

E-Newsletter

ERNAKULAM BRANCH OF SOUTHERN INDIA CHARTERED ACCOUNTANTS STUDENTS' ASSOCIATION

SICASA

FEBRUARY '20

THE INSTITUTE OF CHARTERED
ACCOUNTANTS OF INDIA

Ernakulam



INTERNAL FINANCIAL CONTROL

BY: ACHUTH PRADEEP

THE LEGACY OF R. SIVABHOGAM

BY: POORNENDU M NAIR



THE CATALYST

"lets Spark, Ignite, Calculate, Accelerate & Stimulate Adventures together"

Visit us @

<http://www.sicasaernakulam.in/>

**“An investment
in knowledge
pays the best
interest.”**

Benjamin Franklin

contents

- | | | |
|---|--|------------------------------|
| 03 Chairman's Message
- CA Allen Joseph | 06 Internal Financial Control
-By Achyuth Pradeep | 13 New Beginnings |
| 04 Secretary's Report
-Phoebae | 10 The legacy of R.Shivabhogam
-By :Poornendu M Nair | 14 On the Cards |
| 05 Editor's Desk
- The Editorial board | 11 Focus February 2020 | |

Chairman's Message

Dear Students,

It gives me great pleasure and a sense of pride to address the students of SICASA- Ernakulam as Chairman. It is indeed a great honour and privilege to hold this post and I am extremely grateful to my colleagues in the managing committee of Ernakulam branch, especially to CA Deepa Varghese, under whose leadership Ernakulam Branch of SICASA has been adjudged the SIRC Best Branch of Students' Association among the Large & Mega Category SICASA Branches for the year 2019.

The month of February saw elections at various levels of the Institute. The elections to SICASA Ernakulam was also held in the third week of February. My congratulations to all newly elected members of the Committee. We have set a target of achieving the best branch on an all India basis and with all your support this will definitely be possible.

As in the case of previous months, February was also packed with activities for students. We had lecture meetings, study circles, a merit evening for those who had completed various stages of the course and for the first time in SICASA Ernakulam's history - an e-sports tournament which was well received by Students.

We're looking forward to a very exciting March with various academic activities planned. Most of you will be looking forward to bank audits and I implore you to make the best out of the bank audit seminar that has planned for the 20th of March. I also request you to come up with suggestions for new events we can do at SICASA. General suggestions are also welcome.



A message for those of you who are preparing for your exams in May 2020 - as hard as it may be, please stay off your phones - those unread messages and your friends will still be there after your exams.

To conclude I would like to quote Yoda - Do, or do not. There is no "try".

Cheers

CHEERS TO A GREAT YEAR
AHEAD !

**CA Allen Joseph,
Chairman, SICASA Ernakulam Branch.**

Secretary's Report

Dear Friends,

"The magic in new beginnings is truly the most powerful of them all" – Josiyah Martin

This month we have seen the beginning of a new SICASA committee with all the vibrant and energetic members and I am indeed happy and privileged to be the Secretary of SICASA 2020-21.

Participation in liaison work with our SICASA committee. This requires a selfless attitude of giving up one's time and effort to make it happen in a world that is increasingly more concerned with self than with others. I am grateful to be able to follow the footsteps of my past committee members who have set an example for me. Let me first thank my preceding committee colleagues especially the outgoing chairperson of SICASA, CA Deepa Varghese Mam and the outgoing secretary, Mr Jinu Baby who has been there providing me with all the required confidence and vitality to lead this year's committee.

With a strength of 52 members we are setting off our journey as a team with the able leadership of CA Allen Joseph, the current SICASA chairman. I am getting a positive energy from the enthusiastic and vibrant youngsters who have set their minds in making this year's committee the best of all. I hope we can continue the initiatives brought in by the last committee and also bring new ideas and innovations into the working of this year's SICASA.

As it is the new beginning our newsletter comes with a new name "The Catalyst" and I wish the editors and the editorial team a very best in bringing their best efforts into it.

This year SICASA Ernakulam will make sure that all the students who take part in various programs to have the time of their lives.



