



The Institute of Chartered Accountants of India  
(Set up by an Act of Parliament)



# AMRITSAR BRANCH OF NIRC NEWSLETTER JULY - 2020

INVESTMENT OPPORTUNITIES IN COVID-19  
NEW CODE OF ETHICS

**HAPPY**  
*Independence*  
**DAY**



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## CONTENTS

Chairman NIRC Message.....	2-3
Investing Opportunities in the Covid19 crisis	4-5
CA (Dr.) AMAN CHUGH	
Chairman Message.....	6
Secretary Message.....	7
Bird-eye View of The Revised Code of Ethics- 2019	8-13
5 Tips to manage your finances post lock down	14-15
Investment Strategy In Covid 19 Situation	16-18
Romance with Risk	19-21
(Investing in Equity Market in COVID-19)	
Key Audit considerations during Covid-19	22-23
Member at the helm of Affairs	24
CA Day Celebrations	25



**Respected Professional Colleagues &**

**Dear Students,**

**Jai Shree Krishna!!**



**BY CA SHASANK AGGARWAL**

Chairman NIRC



Firstly, I'd like to express my heartiest congratulations to CA Sanjay Arora ji for being elected as Chairperson of the Amritsar Branch of NIRC of ICAI and to all the other elected Members of Amritsar Branch of NIRC-ICAI.

Secondly, it's a wonderful feat for which I'd like to congratulate the Amritsar (A Golden City with golden hearts) Branch members and extend my thanks for your consistent efforts towards publishing E-Newsletter on regular basis. It is truly a great initiative and a brilliant source of E-Learning, well done!

Thirdly, through this E-Newsletter of Amritsar Branch I would like to extend my heartfelt gratitude to each and every member and student, your wishes and blessings made me one of the youngest chairmen of NIRC-ICAI

I'd like to ensure that our acts should inspire every member and student and with the support from every one, we will perform our duties and responsibilities to make ICAI greater!

Also, I'd like to say that even though the Nation is suffering due to the Covid-19 pandemic, it's a really optimistic sight to witness the positivity and efforts by our CA Fraternity Members and Students. Let's continue to work in Unison, and help take the Institute and Profession's name to even greater heights!

### **Code of Ethics 2020**

Following the theme of Newsletter, As we are aware that as per dictionary meaning, "ethics" defined as "moral principles that govern a person's behaviour or the conducting of an activity".

It is clearly understood to all of us that ethics have been derived from past experiences and incidents which make our laws more robust and on day to day basis with emerging technologies and changing business patterns and styles. There is always a need of self-assessment which define our conduct for making common law for all of the members governed by the law. You will feel amazed that UDIN kind of structure is introduced by ICAI at first and now many auditing bodies adapted it and even ICSI and other government bodies like CBDT and MCA is adapting the same.

Every law requires innovation and inspiration to maintain balance, for eg. if we read about newly inserted keyword "public interest entities" concept in our professional ethics, you will be able to understand the meaning of same by the name but I request my members and students to read more about public interest entities as there is so much we have to learn and understand how India can become leader for implementing complete independence to auditor for their audits and In such way, I assure that the auditing quality will also increase to its maximum.

Access updated and complete details about ICAI Code of ethics at this link <https://soo.gd/COE2020>

### **Understanding Covid'19 Pandemic affect and strategizing for upcoming years**

Covid'19 pandemic affected entire human race and still impacting till the vaccine of same is not discovered and released by companies.

Some sectors doesn't stop even in such crises like Medical, Technology, Intellectual Property Rights, Food, Telecom, Capital Market etc.

Every business person has tried to adapt to the environment and started their operations, Some new start-ups and entrepreneurs came up in the market. Capital market an emerging opportunity for all new investors and on the same side it becomes a recovery platform for all seasoned investors who have incurred huge losses in the market due to pandemic crisis.





Society is volatile and products acceptability is totally dependent upon need of the hour and continuous availability and visibility.

Every sector has their pros and cons and nothing is perfect in terms of business. It's a courage and timings to for adaptation.

I'm elated that as NIRC, ICAI and all branches of NIRC of ICAI are helping its members to get required knowledge in times of Covid'19 pandemic and prepare for their strategy for the upcoming years.

Chartered accountants have huge opportunities in the market.

First of all, After considering this pandemic, one thing which is highly required is to Digitalise our CA Practices and become global service provider

Secondly, Practice is also like a business where your knowledge is your product and your partners and team is a Marketing and Selling team.

Thirdly, Technology is bridging the gap between clients, teams, partners and help you for continuous availability to all stakeholders with right knowledge at right time.

Without fulfilling above three requirements, we will not be able to scale our practices and become world leaders.

Practice always runs on vision of partners and also requires capital infusion for enabling ecosystem which helps to make their practices bigger and better.

I request my fellow colleagues to let's set a vision of 5 crore of professional receipt of your practice in next 5 years and 50 crore in next 10 years, because if we believe in our vision we will be able to achieve the same and I also ensure to my members that the very purpose of Councils and Branches are to nurture our members and students and discussing about problems with each other.

Though this write up is intended towards investing opportunities, but I'm sure that my words would definitely help us to grow together and better and if we start creating pool of talent and represent before society our collective strength, we will achieve greater heights and make a good mark in society.

#### **Aatm Nirbhar Bharat**

I'd like to give one task to all my dear fellow members and students to suggest what role can chartered accountants play to become partner in government initiatives of Self Reliant India (Aatm Nirbhar Bharat).

I'd like to request all my professional brothers and sisters to learn new policies and help society to develop more n more entrepreneurs and let's become vocal about local.

I'm always interested in helping start-ups as it gives us satisfaction of adding one more entrepreneur in market and with that approach NIRC is doing great initiative of organising start-up and entrepreneurship programmes in NIRC, I request managing committee members of Amritsar branch also to encourage entrepreneurship programmes at branch level. CA is a best employee, best practitioner, but best business man too.

Kindly take this baton forward and help in the process of developing CAs as an entrepreneur also.

Please share your ideas and suggestions at [chairmannirc@icai.in](mailto:chairmannirc@icai.in)

To conclude, I'd like to again thank the Amritsar Branch Committee Members for all their sincere efforts and initiatives. This time will never come again and we must serve our profession, our nation at our best and feel the positivity of serving the mankind!!

**Let's make ICAI greater!**

**CA Shashank Agrawal**

**Chairman, NIRC of ICAI**



## Investing Opportunities in the Covid19 crisis



**CA (Dr.) AMAN CHUGH**  
Author, Consultant, Speaker & Trainer



We have always known and observed that whenever a crisis strikes, along with challenges, it brings many opportunities for betterment. There have been quite a few myths regarding Investing which also make us commit few mistakes while Investing.

The most common myth about Investing is that Investing should be done for Long Term. It is true that Investing delivers results over years, but not in the same underlyings at all times. It is a dynamic activity and Portfolios need to be planned, reviewed and rebalanced periodically, keeping in mind the changing economic dynamics worldwide.

