the beginning of the year.

Like every year this year also we have submitted Yearly Activity reports to ICAI & WIRC on time as per their criteria to become eligible for Best Branch. We are glad to inform you that **Vasai Branch has been**

**awarded as 2nd Best Branch & 2nd Best WICASA 2019 from WIRC in large branch category.** Thanks for your supports & Cooperation.

We are glad to inform you that branch had interactive meeting with CA. Prafulla Chhajed (President – ICAI) also presence Shri Vijay Kumar Jhalani (Nominated Members - ICAI), CA. Durgesh Kabra (CCM), CA. Sunil Patodia (Past Chairman – WIRC of ICAI) and CA. Lalit Bajaj (RCM & Branch Nominee) followed by Felicitation of Newly Qualified CA.

Every year on 26th January, we celebrate the Republic Day of our nation, observing the implementation of our Constitution, which provides us Freedom of speech and expression, and Freedom of conscience and free profession, and hands over a set of rights to each one of us. At the same time, 26th January also reminds us of our responsibilities towards our fellow citizens, our society and our country, which all of us should remember come what may.

Branch also conducted Residential Refresher Course at Vadodara jointly with Baroda Branch of WIRC and Vasai –Virar CPE Study Circles with great fun and learning.

### Forthcoming

Branch has schedule Post Training Information System Audit Course (ISA) in the month of Feb and March 2020. Members are requested to take the benefit of the same.

I am thankful to my Office Bearers, Managing Committee Team and the staff for their unstinted support and relentless efforts in pursuit of all the above initiatives and achievements. I am also grateful to ICAI President - CA. Prafulla Chhajed, ICAI Vice President - CA. Atul Gupta, Central Council Members, WIRC Chairperson – CA. Priti Savla, Branch Nominee - CA. Lalit Bajaj, CA. Vimal Agarwal & all Regional Council Members for their continuous guidance, co-operation and encouragement.

I would also like to thank Convenors and Deputy Convenors of Bhayander & Vasai–Virar CPE Study Circles, Past Chairman, Ex Officio Members, Faculties and various Contributors and above all to all of you for making the year memorable for me.

The New Office Bearer will soon take over charge and I wish that their tenure be more exciting and successful and they go from strength to strength.

Result of CA Final (Existing and Revised Scheme), Intermediate/IPCC and Foundation Examination held in November 2019 have been declared. I congratulate all successful candidates, including the rank-holders. However, I would like to convey to all candidates who could not qualify despite their hard work, to plan and study efficiently and work harder, which will eventually help them in achieving success.

**CA. Xavier Rajan**

Chairman – Vasai Branch of WIRC

## MANAGING COMMITTEE

<b>CA. Xavier Rajan</b> Chairman	9371720027
<b>CA. Ankit Rathi</b> Vice Chairman	9029059911
<b>CA. Amit Agarwal</b> Secretary	9821374485
<b>CA. Sorabh Agrawal</b> Treasurer	9930357066
<b>CA. Lokesh Kothari</b> WICASA Chairman	8108484120
<b>CA. Vijendra Jain</b> Committee Member	9320942555
<b>CA. Abhishek Tiwari</b> Committee Member	9029326651
<b>CA. Lalit Bajaj</b> RCM & Ex Officio Member	9867692321
<b>CA. Vimal Agarwal</b> RCM & Ex Officio Member	9320617447

## EDITORIAL BOARD

<b>CA. Xavier Rajan</b> Chairman	9371720027
<b>CA. Abhishek Tiwari</b> Committee Member	9029326651

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The Institute of Chartered Accountant of India



Vasai Branch of WIRC of ICAI

Announces

## **VASAI BRANCH KI PATHSHALA- 2.0**

(From Januray to December 2020)



Upgrade yourself with Vasai Branch ki Pathshala on various subjects

**No. of Programs - 14**

**Total CPE Hrs - 45**

<b>Registration Fees</b>	<b>Rs. 2,100 (Inclusive of GST) for all 14 events.</b> Cheque to be drawn in favor of "Vasai Branch of WIRC of ICAI" sent to Branch Office
<b>Online Regt.</b>	<a href="http://utility.vasai-icai.org/scevent.aspx?companyid=887&amp;serverip=1">http://utility.vasai-icai.org/scevent.aspx?companyid=887&amp;serverip=1</a>