The previous month had seen a variety of programs, of which first was a study circle conducted by Mahadevan S followed by a work shop on Union budget 2020 by our eminent speaker and teacher CA Jomon K George Sir which was attended by a large number of students. February also witnessed the election for SICASA committee 2020-21 along with an amazing video gaming tournament conducted which was a power packed event.

The following month will also be event full, beginning with a CSR activity which is called "spread a smile" and a bank audit seminar followed by many other programs. I hope and pray all the programs that we conduct becomes a huge success and are also a value addition to all of us.

So powerful is the light of unity that it can illuminate the whole earth. Let us brighten up this year as a team and work towards our goals. SICASA functions only with the support of its students and all of you are indeed an integral part. I expect the suggestions and sincere cooperation from the students for our future endeavours.

Best Wishes !

**Phoebe Reena George,
Secretary, SICASA Ernakulam Branch.**

Editor's Note

THE CATALYST

*"Let's **Spark**, **Ignite**, **Calculate**, **Accelerate** & **Stimulate** Adventures together"*

We are really proud and excited as we bring out the first edition of our newsletter. The simple definition of the word "catalyst" means a substance that causes an increase in the rate of reaction. As the members of the newly formed committee, we hope to create a chain of positive reactions in our limits. As we embark on our journey as budding editors, we have chosen this particular word as our metaphor to represent our efforts for the coming year.

The terms used in the tagline might seem weird at the first glance; in fact, let's elaborate. We went through the taglines of some of the famous companies, each one being unique & captivating, and wondered, why not work this out in our new edition. A tagline can help you grab the attention of potential readers in a very short time and they can remember it for a long while. Let's say this tagline is a code for something big.

The reaction as mentioned earlier is intended to create a **spark** leading to an **ignition**. A catalyst, by itself, will not burst into flames but can ignite flammable materials around it. As a part of this committee, we take upon this journey to bring up our committee to its fullest by doing all the necessary **calculations** so that we can **accelerate** our engines as we move ahead. It is often said when a catalyst is added, something special happens. so let's **stimulate** our thought process and take upon this **adventure** together. In our tenure, we also seek to see things from different perspectives. Let's just say **SICASA** gives us this opportunity. (Spark, Ignite, Calculate, Accelerate & Stimulate Adventures)

It is a fine thing to have ability, but the ability to discover others' ability is the true test. We are really thankful to our respected SICASA Ernakulam chairman CA Allen Sir for entrusting us with the responsibility of the editorial board. We also take this opportunity to thank all the dignitaries for sparing their valuable time to send their best wishes for the magazine in the form of 'Messages'.

We heartily wish all the readers our best wishes. Once again, welcome and feel free to share your thoughts with us.

Regards,
Editorial Board,
SICASA Ernakulam 2020



Poornendu M Nair



Duke Jose



Alan Thampi

INTERNAL FINANCIAL CONTROLS : IMPACT ON ULTIMATE REPORTING

By: Mr. Achuth Pradeep
(SRO0479106)

What is Internal Financial Controls (IFC)?

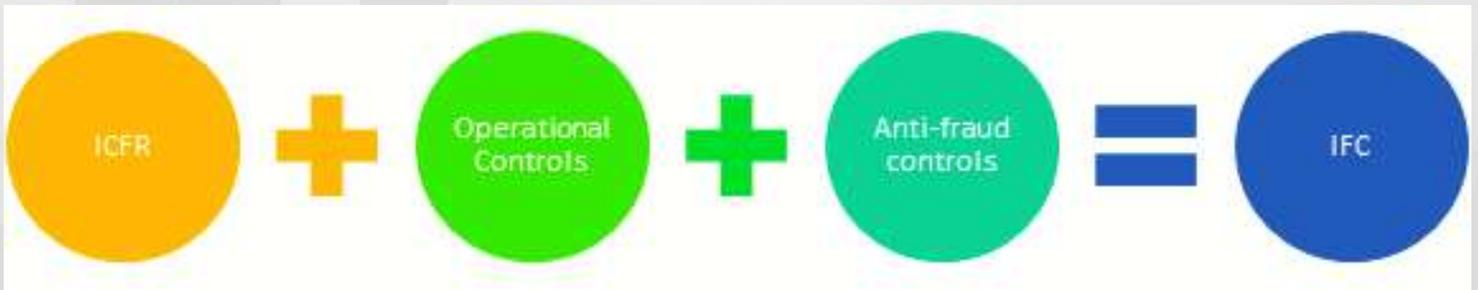
Internal financial controls are defined in the explanation to **Section 134(5)(e)** of the companies Act, 2013 as the policies and procedure adopted by the company for :

- orderly and efficient conduct of its business, including adherence to company's policies;
- safeguarding of its assets;
- prevention and detection of frauds and errors;
- accuracy and completeness of the accounting records; and
- timely preparation of reliable financial information.

