



The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)

Thrissur Branch of SIRC of ICAI

Issue 5: pages 1-12 E-news letter June 2020

**UNLOCK
INDIA**

Chairman's Message



As has been reported, the smooth flow of functioning of our offices

has been severely affected due to the ongoing pandemic situation. Our offices are less busy compared to the corresponding period in earlier years. The authorities have extended the time limit for various statutory compliances. So we can use the situation for our advantage in a different way by spending more time for knowledge updating.

According to Benjamin Franklin, famous American Polymath, "an investment in knowledge pays the better interest". There is no substitute for knowledge. Our "Acts" are getting amended, "Rules" are changing fast, and technology is getting upgraded very frequently. In addition to the above, the expectation of various stakeholders from us is increasing day by day. The ICAI president in his last online meeting with all the branch chairmen had informed us that the Disciplinary Committee has been strengthened in order to ensure that all disciplinary proceedings are disposed off within one year. The new Code of Ethics is coming into effect on 1.7.2020. Ignorance and lapse can very easily be depicted as fraud. All the above make it imperative that a CA should revamp his knowledge and sharpen his skills very frequently.

We are planning a series of webcasts on relevant topics in the next two months. Also members are requested to make use of the digital learning hub available in the ICAI website.

In the month of May the branch conducted 4 CPE Virtual seminars. On 4/6/2020, CA Petchi Thangavel spoke on new Code of conduct. On 9/6/2020, we conducted a VCM on "company audit 2019-20 an update" and the faculty of that program was our immediate past chairman of SIRC CA Jomon K George. On 19/6/2020 we had another program on "Penalties Under Chapter XXI of Income Tax Act" by our own member CA N V Mahadevan. On 26/6/2020 we conducted another VCM on "Information Technology Security Issues in connection with Remote Audit" by our member CA Jijil Kumar M J. All the programs were attended by members in large numbers. I thank members for their support.

During the month we could start a new batch for foundation for November exam. In total almost 300 students have joined for online foundation course. We are also in the process of commencing a batch for intermediate for May 2021 exam. Also we started regular classes for Group II for final course.

To conclude, all members are once again requested to join the VCMs of our branch. Suggestions from your side on any topic/faculty are always welcome.

Jai ICAI

Jai Hind



Dear members,

India is unlocking to normal life, people believes in themselves and the social health security and started to entering into normal life, of course a normal life

In This issue our our branch's past chairperson CA Silpa Ramdas discusses about the amendments in Section 194 N cash transactions. Our young member CA Mini chandran analyses the auditing and scandals especially in the context of recent bank frauds.

Young promising orthopedic surgeon introduces us to the most modern development in medical technology , medical 3D printing.

Stay safe , stay healthy

Wish you all the very best.

CA. Jeen Paul

News letter in charge

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SECTION 194N- TDS ON CASH WITHDRAWALS



CA. Silpa Ramdas, FCA, DISA, DIRM(ICAI)

Section 194N was introduced by the Central Government to discourage the cash transactions in the country and to promote the digital economy. As of now, we all know the significance and relevance of digital transactions where all physical transactions are subject to various restrictions.

Section 194N was introduced in the Union Budget 2019 with effect from September, 2019 and this was further amended vide clause 84 of Union Budget, 2020. The amended provisions are applicable from 1st of July, 2020.

As per this section TDS has to be collected on cash withdrawals over and above Rs 1 crore. The budget 2020 has reduced the threshold limit for TDS to Rs 20 lakhs for taxpayers who have not filed their income tax returns for past three years.

DEFINITION AND SCOPE:

This section applies to-

sums of money/
aggregate of sums/
WITHDRAWN in CASH/
by a recipient/
in a financial year.