When the Covid19 crisis emerged, most of the people, who had built Portfolios over longer period of time realized the realities of their Portfolios. They saw significant decline in their wealth in a short period of time, as Equities, Bonds, Mutual Funds and even Gold could not perform initially. Trapped retail Investors started conserving cash, as nothing seemed to be promising.

Similar chaos followed into Indian Banking Sector also when Investors could not even decide where to park their money, as even Banks seemed to be unsafe, with the Yes Bank crisis shaking investor confidence during the initial phase of the pandemic outbreak.

Another fundamental problem with the investor mindset is that people have always believed that a Portfolio consists of only 2 classes of Assets:-

1. Either Risky or non Risky, OR
2. Either Liquid or Illiquid

Never has an average investor considered Risk and Liquidity collectively, leaving behind a loophole in Portfolio Building. However, this crisis taught us that every portfolio needs to be

built with equal consideration to the Risk and Liquidity of portfolio components. Accordingly, there can be four classes of portfolio assets-

1. Risky, but Liquid Assets
2. Risky and Non Liquid Assets
3. Non Risky and Liquid Assets
4. Non Risky, but Non Liquid Assets

Now, as the Economies are gradually returning to normalcy and economic activity is picking up, Global dynamics are once again changing; accordingly Portfolios should be rebuilt by revisiting and reconsidering Asset Classes and Individual Instrument percentages within each such Asset classes.

Going forward, changing Global dynamics need to be kept in mind to identify the best opportunities for investment amidst the crisis. Let us take a look at the major changes in Global Themes today as the Global Economies prepare to unlock and resume economic activity:

1. With Central Banks and Central Govts all over the world pumping huge liquidity in the economies and controlling interest rates, a lot of money is cheaply available for businesses to borrow. Accordingly, equities are expected to perform in the near term. However, the choice of equities needs to be carefully made, since not all equities are going to perform.
2. With the revival of economic activity, Global investors are returning to South Asian nations, causing such Asian Economies including India's currencies to appreciate. Foreign inflows would further support the performance of Equities.
3. Due to lower interest rates and controlled yields, even Bonds and certain Mutual Funds could also rally. But, once again, the choice of individual assets needs to be carefully made.



4. Another important component of well planned and hedged portfolios could be Gold. Since Gold has already rallied more than 20% from its March lows, and the current scenario hints at further rise in Gold prices, due to potential rise in Inflation as economic activity picks up and the approaching Festival Season, we could see a further surge in Gold demand. Once again, the modes of investing in Gold need to be considered carefully, since each one has its own merits and demerits (one can invest in physical gold/ gold ETFs or Sovereign Gold Bonds)

Now is the time that every investor should grab the opportunity to build (Maybe Re-Build) their Portfolios, at the same time gaining an understanding and knowledge of the opportunities brought in by changing Global Themes. Subsequently, every investor needs to sit down for a periodic review of their Portfolio's performance and rebalance or update it as and when required.

Since global themes keep on changing, opportunities appear every now and then, and we can only grab them if we are aware of the changing dynamics and open to rebalance our portfolios time to time.

Investing opportunities may come and go, but a huge learning opportunity such as this one, comes once in a while. It is up to us to learn from it and grow our knowledge as well as our Portfolio.

Happy Investing & Lets Rebuild our Portfolios!!





## From the Desk of the Chairman.

“The Most important quality for an investor is temperament, not intellect. You need a temperament that neither derives great pleasure from being with the crowd or against the crowd.”- **Warren Buffett**

### Esteemed Professional Colleagues

I hope that this communiqué will find you in the best of health. This issue of E-Newsletter talks about investing opportunities in COVID -19 crisis and the new code of ethics of ICAI. As decided by the council, the new code of ethics is applicable w.e.f 1.7.2020. Members are required to comply with the fundamental principles of integrity being straight forward & honest in professional relationships. Equity Markets by their nature have always remained volatile. Market attracts those who want to make quick money but rewards only those who are comfortable getting rich slowly.

Chartered Accountants who are role models in India Success story ,they have carved niches & demolished stereotypes in their own ways & terms.

- |                              |   |
|------------------------------|---|
| <b>CA Rakesh Jhunjunwala</b> | <b>(Investor, trader &amp; film producer)</b>   |
| <b>CA Nilesh Shah</b>        | <b>(MD of Kotak Mahindra Asset Management Co.Ltd)</b>   |
| <b>CA S P Tulsian</b>        | <b>(Market Analyst)</b>   |
| <b>CA Navneet Munot</b>      | <b>(Executive Director &amp; Chief investment officer, SBI Mutual Fund)</b>   |
| <b>CA Vaneet Sambre</b>      | <b>(Head Equities of DSP Mutual Fund)</b>   |
| <b>CA Naina Lal Kidwai</b>   | <b>(Former President FICCI)</b>   |
| <b>CA Aman Chugh</b>         | <b>(Honoured with Father of Financial Planning, Portfolio Management &amp; Derivatives by Asian Pacific Financial services Association)</b> |

Be it Kumar Manglam Birla or Piyush Goyal or Keki Mistry all the Chartered Accountants have been leaving their mark in the different facets of the economy of the country.

The Atamnirbhar ( Self reliant) story can be major game changer for Indian Economy & Sharper recoveries might exist as rural demand is stronger in comparison to urban demand in COVID -19 crisis. India Inc to make bold moves than relying on conservative ones, COVID -19 crisis can be a turning point for Indian economy.It is high time and India needs to become vocal for local” Decades ago Swami Vivekanand wrote 'simplest method to be worked upon at present is to induce Indians to use their Own produce & get markets for Indian artware in other countries.This path shown by Swami Vievkanand is an inspiration for india post COVID-19 world.

Even though the global & domestic enviorment looks hazy,it is precisely at these points that one should not lose sight of long term picture .Current challenges are surely big but not insurmountable. Investors should follow disciplined investing through prudent asset allocation for long term wealth creation.

If you want money then you have to buy fear. Happy Investing !

With Warm regards.  
CA SANJAY ARORA  
Chairman, 2020-21

Amritsar Branch of NIRC of ICAI

July, 2020





## From the Desk of the Secretary...

**Respected Members,**

**Warm Greetings,**

First of all, I congratulate to all the members on 72<sup>nd</sup> Chartered Accountants day. We with immense delight present our members a special edition of New Code of Ethics and Investment opportunities in Covid-19 Crisis for the month of July 2020. In this edition we are specially thankful to Chairman NIRC of ICAI CA Shashank Aggarwal for sharing their views in this edition of News letter. We are also thankful to Investment Expert CA Aman Chugh, Chandigarh for sharing his knowledge through the article for Amritsar branch of NIRC for the July 2020. We are also thankful to CA Bhavesh Mahajan, Approved Faculty ICAI for sharing his knowledge on the New Code of Ethics for July 2020 edition of News letter.

Having a robust strategy to manage one's wealth not only with the objective to secure the capital, but also to generate desired returns is the need of the hour. The Covid-19 pandemic has brought economies across the globe down on their knees as most countries imposed a strict lockdown to protect their citizens, flatten the infection curve and prepare infrastructure to manage the contagion. The already slowing global economy has now come under added pressure due to lack of economic activity. In spite of the overwhelming stimulus provided by banks around the globe, companies are still struggling to survive the downturn, there is surge in unemployment, revenue losses and financial insecurity etc which in turn has its impact on the financial markets and investment portfolios. In this edition, Experts have shared their knowledge on this topic.