SA 315 - Internal control

The process designed, implemented and maintained by those charged with governance, management and other personnel to provide reasonable assurance about the achievement of an entity's objectives with regard to:

- reliability of financial reporting,
- effectiveness and efficiency of operations,
- safeguarding of assets, and
- compliance with applicable laws and regulations



Objective of IFC:

Primary objective of IFC is to identify opportunities for improvement, and to draw up recommendations and good practices that can use as a benchmark to develop or strengthen their internal control systems and enhance the reliability of their financial statements.

- Efficiency and effectiveness in Operations
- Prevention and detection of fraud and error
- Safeguarding of assets
- Accuracy and completeness of Accounting records
- Reliability of Financial reporting

IFC OVER FINANCIAL REPORTING

As per Guidance Note issued by ICAI on Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (September, 2015), "Internal Financial Controls Over Financial Reporting (ICFR) is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. It includes policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being in accordance with authorization of management and directors of the company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Top down approach

A top-down, risk-based approach is based on the premise that not all accounts, transactions, and risks are equally important. This approach focuses control resources on the areas identified as being of greater risk because of their relative quantitative significance and other related concerns, including the nature of the business; the inherent riskiness of transactions, processes, controls, and technologies; and the effectiveness of the organization's human resources.

The top-down approach is used to select the controls to be tested in an audit of internal control over financial reporting. Under this approach, the auditor obtains an understanding of the overall risks to internal control over financial reporting. It includes the following levels:

- Entity Level Controls
- Unit Level Controls
- Process Level Controls

IFC: Regulatory mandate under Companies Act, 2013

Relevant clauses	Requirement	Applicability
Board report: Rule 8(5) of Companies (Accounts) Rules	Board report to state the details in respect of the adequacy of IFC with reference to the financial statements	All companies
Directors' Responsibility Statement: Sec. 134(5)(e)	Board to confirm that IFCs are adequate and operating effectively	Listed companies
Code for IDs: Sec. 149(8) and Schedule IV	IDs to satisfy themselves on the integrity of financial information and that financial controls are robust and defensible	All companies having IDs
Auditor's report: Sec. 143(3)(i)	Auditors to report if the company has adequate IFC systems and that they are operating effectively (from 2015-16)	All companies
AC terms of reference: Sec. 177	Evaluation of IFC	All companies having an AC

AC - Audit Committee
 ID - Independent Directors
 CFS - Consolidated Financial Statements

Components of internal control

In May 2013 the Committee of Sponsoring Organizations of the Treadway Commission (COSO) released an updated version of its Internal Control—Integrated framework. Originally issued in 1992, the COSO framework became the most widely accepted internal control framework in the world and is used by most public companies when reporting on the effectiveness of their internal control over financial reporting in accordance with **Section 404** of the Sarbanes-Oxley Act (SOX).

Component	Principle
Control Environment	<ul style="list-style-type: none"> • Demonstrates commitment to integrity and ethical values • Exercises oversight responsibility • Establishes structure, authority and responsibility • Demonstrates commitment to competence • Enforces accountability
Risk Assessment	<ul style="list-style-type: none"> • Specifies suitable objectives • Identifies and analyzes risk • Assesses fraud risk • Identifies and analyzes significant change
Control Activities	<ul style="list-style-type: none"> • Selects and develops control activities • Selects and develops general controls over technology • Deploys through policies and procedures
Information & Communication	<ul style="list-style-type: none"> • Uses relevant information • Communicates internally • Communicates externally
Monitoring Activities	<ul style="list-style-type: none"> • Conducts ongoing and/or separate evaluations • Evaluates and communicates deficiencies

“Significant Deficiency and Material Weakness”

A ‘significant deficiency’ is a deficiency, or a combination of deficiencies, in IFCFR that is important enough to merit attention of those charged with governance since there is a reasonable possibility that a misstatement of the company’s annual or interim financial statements will not be prevented or detected on a timely basis.