WHO IS LIABLE TO DEDUCT TAX:

Every person being;-

- a banking company to which the Banking Regulation Act, 1949 applies (including any bank or banking institution referred to in section 51 of that Act);
- a co-operative society engaged in carrying on the business of banking; or
- a post office,

who is responsible for paying any sum, being the amount or the aggregate of amounts, as the case may be, in cash exceeding one crore rupees during the previous year, to any person (herein referred to as the recipient) from one or more accounts maintained by the recipient with it shall, at the time of payment of such sum, deduct an amount equal to two per cent of such sum, as income-tax:

WHO ARE THE RECIPIENTS:

TDS deduction on cash withdrawal u/s 194N is applicable to all taxpayers including;

- An Individual
- A Hindu Undivided Family (HUF)
- A Company
- A partnership firm or an LLP
- A local authority

An Association of Persons (AOPs) or Body of Individuals (BOIs)

WHEN TAX SHALL BE REQUIRED TO BE DEDUCTED:

TDS under Section 194N tax shall be required to be deducted only when the aggregate amount of cash withdrawal during the previous year by a person from one or more of his bank or post office account, as the case may be, exceeds Rs. 1 crore. Further, the tax shall be required to be deducted only on the amount exceeding Rs. 1 crore.

If you have multiple accounts with the same bank, then the total amount of cash withdrawn will be considered for TDS deduction. However, if you have multiple accounts with different banks, then the TDS limit for each bank will be Rs. 1 crore.

WHEN TAX SHALL NOT BE REQUIRED TO BE DEDUCTED:

No tax shall be required to be deducted if cash withdrawal from bank or post office is made by the following recipients:

1. Central or State Government
2. Banks
3. Co-operative Banks
4. Post Office
5. Banking correspondents
6. White label ATM operators
7. Other persons notified by the Govt. in consultation with the RBI.

RATES OF TDS:

The TDS rates are as shown in the following table:

IF THE RECIPIENT HAS REGULARLY FILED INCOME TAX RETURNS FOR THE PREVIOUS 3 A.Y.s		IF THE RECIPIENT HAS NOT FILED THE INCOME TAX RETURNS FOR ALL THE PREVIOUS 3 A.Y.s AY [2019-20,2018-19,2017-18] relevant to PY [2018-19,2017-18,2016-17]	
WITH-DRAWAL FROM 20L TO 1CR	WITH-DRAWAL EXCEEDS 1CR	WITH-DRAWAL FROM 20L TO 1CR	WITH-DRAWAL EXCEEDS 1CR
0%	2%	2%	5%

PROVISO TO SEC. 198 :

As per the second proviso to Section 198; the sum deducted in accordance with the provisions of sec194N shall not be deemed to be income received for the purpose of computing the income of the assessee.\

APPLICABILITY OF SEC.206AA:

The provisions of Section 206AA; the consequences if PAN is not furnished to the deductor is applicable for Sec. 194N also. So if the PAN of the recipient is not available; the payer shall deduct TDS @20% under section 194N form withdrawals exceeding Rs.

20Lakhs in a Financial Year.

Author is a member of the institute and past chairman of Trichur branch of SIRC of ICAI.



CA. MINI CHANDRAN

Audits and scandals....

Series of bank scandals in a row and more to add....

Headlines flashed on March 8th 2020-

Spotlights on 'YES BANK' in the early dawn hours

The Enforcement Directorate arrested Yes Bank founder Mr. Rana Kapoor under money laundering charges in the wee hours of Sunday, March 8th, 2020. The CBI also arrested promoter of Dewan Housing Finance Limited (DHFL), its promoter Kapil Wadhawan and Do it Urban ventures (India) Limited on charges of criminal conspiracy, cheating and corruption under relevant sections of Indian Penal code and Section 7, 12 and 13 of the Prevention of corruption Act. It is alleged that Mr. Rana Kapoor extended financial assistance to DHFL to get substantial undue benefit for himself and his family members via companies held by Kapoor and his family. Allegations against Mr. Rana Kapoor and Mr. Wadhawan are that