Members, as we know New Code of Ethics have been made applicable from 01.07.2020 by ICAI. Some amendments in code of ethics has been done by Ethical Standard Board of ICAI. The Code of Ethics is a guiding force to the members of the profession and today the professionals act totally on the principles enunciated in the Code of Ethics. It is not for getting the examination passed and acquiring the qualification but it is required to be followed in line and spirit. It has to be inculcated in the habit and temperament of the individual, so that there is an overall culture of ethics; the force has to be strong enough to withstand any selfish motive or temptation.

Coming forward, in this July month, Covid -19 is moving towards peak phase in India. Economic condition of Country and Businesses have suffered a lot from this pandemic. We have to be habitual to live our life and continue our workings keeping our self healthy and safe from this epidemic. So we pray to almighty for the safety and health of yourself and family members.

In this month also, we will continue our Virtual CPE meetings (Webinars) through online platform for the knowledge updation of members of Amritsar branch with best faculties and best topics as per the requirements and need of hour.

Dear Students, Due to uncontrolled circumstances of Covid-19 outbreak, Recently as per notification of ICAI, Exam of May 2020 has been cancelled by ICAI.

ICAI has taken a very good initiative by providing revision classes for the students via virtual tools. Students can learn different subject/topics from best faculties of India. So you can revise or prepare your Exams with out incurring any cost. I suggest each student to use this facility of ICAI. It will be beneficial for each students

Many ideas grow better when transplanted into another mind than the one where they sprang up. William Arthur said "Opportunities are like sunrises, if you wait too long, you can miss them." Persistence can change failure into extraordinary achievement. Every one of you is going through a challenge to crack this a very noble Professional CA course. Work hard, develop the habits of self motivate and set your goals for the future, you just need to do dedicated working for exams. Don't panic due to covid of Exam cancellation. Its time to stay home so grasp this opportunity for exam preparations by staying home to save yourself from Covid and to prepare yourself for Nov. 2020 Exams. This is probably the only time in your life when you have the luxury to sit down and plan your life. Don't waste it. Understand that because no one else is going to do it for you. You have to do it yourself. Study while others are sleeping, work while others are lazing, prepare while others are playing and dream while others

Keep yourself safe and stay healthy in the pandemic.

With Warm regards.

Sd/-

**CA Shashi Pal**

Editor in Chief

Secretary, ICAI Amritsar Branch

July, 2020



Secretary



## BIRD-EYE VIEW OF THE REVISED CODE OF ETHICS– 2019



**CA BHAVESH MAHAJAN**  
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***“Ethics is knowing the difference between what you have the right to do and what is the right thing to do.”***

We all are familiar with the term CODE of ETHICS as the same had been referred to by all of us during our preparation for the CA Final Examinations. Ethic is the soul of any Profession that involve moral reflection that extends and enhances the personal morality practitioners bring to their work, concerns actions of right and wrong in the workplace, and help individuals resolve moral dilemmas they encounter in their work. The Ethics in contemporary terms is not a domain that has to be separate from the practical world, but is very much a part of it. It has to be inculcated in the habit and temperament of the individual, so that there is an overall culture of ethics; the force has to be strong enough to withstand any selfish motive or temptation. It is in this spirit of things that The Institute of Chartered Accountants of India (ICAI) requires its members to comply with the principles of ethics while performing their duties. The members of the Institute, whether in practice or in service, are required to comply with the provisions of Code of Ethics. Since, 1963 when the First Formal Edition of the written Code of Conduct has been introduced by the ICAI after 14 years of coming into existence, the same has been revised and updated many a times depending upon the changing business and commerce environment and related professional challenges emerged from it. The ICAI, till date has come up with 11 Editions of Code of Conduct and with 12th Edition, it has been changed to Code of Ethics in January, 2019. The new Revised Code of Ethics is based on the 2018 edition of the Code of Ethics issued by the International Ethics Standard Board of the Accountants (IESBA) and has been made applicable from 01-07-2020.

With the changing business environment and increasing complexities, the ethical dilemmas faced by an accountant today is different from that faced by him a decade ago. Now a days, the members of the Institute are not restricted to the professionals assignments within the country and domestic employment opportunities. In view of these expanded professional opportunities, the members have to keep abreast of what are the latest international developments. ICAI being the member of International Federation of Accountants (IFAC) has considered the Ethics standards issued by IESBA while framing Code of Ethics for CAs. The ICAI has not adopted the IESB Code of Ethics version in toto but has converged with it keeping the basic spirit of the same intact but has made certain amendments keeping in view the professional and business and commerce scenario of India.

Till 2001, the Code has been referred to as Code of Conduct which was for the first time in 2001 was named as Code of Ethics giving it more persuasion and power in the running of the profession. The Existing Code of Ethics was structured in the following manner:-

PART A- [Based on IFAC/IESBA Code of Ethics, 2005 edition)

Chapter-1 - General application of the Code

Chapter-2 - Professional Accountant in public practice

Chapter-3 - Professional Accountant in Service

PART B- [Based on domestic Indian provisions)

Chapter-4 - Accounting & Auditing Standards

Chapter-5 - The ICAI Act, 1949

Chapter-6 - Council Guidelines

Chapter-7 - Self Regulatory Measures

recommended by the Council through Appendices

A-F





The New Code of Ethics has been designed in the manner to have PART A and PART B as two separate publications (Volume-I and Volume-II, respectively). Other than this Volume-III has been provided as Case Laws Referencer for all the decided cases till date by Disciplinary Board/Committee of the ICAI and the High courts. PART A of the Code has been divided into four parts as follows:-

Part 1 (All Professional Accountants)- Complying with the Code, Fundamental Principles and Conceptual Framework. (Sec 100 to 199)

Part 1 (All Professional Accountants)- Complying with the Code, Fundamental Principles and Conceptual Framework. (Sec 100 to 199)

Part 2 - Professional Accountants in Business (including Individual Professional Accountants in Public Practice when performing Professional Activities pursuant to their relationship with the Firm) (Sec 200-299)

Part 3 - Professional Accountants in Public Practice (Sec 300-399)

Part 4 - International Independence Standards

Part 4A - Independence for Audits & Reviews (Sec 400 to 899)

Part 4B - Independence for Other Assurance Engagements (Sec 900 to 999)

Glossary, which contains defined terms (together with additional explanations where appropriate) and described terms which have a specific meaning in certain parts of the Code (including lists of abbreviations that are used in the Code and other standards to which Code refers)

Part 1- The title as suggests, includes the fundamental principles and conceptual framework and is applicable to all professional accountants.

Part 2- This Part sets out additional material that applies to professional accountants in service when performing professional activities. Professional accountants in service include professional accountants employed, engaged or contracted in an executive or non-executive capacity in, for example:

Commerce, industry or service.

- The public sector
- Education
- The not-for-profit sector
- Regulatory or professional bodies.