**Note:-** Specific details & topics on Vasai Branch Ki Pathshala subject shall be shared before 20 days of event.

**Program Chairman:-**

**CA. Xavier Rajan**  
(Chairman, Vasai Branch of WIRC)

**Your's in Profession:-**

CA. Ankit Rathi  
CA. Lokesh Kothari

CA. Amit Agarwal  
CA. Vijendra Jain

CA. Sorabh Agrawal  
CA. Abhishek Tiwari

**For Details Please Contact:-**

Vasai Branch of WIRC, Branch Premises, Maxus Mall, B Wing 7<sup>th</sup> Floor, Near Bank of India, Temba Road, Bhayander (West). Tel:- 9821667781 Email- [vasaibranch@gmail.com](mailto:vasaibranch@gmail.com) Website:- [www.vasai-icai.org](http://www.vasai-icai.org)





## How to carry an Accounts Payable audit?



**CA. Anil Verma**

Mobile No. : 77158 99759

E-mail : ca.anilverma@gmail.com

In a healthy business, the accounts payable (AP) department works hard to control money spent within the supply chain. However, there is an inherent business risk with AP function created through process inefficiencies, undetected errors, and fraud. To eliminate these,

businesses often seek vigilance, dedication, and the right tool set.

***“Did you hear about the accountant who became an embezzler? He ran away with the accounts payable!”***

***[Author- Jackie Mason]***

The Association of Certified Fraud Examiners (ACFE) estimates that around 5% of all revenues generated by businesses worldwide are lost each year to fraud. According to the Association for Financial Professionals, 82% of organizations experienced payment fraud of some type in 2019.

Perhaps unsurprisingly, nipping fraud risk in the bud is a high priority for any business looking to build value.

An AP audit should have two primary goals:

1. **Data verification**, which is examination of financial records completeness and accuracy, both.
2. **Risk assessment**, to analyse for both ineffective or incomplete internal controls and material misstatement. Risk assessment begins with knowing where and how risk exposure is created. This will result in providing the suggestions to improve AP procedures and eliminating the risks.

These goals can be achieved by following a straightforward series of steps.

1. **Improve risk assessment tool set with Artificial Intelligence (AI)**: Any manual record is vulnerable and gives more risk. It wastes time and labour commitments required.

Implementing a dedicated procurement solution with integrated AI and automation makes it possible to apply continuous improvement to every process (including risk assessment). It also helps to pinpoint roadblocks, process inefficiencies, and potential sources of rogue spend and fraud.

It supports effective risk management strategies and fraud detection, efficient accounts payable and procurement functions across the board.

2. **Identify sources of Potential Risk**: Risk assessment starts with data collection. The goal is to identify, in detail, as many sources of risk exposure as possible. The more serious the

risk, the more urgent it is to expose and correct it in order to avoid damage to the Company's financial health, competitive advantage, or public reputation.

Some of the most common sources of risk include (but are not limited to):

- i. **Rogue Spend/ maverick spend**: These purchases fall outside of the accounting system and are invisible, creating potentially substantial damage to cash flow (e.g. inaccurate reporting means resources have to be shunted to cover unexpected expenses).

Automated tracking, approvals, integration with vendor and contract management help reduce this risk.

- ii. **External Fraud**: External fraud generally requires an “inside actor” to be successful. Two of the most common types are collusion and kickbacks. Collusion occurs when a staff member collaborates with one or more vendors to share ill-gotten gains created by duplicate payments (or “phantom” payments to non-existent suppliers). Kickbacks (overpayments) are created when records are falsified to overpay a collaborating vendor's invoice and then split the proceeds.

An automated accounts payable system, with controlled access, pre-vetted vendors, levelled buying and approval access will make this type of fraud much easier to detect and difficult to perpetrate.

- iii. **Internal Fraud**: Accounts payable fraud can be perpetrated even by a single employee, falsifying vendor files or even creating a new vendor from the air. The fraudster sends real payments to the fake vendor, collecting the money themselves using a false address.

Another internal fraud risk is check fraud, where a check is either altered or intercepted by malefactors. In this scenario, disbursements are routed to dummy accounts controlled by the fraudster or a collaborating third party.

In all instances, thieves may attempt to dodge existing internal controls by keeping the amounts stolen below established “cut-off” amounts to minimize the risk of having their fraud exposed.