A ‘material weakness’ is a deficiency, or a combination of deficiencies, in IFCFR, such that there is a reasonable possibility that a material misstatement of the company’s annual or interim financial statements will not be prevented or detected on a timely basis.

Indicators of material weakness

- Identification of fraud, whether or not material, on the part of the senior management.
- Errors observed in previously issued financial statement in the current financial year identification by the auditor of a material misstatement of financial statements in the current period in circumstances that indicate that the material misstatement would not have been detected by the company’s internal financial control over financial reporting.
- Ineffective oversight of the company’s external financial reporting and IFC by the company’s audit committee.

Forming an opinion

- Auditor should form an opinion on the adequacy and operating effectiveness of IFCFR by evaluating evidence obtained from all sources, including misstatements detected or identified control deficiencies.
- Auditor should evaluate by reviewing reports issued during the year by internal audit or similar functions.

Auditor may form an opinion on the adequacy and operating effectiveness of IFCFR only when there are no restrictions on the scope of the auditor's work. A scope limitation requires the auditor to disclaim an opinion or withdraw from the engagement. **SA 706**

Examples of expression of opinion:

Qualified Opinion

CASE 1:

The company did not have an appropriate internal control system for customer acceptance, credit evaluation and establishing customer credit limits for sales, which could potentially result in the Company recognising revenue without establishing reasonable certainty of ultimate collection.

CASE 2:

The Company's internal financial controls over customer acceptance, credit evaluation and establishing customer credit limits for sales, were not operating effectively which could potentially result in the Company recognising revenue without establishing reasonable certainty of ultimate collection.

Adverse opinion

CASE 1:

The company did not have an appropriate internal control system for inventory with regard to receipts, issue for production and physical verification. Further, the internal control system for identification and allocation of overheads to inventory was also not adequate. These could potentially result in material misstatements in the Company's trade payables, consumption, inventory and expense account balances.

Disclaimer of opinion

1. Framework for IFCFR not established but does not impact the audit opinion on financial statements.
2. Auditor unable to obtain sufficient appropriate audit evidence on IFCFR but does not impact audit opinion on the financial statements.
3. Auditor unable to obtain sufficient appropriate audit evidence on IFCFR and impacting audit opinion on the financial statements.



The legacy of **R. Sivabhogam**

First Woman Chartered Accountant of India

Born: 23 July 1907

Qualified: 1933

Back in the year 1907, when British rule was in its prime, a baby girl, born in the city of Vellore, was destined to change the lives of every woman in India. R. Sivabhogam surprised the entire nation by becoming the first certified lady Chartered Accountant of India. A Gandhian believer, who resorted to Khadi apparel and bus travel throughout her life, Sivabhogam was an active participant in the Youth League headed by Rukmini Lakshmi Pathy, that served as a propaganda vehicle for the Congress in the 1920s. Later, when the women of Madras formed a Swadeshi League, Sivabhogam became a member. She is an example of a true freedom fighter and participated with her friends in the Non-cooperation Movement and was imprisoned for a year. It was during this period that she developed a desire to pursue Accountancy, a field untouched by women. She then registered for her Diploma in Accountancy and the rest was history. She became the first woman Chartered Accountant in the year 1933.

R. Sivabhogam completed her articleship training under Mr. C.S. Sastri after which she wanted to start an independent practice, but the British Government had enacted a law stating that the people who had undergone imprisonment would be prevented from registering as accountants. Sivabhogam filed a writ petition to quash such an Act and got the verdict in her favor. Ms Sivabhogam was elected as a member in the initial year of formation of the Southern India Regional Council. She holds the record for being not just the first woman Chartered Accountant but also the first Woman Chairperson in the Regional Council. She was the Chairperson for three consecutive years. Till date, the Southern Council has not seen another lady Chairperson. It was during her reign that the first Regional Conference was conducted in the year 1956.