This part is also applicable to individuals who are professional accountants in public practice when performing professional activities pursuant to their relationship with the firm as an employee.

Part 3 – This part sets out additional material that applies to professional accountants in public practice when providing professional services.

Part 4 – This part deals with and sets out the Independence Standards providing additional material that applies to professional accountant in public practice when providing assurance services. This part has been divided into two separate parts as follows :-

Part 4A – Applies when performing Audit or Review Engagements

Part 4B – Applies when performing Assurance Engagements not in the nature of Audit or Review.

### ***Fundamental Principles of the Revised Code of Ethics:***

The New Code of Ethics, like the existing one, has the following building blocks of the Ethics:-

**INTEGRITY:-** A professional accountant shall comply with the principle of Integrity requiring him to be straight forward and honest in all professional and business relationships. It implies fair dealing and truthfulness. The Professional Accountant shall not be knowingly associated with reports, returns, communications or with information where he believes that the information contains material false or misleading statement or information provided negligently or omits or obscures required information which is misleading. When a professional accountant becomes aware of any such false or misleading information, he shall take steps to disassociate himself from that information.



**OBJECTIVITY :-** This principle requires the accountant not to compromise on professional or business judgment because of bias, conflict of interest or undue influence of others. The professional accountant shall not undertake any of the professional activities where a circumstance or relationship unduly influences the accountant's professional judgement regarding that activity. The Professional accountant shall be free from all the subjectivities to give fair and balanced professional judgement in all his activities.

**PROFESSIONAL COMPETENCE AND DUE CARE :-** A professional accountant is expected to attain and maintain professional knowledge and skill at the level required to ensure that a client or employing organization receives competent professional service, based on current technical and professional standards and relevant legislation. He shall act diligently and in accordance with applicable technical and professional standards. Continuing professional development enables a professional accountant to develop and maintain the capabilities to perform competently within the professional environment. Diligence encompasses the responsibility to act in accordance with the requirements of an assignment, carefully, thoroughly and on a timely basis. A professional accountant shall take reasonable steps to ensure that those working in a professional capacity under the accountant's authority have appropriate training and supervision. He shall make the efforts to make all the users of accountant's professional services or activities, aware of the limitations inherent in the services or activities.

**CONFIDENTIALITY :-** This principle requires the professional accountant to respect the confidentiality of information acquired as a result of professional and employment relationships. He shall be alert to the possibility of inadvertent disclosure, including in a social environment, and particularly to a close business associate or an immediate or a close family member. He shall not disclose confidential information acquired as a result of professional and employment

relationships outside the firm or employing organization without proper and specific authority, unless there is a legal or professional duty or right to disclose. He shall, under no circumstances, use the confidential information acquired as a result of professional and employment relationships for the personal advantage of the accountant or for the advantage of a third party. A professional accountant shall continue to comply with the principle of confidentiality even after the end of the relationship between the accountant and a client or employing organization. When changing employment or acquiring a new client, the accountant is entitled to use prior experience but shall not use or disclose any confidential information acquired or received as a result of a professional or employment relationship.

**PROFESSIONAL BEHAVIOR :-** This principle requires a professional accountant to comply with relevant laws and regulations and avoid any conduct that the accountant knows or should know might discredit the profession. He shall not knowingly engage in any employment, occupation or activity that impairs or might impair the integrity, objectivity or good reputation of the profession, and as a result would be incompatible with the fundamental principles. When promoting himself and his work, a professional accountant shall not make exaggerated claims for the services offered by, or the qualifications or experience of, the accountant. He shall not make disparaging references or unsubstantiated comparisons to the work of others.

It is, on the basis of all the above five principles, that whole of the New Code of Ethics has been based upon and while implementing these principles, the Code also identifies the following Threats that a Professional accountant can face while discharging his duties in day to day life:





The Professional Accountant shall undertake various safeguards created by the profession, legislation or regulation like: -

- Educational, training and experience requirements for entry into the profession.
- Continuing professional development requirements leading to enhanced and upto date professional competency.
- Corporate governance regulations.
- Professional standards.
- Professional or regulatory monitoring and disciplinary procedures.
- External review by legally empowered third party of the reports, returns, communications or information produced by professional accountant.

Before taking any professional assignment or an activity, the Professional accountant shall analyse the below mentioned flowchart and accordingly decide upon the acceptance or declining of the said assignment or activity:



Now lets look at the important changes that has been made in the New Code of Ethics (January, 2019 Edition) and the Existing Code of Ethics (2009 edition)

2009 Code	Revised Code
No such provision	Responding to Non-Compliance of Laws and Regulations (NOCLAR) in case of Listed Entities. <i>(Note-1)</i>
No prohibition on Taxation services to Audit clients	Restrictions on Taxation services to Audit clients <i>(Note-1)</i>
No such provision	Prohibition on Management Responsibilities to the audit clients
Recommendatory 40% restriction on Fees from an audit client	15 % restriction on Fees from single client – only if it is consecutively for 2 years – and duty only to communicate TCWG. <i>(Note-1)</i>
No such provision	Duty of Accountant in case of unintentional breach of Independence Standards
Independence for Assurance Engagements	Independence requirements for Audit and Review Engagements and other Assurance engagements differentiated
No characterization as Standards	Independence sections re-characterized as “International Independence Standards”
Use of “Should”	Change in the drafting conventions e.g. “should” to “shall”
No such restructuring of Sections	New pattern of structuring of sections – Requirements distinguished
Lack of clarity for each entity	Increased clarity of responsibility for compliance - Firms, network firms, individuals within firms





**Note-1** – In view of the current Covid-19 situation, these provisions in the New Code of Ethics has been deferred till further notification by the Council of the ICAI.

### **HIGHLIGHTS OF CHANGES IN PART-B (VOLUME-II)**

As already mentioned in introductory paragraphs, the New Code of Ethics has been divided into two Volumes, Part-A as Volume-I and Part B as Volume-II. Part B deals with the Ethical and professional regulation provisions as per Domestic environment and scenario. In comparison to the PART-B of the existing ICAI Code of Ethics, 2009 edition, following important changes has been made in the New Code of Ethics, 2019 edition :-

- Changes in section 2 and 25 due to Chartered Accountants (Amendment) Act, 2012 in respect to the definition of MEMBERS IN PRACTICE and provisions of Corporate form of Practice, respectively.
- Numbering of all provisions on the basis of Chapter number.
- under Self-Regulatory measures.
- Changes due to revised requirements of Part-A of Code of Ethics (2019) , especially in commentary to Section 2(2), Clauses (8) of Part-I of First Schedule, and (1) of Part-I Second Schedule to Chartered Accountants Act, 1949, as also Regulatory measures dealing with Deemed Member in Practice, Communication with the Previous Auditor and Disclosure of certain information about the client by the Previous Auditor to the new Auditor.
- Changes due to new Companies Act, 2013, especially under Clause (9) of Part-I of First schedule to The Chartered Accountants Act, 1949 in relation to the compliance of provisions of Sec 139 and 140 of the Companies Act, 2013 in respect to the Appointment of the First Auditor and subsequent appointment of the New Auditor.
- Revised Auditing and Accounting Standards – corresponding changes in Chapter 1 of the Code of Ethics, Commentary under Clause (8) of Part-I of First Schedule, Clause (2) Part-I of Second Schedule, Clause (8) of Part -I of Second Schedule, Clause

(3) of Part-I of Second Schedule, Clause(9) of Part-I of Second Schedule, and elsewhere.

