



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

[PPR/P/30/W/13/DD/36/INF/15 – DC/701/17]

**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.**

[PPR/P/30/W/13/DD/36/INF/15 – DC/701/17]

In the matter of CA. Navinchandra Virji Gada (M.No.123936), Mumbai in Re:

MEMBERS PRESENT:

- 1. CA. Atul Kumar Gupta, Presiding Officer**
- 2. CA. Amarjit Chopra, Government Nominee**
- 3. CA. Pramod Kumar Boob, Member**

DATE OF MEETING : 6.10.2020 (Through Video Conferencing)

1. That vide findings under Rule 18 (17) of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007 dated 10.02.2020 the Disciplinary Committee was inter-alia of the opinion that **CA. Navinchandra Virji Gada (M.No.123936)** was **GUILTY** of Professional Misconduct falling within the meaning of Clauses (5), (7) and (9) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

2. The Committee noted that the Respondent was present before the Bench through Video Conferencing mode and gave declarations as to he is being alone in the room from where he was attending the hearing and as to he was not recording the proceedings of the Committee. He made submissions in his defense as to being not guilty as far as Clauses (5) & (9) are concerned and therefore, he pleaded not guilty. On being asked by the Committee if he had anything further to add in his defense, he replied in negative.



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

[PPR/P/30/W/13/DD/36/INF/15 – DC/701/17]

3. The Committee noted the gross negligence on the part of the Respondent who also agreed with the same while appearing before the Committee and prayed for the lenient view while deciding the quantum of punishment in his case. The Committee noted that there were serious lapses on the part of the Respondent while conducting the audit specifically with the physical verification of the stock which was found bogus by CIT(Appeal). The Respondent in respect of the same in CARO was satisfied with the procedure of the management for physical verification of stocks. There was an addition of more than 38 crores rupees in the assessment as well. In view of the above, the Committee was of the opinion that there was a gross negligence on the part of the Respondent and, accordingly, it decided that ends of justice could be met if a reasonable punishment be given to the Respondent.

4. Keeping in view the facts and circumstances of the case, material on record and submissions of the Respondent before it, the Committee ordered that the name of the Respondent i.e. CA. Navinchandra Virji Gada (M.No.123936), Mumbai be removed for a period of Two years along with a monetary penalty of Rs 50,000/- (Rupees Fifty Thousands only) to be payable by him within a period of 30 days of receipt of the order.

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

(approved and confirmed through e-mail)
(CA. AMARJIT CHOPRA)
GOVERNMENT NOMINEE

(approved and confirmed through e-mail)
(CA. PRAMOD KUMAR BOOB)
MEMBER

Certified to be true copy

Jyotika
Jyotika Grover
Assistant Secretary,
Disciplinary Directorate

The Institute of Chartered Accountants of India,
ICAI Bhawan, Vishwas Nagar, Delhi-110002

CA. Navinchandra Virji Gada (M.No.123936), Mumbai

CONFIDENTIAL

DISCIPLINARY COMMITTEE [BENCH – II (2019-2020)]

[Constituted under Section 21B of the Chartered Accountants (Amendment) Act, 1949]

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/P/30/W/13/DD-36/INF/15/DC/701/17

In the matter of:

**CA. Navinchandra Virji Gada (M.No.123936), Mumbai
Flat No.102, 1st Floor, A-Wing,
Raj Mahal Co-op HSG Society,
Service Road,
Near Municipal Garden,
Jogeshwarie,
MUMBAI 400 060.**

..... Respondent

MEMBERS PRESENT:

**CA. Atul Kumar Gupta, Presiding Officer
CA. Amarjit Chopra, Government Nominee
CA. Rajendra Kumar P, Member
CA. Chandrasekhar Vasant Chitale, Member**

DATE OF HEARING : 06.01.2020

PLACE OF HEARING : ICAI Bhawan, Mumbai

PARTIES PRESENT:

**Respondent : CA Navinchandra Virji Gada (M.No.123936)
(He was not present on 06.01.2020, however
present on 20.07.2019)**

Charges in Brief:

- 1.1 The allegation against the Respondent in which he has been held prima facie guilty of non-compliance of Accounting Standard 2 on valuation of inventories and non-maintenance of proper vouchers including stock records and working papers.



Brief facts of the Proceedings:

2. The Committee noted that the Respondent was not present, however, vide mail/letter dated 27/12/2019 has sought adjournment of the case. The Committee considered the request of the Respondent and noted that this case is fixed sixth time for hearing and prior to this, this case was part heard three times at earlier date(s).

Looking all these aspects, the Committee decided to proceed ex-parte the Respondent based upon various documents available on record. After considering all the papers and submissions of the Respondent on record, the Committee concluded the hearing in captioned matter.

Finding of the Committee

3. The Committee noted that the matter is based on a letter dated 27th May, 2013, received from Dy. Commissioner of Income Tax, Central Circle, Mumbai in which he raised certain allegations against the Respondent. The Search and seizure operation under section 132(1) of Income Tax Act 1961 was conducted on the Reliable Paper Group on 23rd February, 2010. Based on the letter received from the Dy. Commissioner of Income Tax together with its enclosure including the assessment order for the financial year 2008-09 and 2009-2010, in respect to the entity, Reliable Paper Limited was treated as 'Information' under Section 21 of the Chartered Accountants Act, 1949.