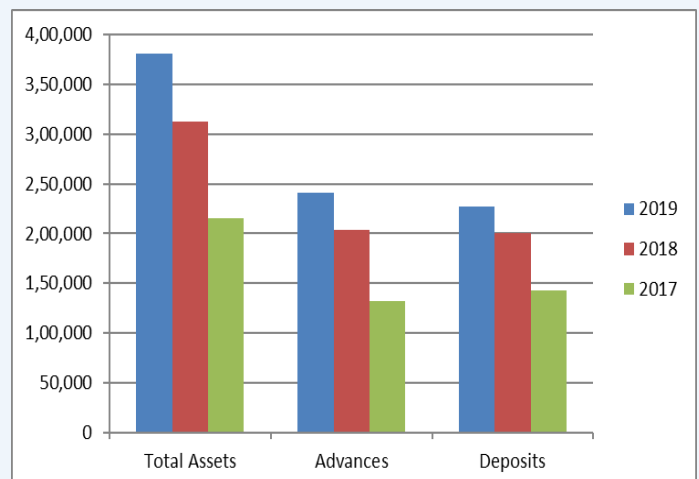
during April to June 2018, Yes bank invested Rs. 3700 crores in the short term debentures of DHFL and eventually the loan turned into a non performing asset. In lieu of the loan DHFL paid kickback worth Rs. 600 crores in the form of loans to Do it Urban Ventures, a company owned by Mr. Rana Kapoor and their daughters.

The veil was lifted in 2017 when RBI said that its bad loans were more than the bank had divulged. Following an inspection RBI denied an extension to its founder and CEO, Mr. Rana Kapoor.

In spite of this, evaluation of financial statements of Yes Bank for the financial year 2018-19 shows a rosy picture.

The corporate overview shows:

1)



	2019	2018	2017
Total Assets	₹380,826 crores	₹312,446 crores	₹215,060 crores
Advances	₹241,500 crores	₹203,534 crores	₹132,263 crores
Deposits	₹227,610 crores	₹200,738 crores	₹142,874 crores

2) CASA Ratio

2019 – 16.5%

2018 – 18.4%

2017 – 17%

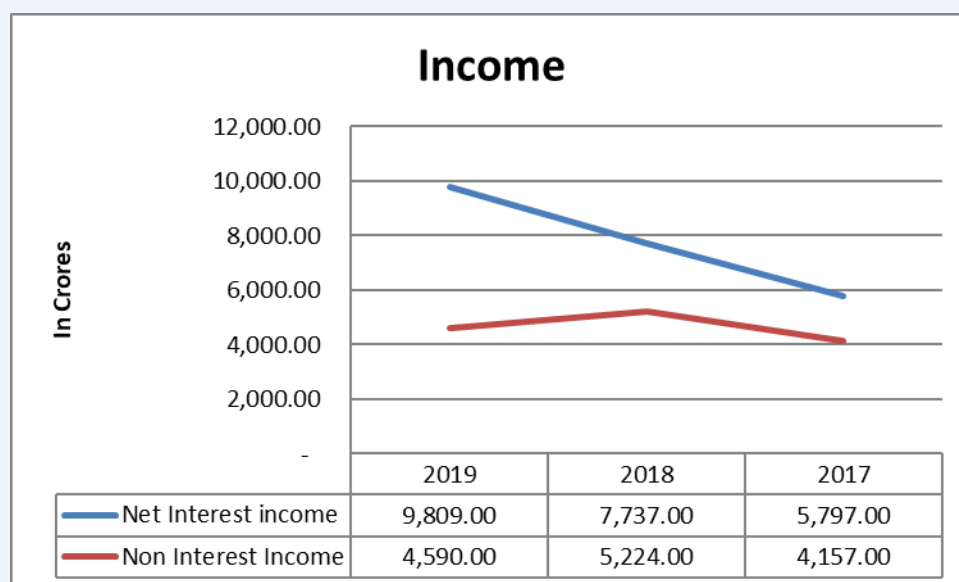
3) Shareholders funds

2019 – 33.1%

2018 – 36.5%

2017 – 36.3%

4)



5) Net Profit

2019 – ₹1,720 crores

2018 – ₹4,225 crores

2017 – ₹3,330 crores

6) NPA

	2019	2018	2017
Gross NPA	3.22%	1.28%	1.52%
Net NPA	1.82%	0.64%	0.81%

Whereas, the Capital adequacy ratio of Yes bank is 16.5% while that of State bank of India it is only 12.72 when the return on tangible assets of SBI stood at 219.91 and YES bank indicated return on assets of 116.22.