As with external fraud, full transactional transparency and automated reporting and analysis is required. In addition, adding approval controls for the creation of a new vendor file can prevent would-be thieves from gaming the system altogether.

- iv. **Conflicts of Interest**: In a lax or overworked control environment, it may be tempting for staff to wear multiple hats, controlling multiple job functions without any sort of complementary organization reducing the risk of fraud and human error.



As a result, the potential risk exposure increases dramatically. For example:

- A person who handles the inventory of physical checks might also be a signatory for payments made from the company account or placed in charge of the check register.
- The person in charge of the master vendor file could have authorization to sign agreements and approve invoices for payment.
- A person in charge of journal entries for the balance sheet is an authorized signer on the company bank account.

*Strategic segregation of duties both eliminates risk and reduces temptation for any susceptible parties.*

- v. Payment Delays and Errors: Manual processes can create unintentional risks by allowing for multiple payments, late payments, and incorrect payment amounts to slip through the cracks.

Accounts payable automation ensure every transaction is both documented and verified as it moves through the cycle, along with any corrections or adjustments.

Low-value tasks like data entry are taken out of human hands, speeding and streamlining processes while reducing risk and errors. Visibility aids in analysis, accruals, forecasting, and strategic sourcing while maintaining payment timelines and any valuable incentives or bonuses.

3. **Document the Assessment and Implement Improvements:** After assessing AP risk exposure, create a summary detailing each risk and a firm connection with the planned solution. Each risk should have a clear definition and solution.

And once source of risk is addressed in accounts payable department, don't forget to follow up. A process review and risk assessment should become a regular part of workflows. When risk assessment is built into business processes, it's much harder for fraud, rogue spend, or supplier problems to take you by surprise.

Remember, there's always room for (continuous) improvement—especially with machine learning and advanced analytical tools.

By combining AI and automation with strategic and consistent process improvements, you can take the risk out of risk assessment and protect your company's reputation and bottom line.



## General guidance towards FORM GST ANX - 1



**CA. Nihalchand Jain**

Mobile No. : 9029050693

E-mail : nihal@ncja.co.in

**This form used is for tax payers opting to file in Normal form, when tax payers are opting for Sugam and Sahaj, the requirements of the form reduces based on their selection. This is the maximum requirement ANX - 1 can call for.**

As we all know the return filing procedure will undergo a change from April 2020. Presenting a quick guide before you all for filing of FORM GST ANX - 1.

### Decision 1 - Intimation of option to file return periodicity and type of quarterly return

Sr. No.	Description	Option	
1	2	3	4
1.	Was your aggregate turnover during the preceding financial year upto Rs. 5.00 Cr.?	<input type="radio"/> Yes	<input type="radio"/> No
2.	If reply is 'Yes' at Sr. No. 1, do you intend to file return on quarterly basis?	<input type="radio"/> Yes	<input type="radio"/> No
3.	If reply is 'Yes' at Sr. No. 2, choose your return -		
	(i) Sahaj	<input type="radio"/> Yes	<input type="radio"/> No
	(ii) Sugam	<input type="radio"/> Yes	<input type="radio"/> No
	(iii) Quarterly (Normal)	<input type="radio"/> Yes	<input type="radio"/> No

- ✓ Turnover to be considered is that of preceding financial year.

- ✓ Option selected in year 2020 - 2021 will remain the same for all years unless in the year 2021 - 2022 or any years after, the tax payer changes the detail in the month of April 2021 or April of any future years, which means option once selected remains valid for that financial year and thereafter but **can be changed only in the first return of the year (April month)**.
- ✓ Tax payers can choose to file either of quarterly return (Sahaj/Sugam/Normal).
- ✓ Tax payers **can switch** from Normal to Sugam or Sahaj.
- ✓ Tax payers filing Sugam **can switch** to Sahaj **only once** in the beginning of the Financial Year.
- ✓ Tax payers filing Sahaj **can switch** to Sugam/Normal **more than once** in a Financial Year at the beginning of any quarter.
- ✓ Sahaj - Tax payers can declare B2C and supplies under RCM only. Hence, if there is one B2B supply also, tax payer cannot file Sahaj. Ideal for businesses which cater only to end user.
- ✓ Sugam - Tax payers can declare B2C, B2B and supplies under RCM

#### Common Points for Sahaj and Sugam

1. Cannot make supplies through e-commerce operator.
2. Cannot take ITC on missing invoices.
3. Cannot make any other type of inward/outward supplies.
4. No need to declare Non-GST, exempted, Nil rated supplies.



