



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(Set up by an Act of Parliament)

**ORDER UNDER SECTION 21B(3) OF THE CHARTERED ACCOUNTANTS ACT, 1949 READ WITH
RULE 19(1) OF THE CHARTERED ACCOUNTANTS (PROCEDURE OF INVESTIGATION OF
PROFESSIONAL AND OTHER MISCONDUCT AND CONDUCT OF CASES) RULES, 2007.**

In the matter of:

CA. Raghuvir Mani Aiyar (M.No.038128)
[PPR/21/W/13/DD/35/W/INF/13/DC/541/17]

MEMBERS PRESENT:

CA. Atul Kumar Gupta, Presiding Officer,
Shri Rajeev Kher, IAS (Retd.), Government Nominee,
CA. Rajendra Kumar P, Member,
CA. Chandrashekhar Vasant Chitale, Member

1. That vide report dated 08.02.2018, the Disciplinary Committee was of the opinion inter-alia that **CA. Raghuvir Mani Aiyar (M.No.038128)** (hereinafter referred to as the “Respondent”) was **GUILTY** of professional misconduct falling within the meaning of Clause (9) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

2. That pursuant to the said report, an action under Section 21B (3) of the Chartered Accountants (Amendment) Act, 2006 was contemplated against the Respondent and a communication dated 14th May, 2019 was addressed to him thereby granting an opportunity of being heard in person and/or to make a written representation before the Committee on 30th May, 2019 at Mumbai.

3. The Committee noted that the Respondent was present. He appeared before the Disciplinary Committee and made his oral submissions on the findings of the Disciplinary Committee. He also submitted a handout of his oral submissions dated 30th May, 2019.

4. The Committee noted that oral and written representations made by the Respondent on the Disciplinary Committee report vide letter dated 14th May, 2018, 22nd May, 2019 and 30th May, 2019 can be summarized as under:-

4.1 As per the AS-18, the following disclosure is required:-



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i) Names of all related parties, ii) grouping all the parties in 6 categories, iii) aggregating transactions of similar nature such as sales, purchase etc. per group (and not per party) iv.) disclosure of material transactions separately per group. He has complied with all above.

4.2 That FRRB interpretation came in subsequent year in January, 2013 and that is after the date of the audit report signed in 2012. Reading in it the view of party-wise disclosure, it was submitted that said view would be followed prospectively (in future) in as much as change, if any, suggested cannot be retrospectively applied.

4.3 Merely because he had stated that “he would improve disclosure requirements in future as suggested by FRRB” an adverse inference of admission of wrong in the past is drawn. In the circumstances, when the issue arises merely from an interpretation, which is not material, the report must necessarily be quashed.

4.4 There was no element of professional misconduct proven beyond reasonable doubt in the matter. There have never been any instances of professional misconduct in firm’s existence.

4.5 The usage of word ‘May’ shows that the Committee is not obliged by law to take action on the guilty report.

5. The Committee considered the following reasoning (s) as contained in report, holding the Respondent Guilty of professional misconduct:-

5.1 It is observed by the Committee that the nature of transaction and volume of transaction is not adequately disclosed. Name of parties and its details are given separately in Schedule Y. In this respect the Respondent himself has stated in his written statement that as per FRRB’s views published in relation to disclosures made in the CA Journal of June, 2013, it was clarified that party wise disclosures has to be made by the auditors in their report. The Respondent also confirmed that he would improve disclosure requirements in future as suggested by FRRB. Thus, although the Respondent stated that he had followed Accounting Standard 18, the same is also not acceptable because as per Accounting Standard 18 Para 27, it has been stated that *“Disclosure of details of particular transactions with individual related parties would frequently be too voluminous to be easily understood. Accordingly, the items of a similar nature may be disclosed in aggregate by type of related party. However, this is not done in such a way as to obscure the importance of significant transactions. Hence, the purchases or sales of goods are not aggregated with purchases or sales of fixed assets. **Nor a material related party transaction with an individual party is clubbed in an aggregated**”*. From the above facts, it is apparent that the



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Respondent is Guilty of professional misconduct on this point falling within the meaning of Clause (9) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

6. The Committee considered the findings as contained in the Report along with oral and written representations of the Respondent.