The contingent liability of Yes bank for 2019 was Rs.65,41,58.0198 crores and in 2018 it was Rs.58,18,29.639 crores against the total income of Rs.241,500 crores. Still the financial statements showed a clean report.

The Reserve Bank of India had directed all scheduled commercial banks to audit their SWIFT inter bank transactions to detect any anomaly or fraud.

The RBI had introduced the SWIFT audit guidelines after the Punjab National Bank crisis. The SWIFT platform -- the abbreviation for Society for Worldwide Interbank Financial Telecommunications -- and letters of undertaking (LoUs) are the two channels that were compromised by PNB employees to funnel money out of the bank into the accounts of the diamantaires Nirav Modi and his maternal uncle Mehul Choksi, the owner of the Gitanjali group of companies. It was misused by some officials at PNB to issue letters of undertaking (typically credit guarantees) to firms of the now-

tainted jeweller Nirav Modi and his uncle Mehul Choksi without making corresponding entries in the bank's CBS in a bid to escape tighter scrutiny, which led to the biggest fraud in the country's banking history. The RBI had initiated steps to learn from best practices and pinpoint strategies including tech solutions.

RBI introduced circular to cover SWIFT transactions in the concurrent audit system.

SWIFT is the acronym for **Society for Worldwide Interbank Financial Telecommunications**. They provide a platform allowing financial institutions to exchange transaction details in a secure and standardized manner. It has become utmost relevant that SWIFT audits should be given much prominence considering the wake of breaches in financial institutions over the past few years and embedded as part of the traditional audit. Cross-border transactions are facilitated through the SWIFT infrastructure that works on a system of codes. The SWIFT network provides a platform for participating financial institutions to exchange financial transaction/information that enables payments in a reliable, secure and standardised manner. Given the volume of transactions that go through SWIFT network on daily basis, which has been estimated to be about 15 million with value in hundreds of billions of dollars (USD), the need to ensure end-to-end transaction and data exchange security on SWIFT platform cannot be overemphasized. With growing and worrisome cyber attacks that were recorded on SWIFT network in the past, particularly in 2016,

SWIFT issued a new Customer Security Program (CSP) that provided control frameworks for securing SWIFT local infrastructure and operating environment by identifying 16 mandatory and 11 advisory/optional controls, which participating customers worldwide put at over 11,000 need to comply with and attest to for continued participation in the SWIFT global transaction messaging network.

The control framework was built around three objectives:

Secure operating environment

Know and limit access

Detect and respond to incidents

The seven core principles as highlighted below:

Restrict Internet access and Protect critical systems from General IT environment

Reduce attack surface and vulnerabilities

Physically secure the environment

Prevent compromise of credentials

Manage identities and segregate privileges

Detect Anomalous activity to Systems or Transaction records

Plan for incident response and information sharing.

The Swift audit fills the gap to validate the control effectiveness and security of the SWIFT local infrastructure and operating environment. The Class 3, 5 and 7 Bank audit is divided into two parts one is technological part and fi-

ancial part. The technological part is gaining importance with the proportion of increase of breaches. The Technological part is divided into two parts -Information Technology General Controls and Swift control. ITCE is further divided into COBIT and SSAE 16.

In the case of Yes Bank the financial statements was yet silent on the SWIFT architecture even though RBI had insisted SWIFT audit with retrospective approach from 2015 .