- ✓ Normal - Declare all outward supplies, inward supplies and take credit of missing invoices.

## Decision 2 - Questionnaire for uploading information in FORM GST ANX - 1

Like the existing system which asks us to fill a questionnaire (in 3B) and tables get reflected on our selection. This process now has also been extended to GST ANX - 1 (A form like GSTR - 1)

### Part A - Brief questions about retaining the option given in previous tax period

Sr. No.	Description	Option	
1	2	3	4
1.	I understand that the amount of tax specified in the outward supplies for which the details are being uploaded by me in this annexure shall be deemed to be the tax payable by me under the provisions of the Act.	<input type="radio"/> Yes	
2.	Would you like to change the reply to the questions regarding nature of supplies as filled in the questionnaire of the return of the last tax period, if already filled in?	<input type="radio"/> Yes	<input type="radio"/> No

*Note - In case the reply to question at S No. 2 is 'Yes', the following questionnaire will be opened for exercising the option. In the first tax period, it would be open for all taxpayers.*

- ✓ At point 1, the tax payer is accepting his liability to pay (which will be system computed)
- ✓ At point 2, in the **month of April 2020**, we will have to decide based on our type of outward supplies, additional information which may be required in filing up of ANX - 1. From next period onwards, additional information may be **required only if there is some change** in information already submitted.
- ✓ For example - The taxpayer did not have exports in the month of April but has exports in the month of December, while filing the ANX - 1 for the month of December, we will have to click on Yes and enable the respective tab.

### Part B - Detailed Questionnaire

Sr. No.	Description	Option	
1	2	3	4
1.	Have you made B2C supply (table 3A)?	<input type="radio"/> Yes	<input type="radio"/> No
2.	Have you made B2B supply (table 3B)?	<input type="radio"/> Yes	<input type="radio"/> No
3.	Have you made exports with payment of tax (table 3C)?	<input type="radio"/> Yes	<input type="radio"/> No
4.	Have you made exports without payment of tax (table 3D)?	<input type="radio"/> Yes	<input type="radio"/> No
5.	Have you made supply to SEZ units / developers with payment of tax (table 3E)?	<input type="radio"/> Yes	<input type="radio"/> No
6.	Have you made supply to SEZ units / developers without payment of tax (table 3F)?	<input type="radio"/> Yes	<input type="radio"/> No
7.	Have you made any supply which is treated as deemed exports (table 3G)?	<input type="radio"/> Yes	<input type="radio"/> No
8.	Have you received inward supplies attracting reverse charge (table 3H)?	<input type="radio"/> Yes	<input type="radio"/> No
9.	Have you made import of services (table 3I)?	<input type="radio"/> Yes	<input type="radio"/> No
10.	Have you made import of goods (table 3J)?	<input type="radio"/> Yes	<input type="radio"/> No
11.	Have you imported goods from SEZ units / developer on Bill of Entry (table 3K)?	<input type="radio"/> Yes	<input type="radio"/> No
12.	Has your supplier not uploaded invoices on which you have claimed input tax credit (i.e. credit on missing invoices) two tax periods ago (for monthly) or previous tax period (for quarterly) (table 3L)?	<input type="radio"/> Yes	<input type="radio"/> No
13.	Have you made any supply through e-commerce operators on which tax was required to be collected under section 52?	<input type="radio"/> Yes	<input type="radio"/> No

**Note - Option against all questions will be 'No' by default. User can select 'Yes' as per his requirement.**

### Point 1 - 7 takes our outward supply information

3A - B2C within Taxable territory

3B - B2B within Taxable territory

3C - Exports (with payment of tax)

3D - Exports (without payment of tax)

3E - Supplies to SEZ unit/developers (with payment of tax)

3F - Supplies to SEZ unit/developers (without payment of tax)

3G - Supplies treated as deemed supplies u/s 147 of the CGST Act, 2017

### Point 8 - 11 takes information about inward supplies liable to RCM

3H - GSTN wise Reporting

3I - Import of service (net of Debit/Credit notes)