- Disciplinary Case laws from 2009 till 2019 with commentary to sections and clauses to two schedules being incorporated separately as “Case Laws Referencer” (Volume-III).
- References of amended Chartered Accountants Regulations, 1988.
- New clarifications and decision of Courts in commentary u/s 7.
- **New additions in Guidelines for Management Consultancy and other services to allow Tax related consultancy as an ancillary part of other specified services and also to include Insolvency services and providing Non-assurance services to Non-Audit clients to be charged fee on certain percentage basis.**
- New clarifications and changes in commentary to Clauses (6) and (7) of Part-I of First Schedule, based on new exemptions and prohibitions of advertisement and solicitation, including, **but not limited to :-**
  - (a) Listing on Aggregator based websites not permissible;
  - (b) Commentary on tenders to include Notification and further developments on tenders;
  - (c) Further elaboration on the purview of “Minimum Fees” in Tenders;
  - (d) Directory Guidelines revised.
- Advertisement Guidelines to include Website Guidelines.
- Affiliation with a Network registered with ICAI may be mentioned in an advertisement.
- Passport style to be the criterion instead of passport size photograph.
- “Social Networking Sites” included in the definition of “write-up”.
- Networks other than those registered with ICAI not permissible.



- For size of sign board, appropriate visibility and illumination to be additional criteria.
- New valid proofs of delivery under Clause (8) of Part-I of First Schedule to include Communication through E-mail address registered with the ICAI in member's record.
- New Appendices – List of auditing and Accounting Standards applicable of date, Guidelines for Corporate Form of Practice, CA Logo Guidelines, for Corporate Form of practice, Notification on UDIN and Disciplinary Flow charts.
- **A statutory auditor of a Company cannot be its internal auditor applicable to all entities.**
- Further elaboration of definition of Director Simpliciter.
- **Guidelines on HUF for business incorporated.**
- **New Services decided under Regulation 192 to include fee on percentage basis to be allowed in case of providing Insolvency Services and Non-assurance services to Non-Audit clients.**
- Revised situations of conflict of interest under Clause (4) of Part-I of Second Schedule based on new Companies Act.
- Changes in the chapters VI and VIII of Council General Guidelines in limit of Tax audits and Company audits respectively regarding giving free hand to the CA Firm to distribute the number of Tax Audit assignments between the partners in what so ever manner they deem fit and to exclude One Person Company and Dormant Companies Audit from the total allowable specified number of Audit Assignments in a year by a Member in practice.
- Other situations of conflict of interest based on council decisions under Clause (4).
- Under commentary to Clause (9) of part-I of Second schedule, new compliance for Generally Accepted Audit Procedure.
- Chapter IV of Council General Guidelines, 2008 being repealed due to duplicity with definition of "relative" as appearing under Appendix.
- **Limit of indebtedness revised to Rs. 1 lakh in case not mentioned in Statute in Chapter X of Council General Guidelines, 2008.**
- Objective of ESB be aligned as per IESBA and Terms of Reference of ESB to include formulation of ethical standards and to review the terms of reference at every two years.
- Online transfer of Fees of Rs. 1000/- be allowed for filing a complaint of unjustified removal of auditors, and requirement of filing papers in hard form dispensed with.
- For Council / Regional council members - Last highest position held in ICAI (as an elected representative) on his visiting card , provided it is without ICAI emblem and the visiting card is of individual member only, and not of CA Firm, where in he may be the partner.

As evident from all the above changes made in the PART-B (Volume-II) of the New Code of Ethics, it is evident that the ICAI has made many changes in the domestic provisions which are now in sync with the current legal, regulatory and commercial environment. Some of the above changes has made the compliance stricter and at the same time some other had been relaxed in order to provide more liberty to the Members within the over all Principles of the Code as discussed above in the article. The New Revised Code of Ethics, 2019 has been implemented w.e.f. 01st July, 2020 with certain provisions kept in abeyance to be made applicable in future dates as per appropriate notifications by the Council from time to time.

**In the words of Mahatma Gandhi Ji**

**"Be the Change you wish to see in the world.."**

**Thank You....**





## 5 Tips to manage your finances post lock down



CA DAVINDER SINGH



**World** is never going to be same post COVID lock down , so do business. No one can say when this lock down shall be over. Not even Governments, scientists, astrologers . No one ! But the big question is how to survive and stay ahead post lock down ?

### Tip 1: Think Differently



For businessmen and professionals, it is time to fine tune their business model. Use your business working capital in stocks and not debtors. Strictly avoid doing sales on credit. By doing this, you may lose sales but cash shall not be lost. Just think differently in different direction, what others are thinking, you will find a way !

For those , who are in job sector, my tip is to start exploring self employment opportunities side by side. Post lock down , Job cuts or pay cuts shall be very common.

### Tip 2: Sit Tight on your Cash & Relax



The safest way to double your money in these times is to fold it over and put it in your pocket. Undoubtedly, cash shall be the kings of all times post lock down. Pay off your expensive debts immediately. If you are earning well, you shall be far ahead of others by cutting down your lifestyle expenses. Strictly don't invest in stock markets for sometime. Markets are deceptive and may plunge deeply. Keep calm and sit tight on your cash.

### Tip 3 : Look for an opportunity and seize when it comes.

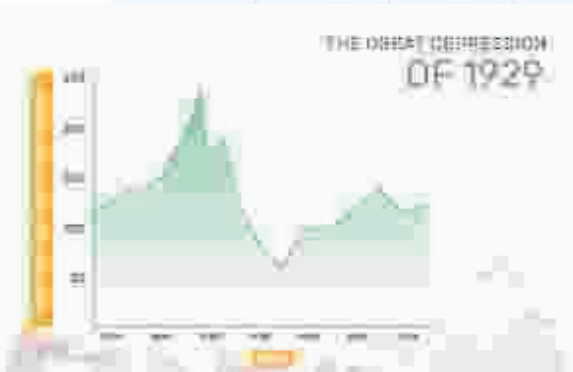


I should not say this but it is the truth. Due to numerous business closures and unemployment, the economy is bound to go southwards. Just look around and you may find some great opportunity in waiting. May it be a new business, business model, product line or investment opportunity. Inflation of essentials goods rises in recessions. But others things gets cheaper due to low demand. Investments in commodities which are easy to encash shall be very profitable. If you are looking for a new house , you may find lots of opportunities at good prices like never before . So is also true for stock markets and closed businesses.





