



भारतीय सनदी लेखाकार संस्थान
(संसदीय अधिनियम द्वारा स्थापित)
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(Set up by an Act of Parliament)

PR-254E/2016-DD/117/INF/2016/DC/1458/2021

[DISCIPLINARY COMMITTEE [BENCH-II (2024-2025)]
[Constituted under Section 21B of the Chartered Accountants Act, 1949]

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

[PR-254E/2016-DD/117/INF/2016/DC/1458/2021]

In the matter of:

CA. Pradeep Kumar Gupta (M. No. 070492)
27/78-A, Gagan Deep Complex,
Birhana Road,
Kanpur – 208001.

.....Respondent

Members Present: -

CA. Ranjeet Kumar Agarwal, Presiding Officer (in person)
Mrs. Rani S. Nair, IRS (Retd.), Government Nominee (through VC)
CA. Sanjay Kumar Agarwal, Member (in person)
CA. Cotha S Srinivas, Member (through VC)

Date of Hearing : 10th April, 2024
Date of Order : 28th May, 2024

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, the Disciplinary Committee was, inter-alia, of the opinion that **CA. Pradeep Kumar Gupta (M. No. 070492), Kanpur** (hereinafter referred to as the 'Respondent') is **GUILTY** of Professional Misconduct falling within the meaning Item (5), (6), (7) and (8) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

2. That pursuant to the said Findings, an action under Section 21B (3) of the Chartered Accountants (Amendment) Act, 2006 was contemplated against the Respondent and a communication was addressed to him thereby granting opportunity of being heard in person / through video conferencing and to make representation before the Committee on 10th April 2024.

3. The Committee noted that on the date of the hearing held on 10th April 2024, the Respondent was present through video conferencing and made his verbal representation on the Findings of the Disciplinary Committee, inter-alia, stating that that he had a fair record as a professional since the year 1979 when he started his practice. It is almost 45 years of his practice and he had diligently audited the company's accounts without any blemish or negligence or professional misconduct at any time. He further added that all the alleged charges pertain to only technical deficiencies in disclosures in accordance with the revised Schedule VI of the Companies Act 1956, which was introduced for the first time in the year under audit. He has not been charged of any material misstatement relating to over or under statement of assets, liabilities, income and expenses with a consequential financial impact on the financial statements or any other misstatement which could have impacted the true and fair view of the affairs of the assessee. He further informed that he is no longer the auditor of the Company. The Committee also noted that the Respondent in his written representation on the Findings of the Committee, inter-alia, stated as under:



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- (a) None of the Investments were Trade Investments and the quoted shares were only Rs. 38.56 lakhs as against the total assets of Rs. 3,222.51 crores i.e., only .01 percent. Therefore, none of such information could be said to be a material fact since the amount was way below the overall materiality level of Rs 1,073.33 lakh calculated in terms of SA 320.
- (b) The non-disclosure of "NON-FINANCIAL INFORMATION" cannot be said to have affected the true and fair character of the financial statements as all the other financial information is correctly stated. The said information is not a material fact and there is no "misstatement" being only technical in nature.
- (c) Non-disclosure of the nature of expenses is not a non-compliance since the provision for expenses of Rs. 578.41 lakh was not material being below the overall materiality level of Rs. 1,073.33 lakh (in terms of SA 320) and did not further require specification of the nature of the individual expenses as the same would have had many heads.
- (d) The figures for previous year relating to opening balance, additions, depreciation and written down value have been duly disclosed in last line of 'Note 7'. Further, the prescribed Guidelines of the Revised Schedule VI of the Companies Act, 1956 "do not require such details to be given in respect of each of Fixed Assets".
- (e) "Other loans and advances amounting to Rs. 330.78 lakh" was not material being below the overall materiality level of Rs. 1,073.33 lakh and did not further require specification of the nature.
- (f) The Opening Balance, movement during the year and Closing Balance of Deferred Tax liability has also been duly disclosed in Note No. 15 relating to Taxes on Income. The break-up of its component was not relevant and material as the Deferred Tax liability related to only one item, i.e. Depreciation.