7. Keeping in view the facts and circumstances of the case, material on record and written representation of the Respondent submitted before it, the Committee was of the view that although looking to the facts of the case, the misconduct on the part of the Respondent has been established, yet taking into consideration the fact related to disclosure given in the financial statement and as required under AS-18, the professional misconduct on the part of the Respondent does not call for a severe sentence. Accordingly, in terms of the provisions of Sub-section (3) of Section 21 of the Chartered Accountants Act, 1949, **the Committee ordered that the Respondent i.e. CA. Raghuvir Mani Aiyar (M.No. 038128) be reprimanded.**

Sd/-
(CA. ATUL KUMAR GUPTA)
PRESIDING OFFICER

Sd/-
(SHRI RAJEEV KHER)
GOVERNMENT NOMINEE

Sd/-
(CA. RAJENDRA KUMAR P)
MEMBER

Sd/-
(CA. CHANDRASHEKHAR VASANT CHITALE)
MEMBER

DATE: 30.05.2019

PLACE : Mumbai



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CONFIDENTIAL

DISCIPLINARY COMMITTEE [BENCH – II (2017-2018)]

[Constituted under Section 21B of the Chartered Accountants (Amendment) Act, 2006]

Findings under Rule 18(17) of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007

File No. : [PPR/21/W/13/DD/35/W/INF/13/DC/541/17]

In the matter of:

CA. Raghuvir Mani Aiyar (M. No. 038128)
F – 7 Laxmi Mills,
Shakti Mills Lane,
(Off DR. E. Moses Road),
Mahalaxmi,
MUMBAI – 400011 **Respondent**

MEMBERS PRESENT:

CA. Naveen ND Gupta, Presiding Officer
Shri Amit Chatterjee, Government Nominee
Mrs. Bindu Agnihotri, Government Nominee
CA. Sanjay Kumar Agarwal, Member
CA. Manu Agarwal, Member

DATE OF FINAL HEARING : 07.11.2017

PLACE OF FINAL HEARING : ICAI, BKC, MUMBAI

PARTIES PRESENT:

Respondent : CA. Raghuvir Mani Aiyar
Counsel for Respondent : Advocate S. G. Gokhale



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Finding of the Committee:

1. The Committee noted that there are two charges against the Respondent in which he has been held prima facie guilty of professional misconduct. The first charge is that the Company has taken a loan of Rs.63 crores @ 11% interest and given loan of Rs.45.40 crores. The Respondent, in his audit report said that the interest is not prejudicial to the interest of the Company. Schedule W gives an inkling of the interest earned which was lower than 11% at which it was borrowed. Interest receivable was thus prejudicial as per Informants. Secondly, related party details in Schedule Y were incomplete. A party wise detail should be given. This is violation of Accounting Standard.
2. The Committee heard the submission of the Respondent and duly considered various documents made available on record by both the informants and the Respondent.
3. In respect of first charge, the Committee observed that grounds holding the Respondent prima facie guilty is Schedule W which indicates that the interest income received is less than market rates for loan of Rs.45.40 crores. Hence, the loans are not given at rates, terms and conditions favourable to the Company compared to the market rates. Hence, the same is prejudicial / unfavourable to the Company.

The Committee was of the view that the charge has been explained and defended by the Respondent properly and from the facts and records, it is coming out clearly that the loan given by the Company was for a shorter period as compared to loan taken and therefore, the interest income was less as compared to interest expense. Hence, based on the figures of interest income and expense and merely comparing it with the year end balances of loan given and received, it cannot be inferred that the loan given was at lower rate than the loan received by the Company. Accordingly, the Committee was of the view that the Respondent is not guilty on this charge.

4. In respect of second charge, it is observed by the Committee that the nature of transaction and volume of transaction is not adequately disclosed. Name of parties and its details are given separately in Schedule Y. In this respect the Respondent himself



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has stated in his written statement that as per FRRB's views published in relation to disclosures made in the CA Journal of June, 2013, it was clarified that party wise disclosures has to be made by the auditors in their report. The Respondent also confirmed that he would improve disclosure requirements in future as suggested by FRRB. Thus, although the Respondent stated that he had followed Accounting Standard 18, the same is also not acceptable because as per Accounting Standard 18 Para 27, it has been stated that *"Disclosure of details of particular transactions with individual related parties would frequently be too voluminous to be easily understood. Accordingly, the items of a similar nature may be disclosed in aggregate by type of related party. However, this is not done in such a way as to obscure the importance of significant transactions. Hence, the purchases or sales of goods are not aggregated with purchases or sales of fixed assets. Nor a material related party transaction with an individual party is clubbed in an aggregated"*. From the above facts, it is apparent that the Respondent is prima facie guilty of professional misconduct on this point falling within the meaning of Clause (9) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

Conclusion:

5. Thus, in the considered opinion of the Committee, the Respondent is **GUILTY** of professional misconduct falling within the meaning of Clause (9) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

Sd/-

(CA. NAVEEN ND GUPTA)

PRESIDING OFFICER

Sd/-

(SHRI AMIT CHATTERJEE)
GOVERNMENT NOMINEE

Sd/-

(Mrs. BINDU AGNIHOTRI)
GOVERNMENT NOMINEE



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Sd/-

(CA. SANJAY KUMAR AGARWAL)
MEMBER

DATE : 8th February, 2018

PLACE : New Delhi

Sd/-

(CA. MANU AGARWAL)
MEMBER