Practically the frauds are escalating in the past seven years. Around 291 cases are pending in Insolvency and Bankruptcy court which is contributed by State Bank of India only. Majority of cases is due to non operation of Swift architecture. It is high time that the audits be expanded to core areas as it is inferred from the precedent occurrences of series of frauds and breach of controls navigated to gore the pleasures of interested communities at the cost of a penny saved by a struggling naïve person. The role of the auditors are thus gaining prominence to demystify the incidences of fraud in SWIFT transactions.

Bank audit is generally divided into two parts- one . technological part and the other financial part. The technological part is gaining upper hand with the proportion of increase of breaches. The technological part is further divided into two parts -Information technology General Controls and Swift Control. The ITGE- COBIT 5-

Control Objective of Information technology , services. The principles of these reports are SSAE 16 and NIST.SSAE 16 is basically a gov- availability, protecting integrity, security, confidentiality and privacy.

The Service Organisation Controls is further divided into :

SOC1- Service organisation controls of own implementation of technological audit along with the financial part of the audit. It is only when there is a check on the controls in place

-internal control on financial reporting

-check on all information technologies of the number of breaches will dwindle. So that service organisation.

SOC 2- controls on leased assets.

SOC-3 -Web trust -primarily designed for e commerce transactions. System trust is designed for IT companies providing variety of

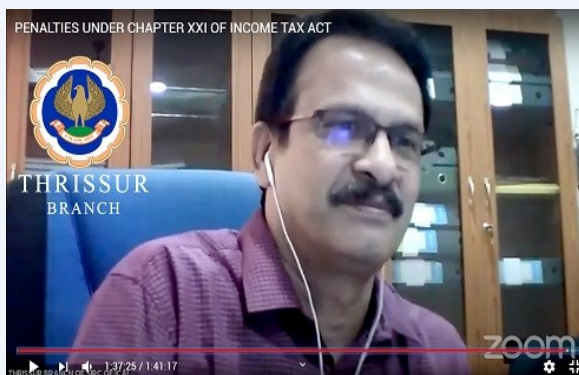
Thus for the better and safer banking auditors must be engaged with a well equipped set of skills. Thus focus is mutually required on the implementation of technological audit along with the financial part of the audit. It is only when there is a check on the controls in place the number of breaches will dwindle. So that no more Vijay Mallya, Nirav Modi take birth.