4. The Committee considered the reasoning as contained in the Findings holding the Respondent Guilty of Professional Misconduct vis-à-vis written and verbal representation of the Respondent. On consideration of the representation of the Respondent, the Committee was of the view that the same were basically a reiteration of the submissions made by the Respondent during the course of hearing, due cognizance of which has already been taken by the Committee before arriving at its Findings in the instant case.

5. Keeping in view the facts and circumstances of the case, material on record including verbal and written representation on the Findings, the Committee noted that the Respondent as Statutory Auditor of Shri Lakshmi Cotsyn Limited for the year ended 30th June, 2012 failed to draw attention in his audit report towards the non-compliance of requirements given under 'General Instruction of preparation of Balance Sheet' of Part I of Revised schedule VI to the Companies Act, 1956 by the Company.

These non-compliances were regarding disclosures of information in relation to Investments, Long Term Borrowing, Provision for expenses, Schedule of Fixed Assets and Loans and advances.

5.1 The Committee noted that the comparative figures of the previous year relating to the opening balance of fixed assets, addition during the year and depreciation charged for each class of Fixed Assets have not been provided by the Company and the Respondent failed to point out the same in his Audit Report.



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5.2 The Respondent also did not draw attention in his Audit Report towards the non-compliance of disclosure requirements of paragraph 31 of AS 22- relating to break-up of DTA (Direct Tax Assets) and DTL (Direct Tax liabilities) in Notes to Accounts. The Committee also noted that the Respondent admitted his mistakes during the course of hearing also.

5.3 Hence, professional misconduct on the part of the Respondent is clearly established as spelt out in the Committee's Findings dated 7th February 2024 which is to be read in consonance with the instant Order being passed in the case.

6. Accordingly, the Committee was of the view that ends of justice will be met if punishment is given to him in commensurate with his professional misconduct.

7. Thus, the Committee ordered that CA. Pradeep Kumar Gupta (M. No. 070492), Kanpur be Reprimanded under Section 21B(3)(a) of the Chartered Accountants Act 1949.

Sd/-

(CA. RANJEET KUMAR AGARWAL)
PRESIDING OFFICER

Sd/-

(MRS. RANI S. NAIR, IRS RETD.)
GOVERNMENT NOMINEE

Sd/-

(CA. SANJAY KUMAR AGARWAL)
MEMBER

Sd/-

(CA. COTHA S SRINIVAS)
MEMBER

प्रमाणित सत्य प्रतिलिपि / Certified true copy

श्री अंशु कमार / CA. Anshu Kumar
सहायक निदेशक / Assistant Director
अनुशासनिक प्रभाग / Disciplinary Directorate
भारतीय सनदी लेखाकार संस्थान
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आई.सी.ए. भवन, विन्हास नगर, शाहदरा, दिल्ली-110032
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CONFIDENTIAL

DISCIPLINARY COMMITTEE [BENCH – II (2023-2024)]

[Constituted under Section 21B of the Chartered Accountants 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.: [PR-254E/2016-DD/117/INF/2016/DC/1458/2021]

In the matter of:

CA. Pradeep Kumar Gupta (M. No. 070492)
27/78-A, Gagan Deep Complex,
Birhana Road,
Kanpur - 208001

.....Respondent

MEMBERS PRESENT:

CA. Ranjeet Kumar Agarwal, Presiding Officer (In person)
Mrs. Rani Nair, I.R.S. (Retd.), Government Nominee (In person)
Shri Arun Kumar, I.A.S. (Retd.), Government Nominee (In person)
CA. Sanjay Kumar Agarwal, Member (In person)
CA. Sridhar Muppala, Member (Present through VC mode)

DATE OF FINAL HEARING: 18.09.2023 (through physical/video conferencing mode)

PARTIES PRESENT

Respondent: CA. Pradeep Kumar Gupta (Through Video Conferencing Mode)
Counsel for Respondent: Mr. Anil Kumar Saxena (Through Video Conferencing Mode)

BACKGROUND OF THE CASE:

1. A letter dated 28th July, 2016 was received from Financial Reporting Review Board (FRRB) against the Respondent wherein FRRB observed certain non-compliances with regard to AS-22, Schedule VI of the Companies Act, 1956 with Reporting Obligations in the General Purpose Financial Statements in respect of Shri Lakshmi Cotsyn Limited (hereinafter referred as to the

"Company") for the financial year ended 30th June, 2012 being audited by the Respondent.