### Tip 4 : Learn from History



4. Another important component of well planned and hedged portfolios could be Gold. Since Gold has already rallied more than 20% from its March lows, and the current scenario hints at further rise in Gold prices, due to potential rise in Inflation as economic activity picks up and the approaching Festival Season, we could see a further surge in Gold demand. Once again, the modes of investing in Gold need to be considered carefully, since each one has its own merits and demerits (one can invest in physical gold/ gold ETFs or Sovereign Gold Bonds)

### Tip 5 : Stay fit & Save on your Medical Expenses



Eat, Sleep, Repeat is certainly not good for us. Fear of possible job cuts or lower incomes may lead to depression bouts. Keeping ourselves mentally and physically fit is the need of the hour. I foresee a sharp rise in ailments. Saving money by defeating diseases is definitely a good idea. You must keep yourself medically insured. An unexpected illness may ruin your hard earned money and established business/job.

### The Last Word



- Expect stimulus from Government for banks.
- Expect more FDR interest rate cuts by RBI
- Expect a simplified GST compliance.
- Visualize/Study the economic scenario of India 25 years ago. Key to success lies there !



## INVESTMENT STRATEGY IN COVID 19 SITUATION



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At the Onset I pray to GOD that whatever I write here does benefit the readers

### IMPORTANCE OF LIQUID ASSETS IN CURRENT COVID 19 SITUATION

The Current Covid 19 Situation is a crisis, which None of us have never seen in our life time Humans are afraid of meeting Humans .Its a terrible situation. So I am writing This article keeping this factor in Mind It is said that always prepare yourself for the worst .The worst may never happen but Even if there is 1% chance of its happening , those who had prepared for it will pass Through the same victorious So Considering above statement I feel we should have liquid Assets to cover our Fixed Expenses for next 24 months. Generally the rule is to have this for next 3 months But in these special circumstances the rule is being modified by me Only those who have liquid money in the form of Cash, Bank balance, Gold etc to Cover their Expenses for next 24 months Should currently thing of Investing in stock market or even Mutual Funds

The fixed expenses means the following expenses

1. Rent or Emi of Residential house
2. Rent or EMI of office
3. Household expenses on basic necessities
4. Salary of the employees whom we cannot terminate
5. LIC and MEDICLAIM premiums
6. Household and Car Insurance
7. Children educational expenses
8. EMI of Education loan

The above list is Illustrative and not exhaustive. Those who have 24 months of these expenditure In the form of Liquid assets May opt of Investing in current scenario. Other should not go for Investment.

I will suggest those who don't have 2 years expenses in form of liquid assets to even stop Their future SIP .They should pay taxes and not invest in Tax savings at this juncture and increase Their Liquid assets to the level of 24 months

**Those who meet the Above criteria i.e who have money to cover their next 2 years expenses may Invest in stocks or Gold as described below**

### INVESTMENT IN STOCK MARKET IN COVID SITUATION

What history tells us is about Spanish flu of 1918 is somewhat comparable with The current crisis

The Spanish flue lasted for two years but the maximum impact was from Oct 1918 To Dec 1918.

The detail can be read in following link

<https://www.history.com/news/spanish-flu-second-wave-resurgence>

The world war 1 which started in 1914 was also going on and ended in 11 Nov 1918 and Spanish flue Peaked in Dec 1918

So the Intervening period from 1914 to 1918 can be somewhat correlated as even Currently the World is passing through cold war against china The Dow Jones behaved in following manner at that time.

YEAR	DOW INDEX
.Jan 1917	2244
.Jan 1918	2019
.Jan 1919	1461
.Jan 1920	1252
.Jan 1921	1384
.Jan 1922	1027
.Jan 1923	1233
.Jan 1924	1489
.Jan 1925	1415
.Jan 1926	1785
.Jan 1927	2164





So from the above we can see that the stock market fell 50% after Spanish flu and world war Started. But later made a sharp recovery and went to previous level in 1926.

If this phenomena repeats then one thing is certain current market is buy on dips market with holding time horizon of 5 years or more.

I INVEST ONLY AND ONLY IN MNCs SHARES LISTED IN INDIA AS THEIR PAST RECORD FOR LAST 30 YEARS IS FABULOUS.

### MY INVESTMENT ATTITUDE

I invest with a mindset to become partner in these companies

For me Shares are Like Capital of Partners in a Balance sheet

And its not a Liquid Assets but a Fixed Asset. I will sell My shares

Only when I sell my Real estate. This is also the Mindset of

All the successful Investors

So before buying a share I think 1000 times but after buying it

My mind knows it's a fixed asset now and will never be sold

For example say I buy 1 share of Bata .It is around Rs 1300/- today

My investment has the following parameters. No Stop Loss No target

If Bata goes down to say zero I will still hold it so long as the Parent MNC company is holding it My investment is just Rs 1300 and their Investment is Billions of dollars. They will do everything To save their Billion of dollars and I will be saved automatically Now let us suppose Bata goes up to Rs 13000 in next 10 years. I will still not sell as the Parent MNC company is holding it

So I Invest with this attitude and that too only In MNC shares

There is no stop loss and no Target as I am the partner .Will Mr Ratan Tata keep A target or stop loss for His holding in say Titan. So when I buy shares My attitude is like that of the partner and I suggest all to follow this otherwise You will sell the shares in profits and buy the ones in losses and in the long run You will have chuck of donkeys with you and all the horses would have been sold Why I invest in MNCs shares despite being a very Patriotic Indian has a very solid Reason The experience of Indian promoted shares have been very bad with me Only 25% of Indian promoted companies have given excellent return While 90% of MNCs have given an excellent return So the chance of buying a wrong share gets reduced drastically if one invests Only In MNCs shares There are Hundreds of Shares in Indian stock market like below following who have ruined Investors in Past 30 years Out of this Investors Killer shares Only two or three were multinational Like Vodafone, Daewood Motors, Swogas energy food in last 30 years The following is the link of list of Investors killer shares.

<https://m.economictimes.com/markets/stocks/news/top-wealth-destroyers-a-dozen-lose-over-90-market-value-in-a-year/articleshow/71572994.cms>

Reliance Infrastructure	582.5	22.2	-93.3	-96.1	19,174.3	-2,426.8
Dewan Housing Finance	663.7	21.2	-92.8	-92.6	12,799.8	-965.9
Reliance Home Finance	158.1	3.3	-92.7	NA	1,959.9	67.4
Reliance Power	589.1	2.1	-92.5	-95.5	8,201.3	-2,951.8
Manpasand Beverages	89.5	7.8	-92.2	-97.8	948.5	100.0
Sintex Plastics Tech	159.6	2.5	-91.7	NA	4,711.0	94.3
Jet Airways	222.1	19.6	-90.3	-95.7	24,510.7	-636.5
Arvind	1,107.5	42.8	-87.0	-87.6	7,142.2	228.4
Coffee Day Enterprises	842.9	39.9	-84.1	-82.3	4,264.5	147.2
Yes Bank	10,099.4	39.6	-83.9	-84.2	29,623.8	1,709.3
Simplex Infrastructures	228.9	40.0	-81.1	-88.3	6,117.2	122.3
SORIL Infra Resources	289.6	92.0	-79.9	-41.8	150.6	14.0
Eveready Industries	306.4	42.2	-79.8	-83.6	1,506.6	47.8
Kushal	212.6	8.6	-79.3	-91.9	896.0	51.2
HEG	3,446.4	892.9	-79.0	419.9	6,592.8	3,026.2
Jain Irrigation Systems	724.7	14.6	-78.2	-84.3	8,576.9	239.1
Indiabulls Integrated	810.0	90.7	-77.7	303.8	170.9	78.1
SREI Infrastructure Fin	382.4	7.6	-77.6	-89.5	6,473.4	486.9
Indiabulls Housing Fin	8,976.4	210.0	-77.5	-74.5	17,019.6	4,090.5

This means 99% of the Investors Killer shares were promoted by Indian promoters. So this is the Reason why I invest in MNC shares only.