3J - Exact amount of IGST & Cess at the port to be reported here

3K - Goods from SEZ unit/developer to be reported here

### Point 12 talks about invoices not uploaded by our supplier

### Point 13 is about supplies made through e-commerce operators

### Some important points which merit consideration

- ✓ Supplies on which tax is payable under RCM will only be reported by recipient.
- ✓ HSN mandatory if annual aggregate turnover exceeds 5CR. Tax payers below 5CR can leave that column blank.
- ✓ System will calculate liability amount which will not be editable except by issuance of Debit/Credit note.
- ✓ Place of supply - Compulsory for all supplies
- ✓ GSTIN of parties at point 8, 11 and 12 (Table 3H, 3K and 3L) to be reported, if available.
- ✓ PAN of unregistered persons to be reported in 3H
- ✓ Negative values to be reported with a - sign (For example, if after Debit/Credit note, value is negative **100**, report it as "-100")

Please note, this is a summarised explanation to FORM GST ANX - 1, table wise information and documentation makes GST Compliance more challenging in the days to come.





## Internal Financial Control (IFC) over Financial Reporting (ICFR)



**CA Mahaveer Siroya**

Mobile No. : 9619939579

E-mail : mahaveerchand17@gmail.com

Internal financial controls over financial reporting (ICFR) mean controls specifically designed to address risks related to financial reporting. A Company's internal financial controls over financial reporting include those policies and procedures that:

- Pertaining to the maintenance of the records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company.
- Provides reasonable assurance that transactions are recorded as necessary to permit preparation of financial statement in accordance with generally accepted accounting principles, and those receipts and expenditure of the company are being made only in accordance with authorizations of the management and director of the company.
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material impact on the financial statement.

### Components of ICFR

- Maintenance of financial records (Detail/Accuracy)
- Authorization of records (In accordance with GAAP)
- Safeguarding of the assets of the Company.

### Legal Requirements

**Company Management-** As per Director Responsibility Statement under Section 134(5)(e) of the Companies Act, 2013 state that the directors have laid down internal financial controls to be followed by the company and such controls are adequate and were operating effectively. Also in Board Report as per Rule 8(5) (viii) of the Companies (Accounts) Rules, 2014 provides that Board of Directors to report on adequacy of internal financial controls with reference to financial statements.

**Statutory Auditors:-** As per Section 143(3)(i) of the Companies Act, 2013 Statutory Auditor should state in Auditor's report that there are adequacy and operating effectiveness of the company's internal financial controls.

Note: MCA vide its notification dated 13th June 2017 (G.S.R. 583(E)) amended the notification of the Government of India, In the Ministry of Corporate of Affair, vide No. G.S.R. 464 (E) dated 05th June, 2015 providing exemption from Internal Financial Controls to certain private companies.

**Audit Committee:** As per section 177 provides that Audit Committee may call for auditor's comments on internal control systems before their submission to the board and may also discuss any related

issues with the internal and statutory auditors and the management of the company.

**Independent Director:** The independent directors should satisfy themselves on the integrity of financial information and ensure that the financial controls and system of risk management are robust and defensible.

### How to Audit Internal Financial Controls over Financial Reporting (ICFR)?

The Institute of Chartered Accountants of India (ICAI) has issued a \*Guidance Note on Audit of Internal Financial Controls over Financial Reporting.

The Guidance Note specifically states that since the audit of IFC is in connection with financial reporting. The concept of materiality will be applicable even in such audits. The auditor should use the same materiality considerations as would be used in planning the audit of the company's annual financial statement as provided in SA 320 – Materiality in Planning and Performing an Audit.

The Guidance Note issued by the ICAI provides the supplementary procedures that would need to be considered by the auditor for planning, performing and reporting in an audit of IFCOFR. The audit procedures would typically involve the following steps:

**Step I Planning** – This stage involves identification of significant account balances/disclosure items, identification and understanding significant flow of transactions, identification of Risks of Material Misstatements (RoMM), identification of controls which will address RoMM including applications associated IT environment and general controls.

**Step II Design and Implementation** – The auditor should test the design effectiveness of controls by determining whether the company's controls satisfy the company's control objectives and can effectively prevent or detect errors or fraud that could result in material misstatements in the financial statements.

**Step III Operating Effectiveness** – This step includes determining whether controls are operating as designed and whether the person performing the control possesses the necessary authority and competence to perform the control effectively. Testing of operating effectiveness involves planning the nature, timing and extent of procedures to be performed, assessing finding and concluding on operating effectiveness.