CHARGES IN BRIEF: -

2. The Committee noted that the charges levelled against the Respondent are as under:-
 - 2.1 That the Respondent has failed to draw attention in his audit report for the financial year ended 30th June, 2012 towards the non-compliance of requirements of General Instruction of preparation of Balance Sheet of Part I of Revised schedule VI to the Companies Act, 1956 by the Company with regard to disclosures of information in relation to the following:-
 - a) Investments
 - (b) Long Term Borrowing
 - (c) Provision for expenses
 - (d) Schedule of Fixed Assets
 - (e) Loans and advances
 - 2.2 That the Respondent has not drawn attention in his report towards the non-compliance of requirements of paragraph 31 of AS 22- relating to break-up of DTA (Direct Tax Assets) and DTL (Direct Tax liabilities) in notes to accounts.
3. The Committee noted that the Respondent in his reply at the stage of PFO had, inter-alia, mentioned as under:
 - i. The Respondent has admitted his mistake, stating that since the financial year 2011-12 was the first year when Revised Schedule VI was introduced, the aforesaid information escaped to be reported in the financial statement.
 - ii. The Respondent further stated that he would take care of it in the future.
 - iii. Respondent has stated that the breakup of the Deferred Tax Assets and Deferred tax liabilities into major components of the respective balances

have been disclosed in the Significant Accounting Policies and Notes to Accounts at serial no.15. However, it was escaped from printing.

4. The Director (Discipline), in his Prima Facie Opinion dated 15th July, 2020, had observed with regard to **First Allegation** as given below:-
- a) That in relation to the **Investments**, the Company had not given details relating to the nature of Non-Current Investment and Current Investment and nature of the entities in which investment were made / held so as to enable the users of the financial statement to understand the class of investment / instrument and the nature of the risk attached to the said instrument. Further, the amount of investment constitutes more than 1% of the total size of the Balance Sheet and the same appears to be material. However, the Respondent failed to point out that the Company had not given disclosure of information / details as required in terms of Note 6 (K) (i) & (iii) and 6(N)(i) of General Instruction for preparation of the Balance Sheet of Part I of Revised Schedule VI to the Companies Act, 1956.
 - b) That in relation to the **Long Term Borrowing**, the Company had not disclosed the nature of security given against each of them and terms of repayment of loans and other loans. The Director Discipline observed that despite amount of Long term Borrowings was material, the Respondent failed to point out that the Company had not given disclosure of information / details as required in terms of Note 6 (c) (i), (ii) & (vi) of General Instruction for preparation of Balance Sheet of Part I of Revised Schedule VI to the Companies Act, 1956.
 - c) That in relation to the **Provision for expenses**, the Company had not disclosed the nature of expenses and the Respondent failed to point out that the Company had not given disclosure of information / details as required in terms of Note H of General Instruction for preparation of Balance Sheet of Part I of Revised Schedule VI to the Companies Act, 1956.
 - d) That in relation to **Fixed Assets**, the comparative figures of the previous year relating to the opening balance of fixed assets, addition during the year and depreciation charged for each class of fixed assets have not

been provided by the Company and Respondent failed to point out that the Company had not given disclosure of information / details as required in terms of Note 5 of General Instruction for preparation of Balance Sheet of Part I of Revised Schedule VI to the Companies Act, 1956.