In the end I would like to say that One should not **invest more than 25% of his assets in stock market**





## A) INVESTMENT IN GOLD

It is always being a GOD for Investors. The word GOD and GOLD Resembles. I feel L letter between GOD AND GOLD stands for LAKSHMI MAA

I feel that everyone should invest their 25% savings in Gold and the reason is obvious .I am big fan of Investing in US Dollars but am Not allowed to do so In India. By Investing in Gold I am indirectly Investing in US DOLLARS also

You will be surprised to Know that Gold price was 470 US dollars In 1915 and now in 2020 it is 1774 USD It means those in USA who invested in Gold got just 4 times return in 100 years While in India the Gold price in 1915 was Just Rs 100 and now it Is Rs 48000 which mean a return of 480 times compared to just 4 times in USA. The reasons is the Rise in prices of USD .Indian rupee was stronger Than USD in 1915 Now the USD is much stronger and Rs 75 equals 1 USD

In the end I pray to God that the Corona Crisis goes away soon and we all are back to normal Times

JAI HIND





## Romance with Risk (Investing in Equity Market in COVID-19)



**CA NITISH KALIA**  
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### Warren Buffett

**“Risk comes from not knowing what you're doing”-**

Everyone is looking for quick and easy way to riches and happiness. It is frail humanity to constantly search for hidden keys for making money without much hardwork. It is challenging to make profits in Indian equity market, and at the same time maintain proper accounting records of the transactions.

A healthy capital market narrates the growth story of country's economy .The equity market by their nature are volatile and will remain so. We can't change that but we can definitely change our behavior and temperament which is more important for generating returns. The most important issue currently faced by Indian investor (be it through direct investment into equities or equity oriented mutual funds) is what should be the strategy going forward.

Given the current uncertainty, it is likely markets may continue to remain subdued& in corrective mode due to COVID-19 and lockdown. However in this uncertain environment the chances of finding bargains would go up as well. This market, like many times in past would reward investors who will demonstrate the ability to digest the near term volatility, invest with long term view and manage one's temperament well.

If you run 10 km every day, you could, perhaps, maintain your body weight or, at best, reduce your weight by, say, 5 kg. But stop running for two months and you would gain 10 kg. Notice the adverse relationship. You do not lose much weight when you run, but you gain more weight when you stop running. In other words, you have to apply more effort to achieve a positive outcome, but a

negative outcome comes easily. A similar relationship exists in the market. Suppose your equity investments declined from 100 to 75 during the recent market crash. Note that a 25% unrealised loss requires a 33% gain to recover the losses (25 upon 75). In addition, your investment has to generate positive returns to justify your decision to buy equity instead of investing in bank deposits.

You may argue that the market can gain 33% just as easily as it lost 25%. That is not necessarily true. Fear is at least twice as powerful as greed. This means that it takes less time for the market to decline than it takes for it to go up. Remember, the market rose between April 2003 and January 2008, but lost 65% in the subsequent 10 months. (Economic times dated June 15, 2017) Thereafter, it took another two years to recover the losses and an additional five years to generate significant positive returns.

CA's by virtue of their professional assignments and practical training experiences, are better updated with emerging trends in capital markets. With risk profile of different investment products in know-how, we can help our clients in informed decision on making investments on the basis of the Risk adjusted returns. CA's may be playing an important role in this, as retail investors are trusting CA's for their financial acumen. So let us realize our potential and be a partner in sustainable growth of economy. ICAI through its committee on capital market & investor protection has been organizing Investor awareness Programmes under aegis of Investor Protection and Education Fund(IEPF) of Ministry of Corporate Affairs. The need of the hour is to recognize our inherent strengths and utilize them to the good of the nation.



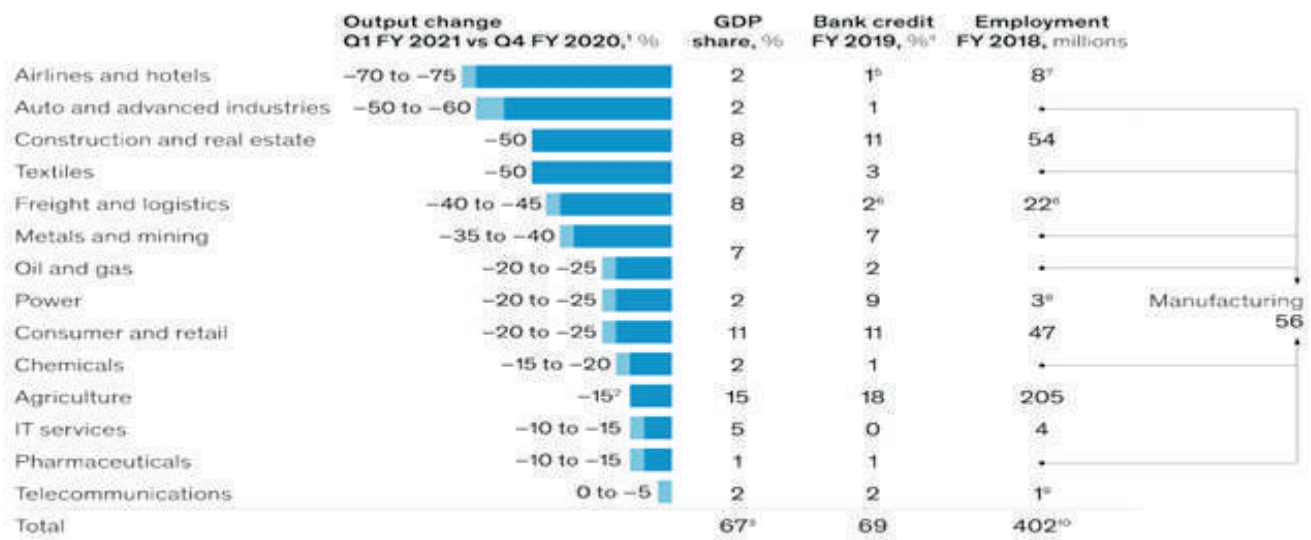
Our economy is going through choppy water, as witnessed savings are down, more than 8% over the last decade. (Economic times dated April 29, 2020) Growth cannot happen without money, COVID-19 lockdown will have long lasting effect not only on corporates, but on individuals as well. Many companies are migrating out of China due to LAC and moreover (Aatmnirbhar : Self Reliant may be a game changer).