- 3.1 The Respondent in his submissions before the Committee submitted as under:-

"The Company has independent purchase department to look after purchase requirement and Company is following proper system of making enquiries, calling for price from different suppliers and raising Purchase Order. I have selected samples purchase vouchers on test check and found that proper accounting entries were made in books further proper stock entries were made in stock register also.

This is more like a surprising fact to me that Company, Reliable Paper which were having full fledge accounting control system alongwith



various accounting check, internal check and the best accounting package available in paper industry was used by the Company.

I had at no point of time, any reason to believe that the documents produce to me could be bogus. All the transactions, were routed through Banks with systematic multiple departmental approval process and I was taking necessary advice time to time whenever any doubt or issue arise from my senior Chartered Account Mr. Hasmukh Shah who has handled this account regularly.

Company had very systematic process for sale, purchase and even for Raising Purchase Order for Raw Material etc. and I have no reason of suspect these could be bogus transaction.”

4. As regards, the allegation, the Committee noted that the assessment order for the financial year ending 2009 read as under:-

“During the course of assessment proceedings the assessee was asked to give the quantitative details of the purchase and sales, item-wise and party-wise details of purchase and sales, details of movement of goods, stock statement, and basis of valuation of stock. Till date no such submissions have been made by the assessee. The assessee has never maintained any stock records.

On perusal of the balance sheets submitted by the assessee, it is observed that the assessee has obtained huge finance from Banks in the form of overdraft and cash credit limits. The Banks can give these facilities primarily on the basis of stock, debtors and other business receivables. To get the sanction of cash credit and overdraft facilities one has to submit the monthly statement of stock and receivables regularly without which cash credit and overdraft accounts cannot be operated. Since the assessee had taken cash credit and overdraft and receivables must be submitted by them to the Banks. In spite of the regular notices and reminders, the assessee has never submitted any details of stock.

This clearly indicates that the assessee never had the intention to provide proper and adequate details for completion of the assessment



proceedings. In the absence of the quantitative details, no proper analysis of purchase and sales can be done. In the absence of quantitative details of stock and movements of goods, the peak cannot be drawn for computing the exact additions.

5. The Committee noted that in the CARO report, the Respondent has mentioned that *“In our opinion, the procedure followed by the management for physical verification of stocks are reasonable and adequate in relation to the size of the Company and its nature of business. No discrepancies were noticed on verification between physical and book records”*.
6. On the date of final hearing on 6th January 2020, the Respondent did not appear before the Committee and could not give the final submission on the charges, however, on perusal of the appeal order, the CIT (Appeal) has observed as under:-

“No delivery challans with assessee. The statement of Shri Lakhamshi J.Gala, Director of the Assessee Company was recorded u/s 132(4) on 16.04.2010 wherein he admitted that delivery challans for the purchase bills from BGPPL are not available for verification.”

“Thus, when the sale were states to be bogus by Jatin Sarla of BGPPL and assessee denied having any proof in the form of delivery challan of the received goods. It was rightly held by AO that the purchases are bogus. The onus on assessee to prove the genuineness of purchase could never be changed.”

“No proof of purchase in appeal proceedings: even in appeal proceedings, any proof in the form of delivery challans were submitted. When the same were asked for A/R could not produce the same and it has been submitted in written submissions that no proof of receipt of goods can be produced is the absence of Delivery Challans”.

“No actual stock register: There is no real stock register containing details of daily opening +incoming –outgoing = closing for each item separately. Such a register alone would show daily stock position. But what the assessee

R

has produced is only Purchase and Sales (after few days) entries extracted is excel sheet. Such a register is not stock register in real sense. Hence, it has to be concluded that assessee has not stock register in real sense and daily stock position cannot be verified. In view of above facts, AO has rightly upheld the purchase as bogus.”

6. Thus, from the above it is seen that the CIT(A), has concluded that purchases made by the auditee were bogus. In other words, the stock that has shown in the balance sheet as at 31st March 2009 exists on paper only. The Respondent has failed to point out the same in his audit report. Thus, in the considered opinion of the Committee, the Respondent is guilty of professional misconduct under this charge.

Conclusion:

7. Thus in conclusion, in the considered opinion of the Committee, the Respondent is held **GUILTY** of 'Professional Misconduct' falling within the meaning of Clauses (5), (7) and (9) of Part I of the Second Schedule to the Chartered Accountant Act, 1949.

8

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


Sd/-
(CA. AMARJIT CHOPRA)
GOVERNMENT NOMINEE

Sd/-
(CA. CHANDRASEKHAR VASANT CHITALE)
MEMBER

Sd/-
(CA. RAJENDRA KUMAR P)
MEMBER

DATE : 10.02.2020

PLACE : New Delhi

Certified True Copy

Mukesh Kumar Mittal
Assistant Secretary
Disciplinary Directorate
The Institute of Chartered Accountants of India
ICAI Bhawan, I.P. Marg, New Delhi-110 002