**Step IV Reporting-** Where there are deficiencies that, individually or in combination, result in one or more weakness, the auditor should evaluate the need to express a modified opinion i.e., qualified or adverse on the company's Internal Financial Control over Financial Reporting. The auditor should determine the effect of modified opinion on Internal Financial Control over Financial Reporting.

### Role of Chartered Accountant in Internal Financial Controls over Financial Reporting

Chartered Accountants are expertise can help companies to set up the effective Internal Financial Controls over Financial Reporting systems in the interim so as to remediate any potential deficiency before the audit takes place.





## Black Money Practices in India (Penny Stock) Part II



**CA. Sanjeev Mittal**

Mobile No. : 8955289974

E-mail : sanjeevm301@gmail.com

A company – Non-Operating Limited was once a small oil refinery but now it is either non-operative or the promoters lack interest in its business. The company generally posts losses or negligible profits. Its operations have stalled. No one knows anything about its assets except the book

value available in the Stock Exchange filings. Its share price hovers around INR 2/- per share.

### Participants in the scheme:

1. Mr. Black Money – a black money holder. He has INR 1 Million of black money and wants to convert this black money into white money.
2. Mr. Intermediary – an entry operator. He is a lesser known stock broker but is popular for his ingenuity. He secretly earns good amount of money from helping his clients convert their black money into white.

In this illicit business, he is helped by many of his stock broker friends and even some promoters and/or managers (insiders) of few Penny Stock companies. They form a cartel to rig the share prices.

Mr. Black Money searches for a stock broker who has experience in Money Laundering. He finds Mr. Intermediary and the game begins.

Mr. Intermediary asks Mr. Black Money to buy 300,000 shares of Non-Operative Limited at the prevailing market price of say INR 2/-.

Mr. Black Money thus spends INR 600,000/- of his white money and buys 300,000 shares of Non-Operative Limited. He simultaneously hands over his black money of INR 1 Million to Mr. Intermediary which he wants back at a later date in form of white money. Mr. Intermediary and his cartel of stock brokers smurf this amount in their bank accounts.

Next step is **Circular Trading**. The brokers trade the shares of Non operative Limited among themselves in such a manner that the price of the stock is artificially increased.

M/s Intermediary's cartel comprises 10 brokers namely (A), (B), (C), (D), (E), (F), (G), (H), (I) and (J).

Now to manipulate or artificially inflate the price of Non-Operative Limited; J sells 30,000 shares of the company to A at INR 2.25/- per share. (To reduce suspicion, J will place a bid to sell 30,000 shares at INR 2.50 first but since there will be no buyer, he will then gradually reduce his bid to INR 2.25/- per share to which A will respond and buy the shares.) B will buy say 50,000 shares at INR 2.5/- per share from D in a separate transaction.

A too will find a buyer in F for offloading his 30,000 shares at INR 3/- per share. Likewise, the trading continues for days, months and even years in a criss-cross fashion and the trading volume as well as the price of the company slowly move up:

The financing for these trades may come either from legitimate sources or from black money received from people like Mr. Black Money.

Over a period, the volumes of Non-Operative Limited get pumped up from a few hundred shares to a few hundred thousand shares in a single transaction before the shares are finally dumped upon some innocent gullible investors.

While these transactions continue, Mr. Intermediary also shakes hand with promoters and other insiders of Non-Operative Limited. They do a bit of hard work and release some big positive news about the company such as: The company is in talks of being acquired by a big company,

The company has got a big sales order, etc.

All such news is dumped in the media including social media. The crooks, we know are efficient in the use of Facebook, Twitter, WhatsApp etc. for all wrong reasons. They also circulate this news in the stock broking circles with full vigor. After all, the value of promoters' stake in the company will also increase and they can then offload some of their shares to the unaware gullible investor who gets attracted to buy company's shares.

As the brokers are simultaneously working on increasing the share price of the company behind the scenes through Circular Trading; the credibility of such news also gets justified which in turn justifies the logic of share price increase.

Remember Mr. Intermediary and cartel is fully capable to increase the price of the company by Circular Trading without any support from the company's side which is only additional.

The combined effect of these actions by Mr. Intermediary and his cartel as well as those of company's insiders is that the price of Tar Oils reaches INR 5.50/-. This increase of 1.75x (175%) is considered on conservative basis. In reality, even a 10 times increase in price of a Penny Stock is too small to raise eyebrows.