Few points to be kept in mind while making investments:-

- ❖ Invest only with surplus funds
- ❖ Diversify Your Investments
- ❖ Set Long Term Goals
- ❖ Understand your Risk Tolerance
- ❖ Control your emotions
- ❖ Invest Early & Keep informed about your venture

While dealing in the equity markets you have to gauge:

### Potential Impact on Key Sectors



Note: GDP share, bank credit, and employment estimates are rounded up.  
<sup>a</sup>Pre-COVID-19 Q4 FY 2020 estimates used; output compression dynamically revised with new inputs. <sup>b</sup>Q1 FY 2021 vs Q1 FY 2020, given seasonality.  
<sup>c</sup>Remaining sector share of GDP mapped to related NAS sectors; separate assumptions made for sectors such as community, social, and personal services.  
<sup>d</sup>100% = non-retail bank. <sup>e</sup>Only hotels, restaurants, and entertainment. <sup>f</sup>Includes airlines. <sup>g</sup>Only hotels and restaurants. <sup>h</sup>Includes power and other utilities.  
<sup>i</sup>Includes media and entertainment. <sup>j</sup>Does not include employment in financial services, public administration, other professional services, education, healthcare, and others.  
 Source: Expert interviews; Indian Ministry of Statistics & Programme Implementation; National Account Statistics; PLFS 2018; RBI; press search; McKinsey survey of >600 senior executives in 100 companies operating across a variety of sectors in India; McKinsey analysis.

#### Some Gainers

- Telecommunication
- Healthcare & Pharma
- IT & Digital
- Agriculture
- Chemicals
- Insurance
- Secure Banks
- Consumer staples

#### Some losers

- Travel
- Hotels and Restaurants
- Cinemas and Malls
- Autos
- Real estate
- Textiles
- Leveraged financials





It is important to understand that the market works in cycles. Each sector has a time of ebb and rise. There are emerging trends due to new technologies, new developments and socio-political changes and investors have learnt about these on their own. One must avoid decisions based on a pattern that probably does not exist and merely represents investor behaviour.

If you are generally a smart person, then there will be Tons and Tons of Opportunities. Here is the thing that R.K. Damani said.-“The Best time to invest is today. The opportunity of the last 30 years will be dwarfed by the opportunity of the next 30 years”.

K.V. Kamath sees the domestic economy expanding, “which means that domestic companies will have a large space to operate as India is a very large market as we head towards the \$5 trillion economy.”

- According to him, India will grow at double-digits for a very long period of time. By this he means upwards of a minimum 10-15 years.

- Given the government's stimulus measures and Reserve Bank's interest rate cuts, he expects growth to return. But warns that the momentum of growth needs to be maintained.

- “The economy will experience a little bit of pain but will come out of it – the country is going to see shallow 'U' shaped recovery,” he stated.

- He called on banks to work with the government and RBI to ensure that the low interest rate climate endures.

- The Centre could consider a moratorium of longer nature, maybe a one-time moratorium, he said.

- On fiscal deficit, he said, “In this new normal, we need to put concepts like deficit on hold.”

Investing is a skill honed by experience and patience. Coronavirus outbreak is a case in point. The unprecedented disruption caused by the pandemic has taught that it takes courage and discipline to be smart investor and there is no playbook to fall back on. While such black swan events have a strong short-term impact, in the long term, patience always win. The people who lose are those who try to time the market. One of the most important part of investing is the ability to find good stocks, knowing what works in the market and finding the right path to investments comes with experience.

“Be Fearful when others are Greedy, Be Greedy when others are fearful” – **Warren Buffett**





## Key Audit considerations during Covid-19



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**Threats and considerations, gleams a light on numerous areas that auditors are required to focus on during crisis.**

Covid-19 hasn't stopped Audit. But we really need to focus on what the practical challenges are, and what needs to be considered while dealing with them. Our Profession has already travelled some way down the road to imbibing digitally transformative processes ahead of the Covid-19 crisis.

### **Key Areas**

Here are eight major areas where auditors need to consider, or reconsider, how their work has been or will be affected by the pandemic. The areas are:

- Risk assessment procedure
- Auditor's response to assessed risks of material misstatements
- Audit evidence
- Accounting estimates
- Subsequent Event
- Going concern assumption
- Modifications to the audit report opinion
- Emphases of matter para in the independent auditors report.

Audit evidence is high up on any auditor's list of concerns as Stock taking will be more challenging, and auditors may not be able to physically observe the process. Everything will need to be accessed remotely and electronically – some audited entities will be able to cope with this, but others might not.

Accounting standards of particular relevance are highlighted below:

- **SA 315 (Revised): Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment.**

Covid-19 require auditors to reconsider their risk assessment and the proposed response to identified risks. At the same time, Covid-19 is likely to be a 'triggering' event, requiring more frequent impairment testing and greater skepticism.

- **SA 330: The Auditor's Responses to Assessed Risks**

Covid-19 in many cases will require auditors to consider if the design and implementation of their responses to the identified risks is still relevant or needs to be revised.

- **SA 500: Audit Evidence**

Where it is not possible to obtain sufficient appropriate audit evidence regarding the existence and condition of inventory by performing alternative audit procedures, auditors will need to consider the implications for their audit opinion.

- **SA 540 (Revised): Auditing Accounting Estimates and Related Disclosures.**



Auditors should remain skeptical when assessing management's judgments, however uncertainty and Covid-19 create challenges for management.

- **SA: 560 Subsequent Events.**

As Indian Financial Year ends on 31st March. The situation at 31 March 2020 was that number of cases of Covid-19 was surging already in India and it was at peak in many European Countries and there was explicit evidence of human-to-human transmission at that date. Full lockdown of 2 months was also implemented on 25th March and it is therefore an adjusting event.

- **SA 570 (Revised): Going Concern**

Going concern is probably the most challenging area for both management and auditors because of the uncertainty caused by Covid-19. It is management's responsibility to assess whether the going concern basis for accounting is appropriate, and for auditors to obtain sufficient appropriate audit evidence and conclude on the appropriateness of management's use of the going concern basis.

- **SA 705 (Revised): Modifications to the Opinion on the Independent Auditor's Report**

The uncertainty caused by Covid-19 and the challenges that auditors are currently facing in obtaining sufficient appropriate audit evidence could result in modifications to the auditor's opinion.

- **SA 706 (Revised): Emphasis of Matter Paragraph and Other Matter Paragraphs in the Independent Auditor's Report.**

The uncertainty caused by Covid-19 is likely to result in many auditors having to include an emphasis of matter or other matter paragraph in their report highlighting the uncertainty caused by Covid-19.

The auditor's opinion para will be an area of scrutiny. While auditors will not want to give qualified opinions 'just to be on the safe side', there will be some issues, such as opinions on going concern or the impracticability of observing stock counts, that will create difficulties for auditors.

### Summary

Auditors need to monitor the current and potential effects that COVID-19 will have on their financial reporting. Timely and meaningful disclosures about the potential effect on the financial position, performance, and viability of the company, as well as measures taken to manage risks, are important to establish trust on financial reporting.



## MEMBER AT THE HELM OF AFFAIRS



### CA DAVINDER SINGH

Rotary International Governor

(Punjab, Himachal, Jammu, Kashmir & Laddakh)

Elevated Rotary International Governor....



## CA DAY CELEBRATIONS



*Happy National  
Chartered Accountants' Day  
2020*