Her struggle to be recognized in a field, not pursued much by men let alone women, leaves us in sheer amazement. Sivabhogam has aided in the upbringing of women and patriotism in our society. The fact that she relinquished her life for the betterment and development of our country, sacrificing her personal needs and benefits is an inspiration to every little girl out there to take the road less traveled. Let us hope our country gives birth to many more such influential souls in the coming years.

Poornendu M Nair
(SRO0599836)



FOCUS

FEBRUARY 2020



1994-2000
2004-2013
2007-2016
2013

13. C.A. Chaitanya M. Murthy	1994-1999
14. C.A. Sankar V. George	1994-1996
15. C.A. H. S. Thomas	1994-1997
16. C.A. K. P. Rajasekar	1994-1999
17. C.A. M. Srinivasan	1994-1999
18. C.A. V. Prabhakararao	1994-1999
19. C.A. M. Srinivasan	1994-1999
20. C.A. M. Srinivasan	1994-1999
21. C.A. M. Srinivasan	1994-1999
22. C.A. M. Srinivasan	1994-1999
23. C.A. M. Srinivasan	1994-1999
24. C.A. M. Srinivasan	1994-1999
25. C.A. M. Srinivasan	1994-1999
26. C.A. M. Srinivasan	1994-1999
27. C.A. M. Srinivasan	1994-1999
28. C.A. M. Srinivasan	1994-1999
29. C.A. M. Srinivasan	1994-1999
30. C.A. M. Srinivasan	1994-1999
31. C.A. M. Srinivasan	1994-1999
32. C.A. M. Srinivasan	1994-1999
33. C.A. M. Srinivasan	1994-1999
34. C.A. M. Srinivasan	1994-1999
35. C.A. M. Srinivasan	1994-1999
36. C.A. M. Srinivasan	1994-1999
37. C.A. M. Srinivasan	1994-1999
38. C.A. M. Srinivasan	1994-1999
39. C.A. M. Srinivasan	1994-1999
40. C.A. M. Srinivasan	1994-1999
41. C.A. M. Srinivasan	1994-1999
42. C.A. M. Srinivasan	1994-1999
43. C.A. M. Srinivasan	1994-1999
44. C.A. M. Srinivasan	1994-1999
45. C.A. M. Srinivasan	1994-1999
46. C.A. M. Srinivasan	1994-1999
47. C.A. M. Srinivasan	1994-1999
48. C.A. M. Srinivasan	1994-1999
49. C.A. M. Srinivasan	1994-1999
50. C.A. M. Srinivasan	1994-1999



FOCUS

FEBRUARY 2020





Thank you for paving the way!

We would like to express our sincerest gratitude for showing us how to go about. We, the current committee, hope to hold the SICASA flag flying high just as you did.

NEW BEGINNINGS

SICASA 2020



Being the beacon of positive change is what this committee seeks to accomplish along with making every student member proud to be part of SICASA ERNAKULAM.



On the Cards

E-Newsletter

Winner will be
announced
through the
SICASA Newsletter



SICASA Ernakulam

PHOTOGRAPHY CONTEST

Submit your entries to
ekmsicasa@gmail.com



SICASA Ernakulam

PHOTOGRAPHY CONTEST

1. Images must be original images captured by you.
2. Editing permitted will be limited to colour correction and cropping
3. Images must be of atleast 10 mega pixels resolution (after cropping)
4. Images should not contain recognisable faces of people, or copyrighted intellectual property within it.
5. Images that suffer from artifacts like chromatic aberration, grains or other artifacts due to over editing will not be considered.
6. Images that contain any watermarks or promotional content within them would be disqualified.
7. The decision of the judges in regards this competition shall be Final.

Entries must be sent as attachments to an e-mail with the subject 'SICASA Photography Contest', the email should also contain the Name, SRO Number, contact number and instagram handle (if you wish to be featured in the official page of SICASA Ernakulam).

SICASA Ernakulam
Meme fest
March 2020

Send your entries to: ekmsicasa@gmail.com
Or to our Instagram page

Before 25-03-2020

CONTACT US

✉ ekmsicasa@gmail.com

f <https://www.facebook.com/sicasaernakulam/>

📷 <https://www.instagram.com/sicasaernakulam/>