It is at this point that Mr. Intermediary & Cartel calls upon Mr. Black Money to offload (sell) his 300,000 shares of the non-operative limited. Mr. Black Money sells his shares and Mr. Intermediary & Cartel eagerly buys these shares in the ratio in which they had made profits from the Circular Trading of stock and all this happens on a Stock Exchange. Mr. Black Money places a selling bid at INR 5.50/- and Mr. Intermediary and his friends readily agree to buy these shares at this artificial price.

### The outcome:

Mr. Black Money gets to show that he made a great stock selection in form of non-operative limited and made a sweet Capital Gain Profit of INR 1.05 Million (300,000 shares x (Selling Price @ INR 5.50 – Buying Price @ INR 2.00 = Profit @ INR 3.50 per share). Black Money given and Capital Gain received. Money Laundered. A commission @ 2–5% of the transaction value would also have been paid to Mr. Intermediary under the table.

At the end, Mr. Intermediary and his cartel are left with 300,000 shares of the company. They can sell these shares to any outsider who is interested in buying them at any price as their real motive has already been achieved and black money received along with commission.







## Power of Inspection, Search and Seizure under GST [Section 67 of CGST Act, 2017]



**CA. Susheel Dwivedi**

Mobile No. : 8888075916

E-mail : sushildwivedi30@gmail.com

As per Section 67 of CGST Act, inspection can be carried out by proper officer only upon a written authorization given by an officer of the rank of Joint Commissioner or above.

### CIRCUMSTANCES FOR CARRYING OUT INSPECTION

A Joint Commissioner or an officer higher in rank can give such authorization only if he has reasons to believe that:

1. Transaction w.r.t. supply of goods/services/ both is suppressed
2. Transaction w.r.t. goods (stock) in hand
3. Excess ITC has been claimed
4. Indulged in contravention of Act
5. Business of transporting goods
6. Owner/operator of warehouse/godown - Storing goods which have escaped payment of tax
7. Maintenance of accounts likely to cause evasion of duty

### A. CONFISCATION OF GOODS

As per section 130 of CGST Act, goods become liable to confiscation when any person does the following:

- (i) supplies or receives any goods in contravention of any of the provisions of this Act or rules leading to evasion of tax;
- (ii) does not account for any goods on which he is liable to pay tax under this Act;
- (iii) supplies any goods liable to tax under this Act without having applied for the registration;
- (iv) contravenes any of the provisions of the CGST Act or rules made there under with intent to evade payment of tax.

The person from whom documents and books of accounts are thus seized, shall have the right to take copies of such documents and books of accounts, subject to the approval of the Proper Officer.

### B. POWERS OF OFFICER DURING SEARCH

An officer carrying out a search has the power to search for and seize goods (which are liable to confiscation) and documents/books/things (relevant for any proceedings under the Act) from the premises searched. However, if it is not practicable to seize any such goods then the same may be detained. The person from whom these are seized shall be entitled to take copies/extracts of seized records. During search, the officer has the power to break open the door of the premises authorized to be searched if access to the same is denied.

Similarly, while carrying out search within the premises, he can break open any almirah or box if access to such almirah or box is

denied and in which any goods, account, registers or documents are suspected to be concealed. He can also seal the premises if access to it is denied.

The seized documents/books/things shall be retained only till the time the same are required for examination/enquiry/proceedings and if these are not relied on for the case then the same shall be returned within 30 days from the issuance of show cause notice.

### C. MANNER OF RELEASE OF CONFISCATED GOODS, DOCUMENTS

Provisional basis	Actual return of goods	Disposal of goods
On execution of bond and furnishing of prescribed amount of security or on payment of applicable tax, interest and penalty	In case of seizure of goods, a notice has to be issued within 6 months, if no notice is issued within a period of 6 months then all such goods shall be returned. However, this period of 6 months can be extended by Commissioner for another 6 months on sufficient cause	The Government may, having regard to the perishable or hazardous nature of any goods, depreciation in the value of the goods with the passage of time, constraints of storage space for the goods or any other relevant considerations, notify the goods which shall be disposed by the proper officer. The inventory of such goods shall also be prepared.