VCM on ETHICS BY CA PETCHI THANGAVEL ON 4-6-2020



VCM ON COMPANY AUDIT 2020 AND SOME COVID LESSONS BY CA JOEMON K GEORGE (PAST CHAIRMAN SIRC ON 9-6-2020

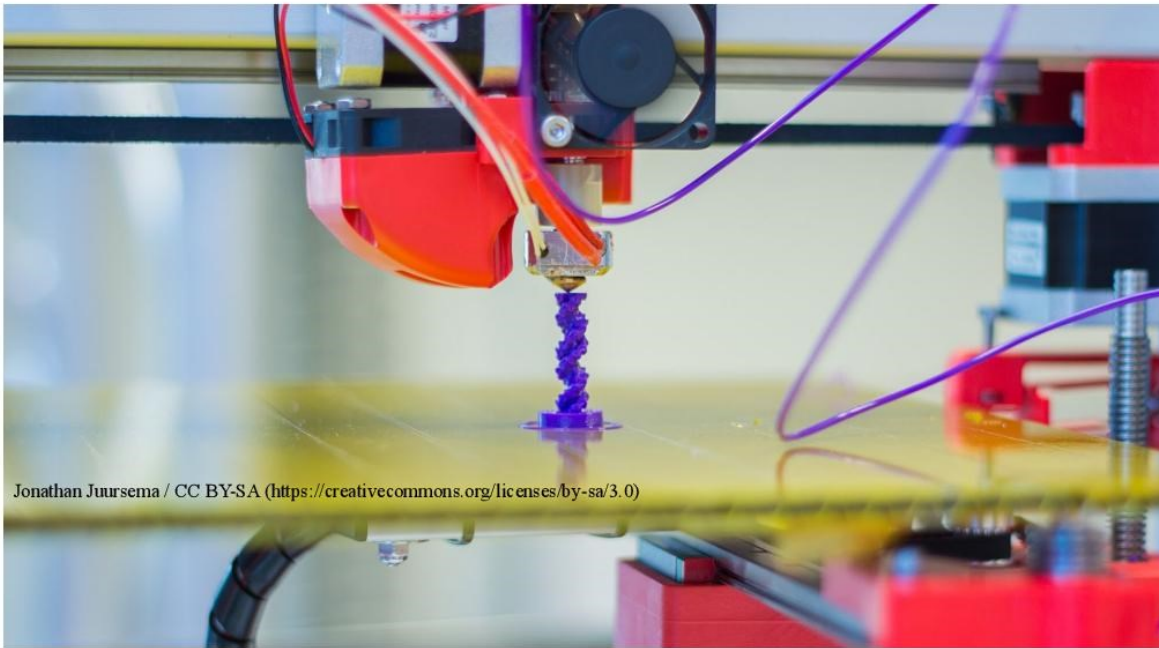


VCM ON PENALTIES UNDER INCOME TAX ACT BY CA MAHADEVAN NV ON 19-06-2020



VCM ON INFORMATION TECHNOLOGY BY CA JIJIL KUMAR M J ON 26-06-2020

Photo Gallery



Jonathan Juursema / CC BY-SA (<https://creativecommons.org/licenses/by-sa/3.0>)

Enter the world of Medical 3D printing era

Dr Kurian Alappatt

Founder quro3D.com,

Assistant Professor , Orthopaedics, Jubilee Mission Medical College & Research Institute.

As any professionals we do primarily two things. Understand the problem and then solve the problem. Defining the problem is so important so that it makes the solution more precise , error free and easier. Here I am going to talk about how 3D printing is helping doctors define and solve diseases.

What is 3D printing?

3D printing is also know as additive manufacturing. In our usual printing what happens is we scan a document and then print it out by a printer line by line. Here we scan an object and we print it layer by layer. We use a 3D scanner to scan the object and a 3D printer to print it layer by layer.

Mostly 3D printing is used by several companies for prototyping their products, to see how it appears and feels in their hands.

Medical 3D printing

In medicine we have been doing 3D scans for past 3 decades using CT scans and MRI scans. Hence for the medical 3D printing we already have the data when we take the scan.

The data can be used to extract the required 3D models of the anatomical structures. And then feed it to the 3D printer via a process called slicing. After the print, there will be post processing to remove the support parts .

Applications

There are various applications in 3D printing . Based on several requirements, these are the few important uses.

Pre Surgical Planning

Most of the imaging done for the fractures are seen in two dimensional screens , even though the body is in 3D. When there are some complicated fractures like fractures around the hip joint, 3D printing helps the surgeons to understand the fracture personality and also to plan the treatment. The surgeons get the 3D view of the fracture and get a tactile feedback. They can also calculate the screw length and the direction of the screw to be put before surgery. This can reduce the surgical time considerably. Also the 3D printed model can be shown to the patient and her/his relatives to explain the fracture.



Surgical Instrumentation

Based on the CT scan data, fracture specific instruments can be printed out , that can aid in reducing the surgical complexities.

Implants

When we buy dresses, we can buy either readymade or tailor made clothes. The tailor made will be more fitting to our body than the readymade clothes . The same can be applied when it comes to the implants we use for the patients. Using the 3D printing technology, custom implants can be tailor made specific to the patient , specific to the fracture.



Prosthetics

We can make custom prosthetic limbs for the amputees by 3D scanning the limb and making the prosthetics specific to the limb. The advantage is that the prosthetic limbs can be very cheap compared to the ones in the market

3D Bioprinting

Scientists have now started printing living organs using cells by using the 3D printing technology, also known as bioprinting. This can change the face of organ transplantation in the future. Organs like Ear, Cornea has already been printed and are in testing phase.

3D printing can revolutionise the medical field in the coming decades. Hopefully this technology can solve lot of problems in the medical field .