### D. SAFEGUARDS PROVIDED FOR IN RESPECT OF SEARCH OR SEIZURE

As per section 67 of CGST Act in respect of the power of search or seizure the safeguards are as follows:

1. Seized goods or documents should not be retained beyond the period necessary for their examination.
2. Photocopies of the documents can be taken by the person from whose custody documents are seized.
3. For seized goods, if a notice is not issued within 6 months of its seizure, goods shall be returned to the person from whose possession it was seized. This period of 6 months can be extended on justified grounds up to a further period of maximum 6 months.
4. An inventory of seized goods shall be made by the seizing officer.
5. Certain specified categories of goods such as perishable, hazardous etc. can be disposed of immediately after seizure.

### INSPECTION OF GOODS IN MOVEMENT [SECTION 68]

Inspection can also be done of the conveyance, carrying a consignment of value exceeding specified limit. The person in charge of the conveyance has to produce prescribed documents/devices for verification and allow inspection. Eway Bill has been prescribed for the said purpose. Inspection during transit can be done even without authorisation of Joint Commissioner.





## Interactive Meeting with President – ICAI and Seminar on Companies Act & Income Tax held on 25th January, 2020 at Maxus Banquet Hall, Bhayander (West)



Group photo taken at Inaugural session in the presence of CA. Prafulla Chhajed (President – ICAI)



(L-R):- CA. Amit Agarwal (Secretary - Vasai Branch of WIRC), CA. Vijendra Jain (Committee Member - Vasai Branch of WIRC), CA. Lokesh Kothari (WICASA Chairman), CA. Sunil Patodia (Past Chairman – WIRC of ICAI), Shri Vijay Kumar Jhalani (Nominated Members - ICAI), CA. Prafulla Chhajed (President – ICAI), CA. Xavier Rajan (Chairman - Vasai Branch of WIRC), CA. Durgesh Kabra (CCM), CA. Lalit Bajaj (RCM & Branch Nominee), CA. Ankit Rath (Vice Chairman - Vasai Branch of WIRC), CA. Sorabh Agrawal (Treasurer- Vasai Branch of WIRC) & CA. Abhishek Tiwari (Committee Member - Vasai Branch of WIRC) at the dais



CA. Xavier Rajan (Chairman - Vasai Branch of WIRC) presenting bouquet to CA. Prafulla Chhajed (President – ICAI)



CA. Ankit Rath (Vice Chairman - Vasai Branch of WIRC) presenting bouquet to Shri Vijay Kumar Jhalani (Nominated Members - ICAI)



CA. Sorabh Agrawal (Treasurer- Vasai Branch of WIRC) presenting bouquet to CA. Durgesh Kabra (CCM)





## Interactive Meeting with President – ICAI and Seminar on Companies Act & Income Tax held on 25th January, 2020 at Maxus Banquet Hall, Bhayander (West)



CA. Abhishek Tiwari (Committee Member - Vasai Branch of WIRC) presenting bouquet to CA. Sunil Patodia (Past Chairman – WIRC of ICAI)



CA. Lokesh Kothari (WICASA Chairman) presenting bouquet to CA. Lalit Bajaj (RCM & Branch Nominee)



CA. Vijendra Jain (Committee Member - Vasai Branch of WIRC) presenting bouquet to CA. Manish Sampat (Speaker)



Group photo taken in the presence of CA. Prafulla Chhajed (President – ICAI), CA. Durgesh Kabra (CCM), CA. Sunil Patodia (Past Chairman – WIRC of ICAI), Shri Vijay Kumar Jhalani (Nominated Members - ICAI) along with Past Chairmen & Managing Committee Members of Vasai Branch of WIRC



Managing Committee Members of Vasai Branch of WIRC presenting memento to CA. Prafulla Chhajed (President – ICAI)



Group photo taken in the presence of CA. Prafulla Chhajed (President – ICAI) along with WICASA and Volunteer team

## Felicitation of Newly Qualified CA held on 25th January, 2020 at Maxus Banquet Hall, Bhayander (West)







February 2020

## Celebration of Republic Day on 26th January, 2020 at Branch Premises, Bhayander (West)



## Residential Refresher Course (RRC) at Vadodra from 31st Jan to 2nd Feb 2020 Jointly with Vadodra Branch of WIRC and Vasai Virar CPE Study Circle





## Promo Marathon on 12th January, 2020 at Jesal Park Chowpatty, Bhayander (East)



## Sports Competition held on 12th January, 2020 at DKS Vasai Hostel, Vasai Road (East)



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The Institute of Chartered Accountants of India,  
**Vasai Branch of WIRC**

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