- e) That **Loans and advances** have not been classified to state whether they are considered good or doubtful, secured or unsecured by the Company. Further, the nature of other loans and advances as well as the nature of prepaid expenses has not been disclosed by the Company as per the required in terms of Note 6(L) of General Instruction for preparation of Balance Sheet of Part I of Revised Schedule VI to the Companies Act, 1956 and the Respondent failed to point out the same in his audit report.

4.1 With regard to **Second Allegation**, the Director (Discipline) Opined that major break up of deferred tax liability and assets into major components of the Balance Sheet was not given as required by AS-22 and only consolidated figure of movement during the year was given by the Company. Further, the amount of deferred tax liability was material and incomplete disclosure with regard to deferred tax liability & assets may change the view / decision of the users of the Financial Statement.

5. Accordingly, the Director (Discipline) in terms of Rule 9 of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007, held the Respondent Prima-facie Guilty of Professional Misconduct falling within the meaning of Items (5), (6), (7) & (8) of Part I of Second Schedule to the Chartered Accountants Act, 1949. The said items in the Schedule to the Act states as under:

Item (5) of Part I of Second Schedule:

"A chartered accountant in practice shall be deemed to be guilty of professional misconduct, if he-

(5): *fails to disclose a material fact known to him which is not disclosed in a financial statement, but disclosure of which is necessary in making such*

financial statement where he is concerned with that financial statement in a professional capacity;

Item (6) of Part I of Second Schedule:

"A chartered accountant in practice shall be deemed to be guilty of professional misconduct, if he—

(6): Fails to report a material misstatement known to him to appear in a financial statement with which he is concerned in a professional capacity;

Item (7) of Part I of Second Schedule:

"A chartered accountant in practice shall be deemed to be guilty of professional misconduct, if he—

(7): does not exercise due diligence, or is grossly negligent in the conduct of his professional duties;

Item (8) of Part I of Second Schedule:

"A chartered accountant in practice shall be deemed to be guilty of professional misconduct, if he—

(8): fails to obtain sufficient information which is necessary for expression of an opinion or its exceptions are sufficiently material to negate the expression of an opinion."

SUBMISSION OF THE RESPONDENT ON PRIMA-FACIE OPINION

6. The Committee noted that the Respondent in his submissions dated 10th September, 2021 after Prima Facie Opinion had, inter-alia, mentioned as under:
- a. That all the charges pertain to only technical deficiencies in disclosures in accordance with newly introduced revised schedule VI of the Companies Act, 1956.
 - b. That there is no charge that any of the figures in the financial statements is not correct or that the Balance Sheet and Profit & Loss account are not true and fair.

- c. That break up of deferred tax liabilities component was not relevant and material as the DTL was related to only one item i.e. Depreciation.
- d. That all relevant and material information with regard to investment, borrowings, expense, fixed asset schedule and loans and advances were disclosed truly and fully.

BRIEF FACTS OF THE PROCEEDINGS:-

7. The Committee noted that the instant case was fixed for hearing on following dates:

S.No.	Date	Status of Hearing
1.	28.06.2022	Fixed and Adjourned
2.	19.09.2022	Part heard and Adjourned
3.	24.07.2023	Part Heard & Adjourned
4.	18.09.2023	Hearing Concluded and Judgement Reserved
5.	31.10.2023	Decision taken on the Reserved Judgement.

8. On the day of the first hearing, held on 28th June 2022, the Committee noted that the Respondent requested for an early hearing in the present matter due to the busy schedule of his Counsel CA. Akshay Gupta. Accordingly, the matter was then called up for hearing before the scheduled time. The Counsel for the Respondent was online but could not be connected and suddenly, he went offline. The Committee accordingly decided to hear the present matter as per the seriatim of cases scheduled for hearing. The Committee noted that the Counsel of the Respondent was not available at its regular turn and accordingly the Committee decided to adjourn the case to a future date.

9. On the day of the second hearing held on 19th September, 2022, the Committee noted that the Respondent was present through video conferencing mode. The Respondent was administered on Oath. Thereafter, the Committee enquired from the Respondent as to whether he was aware of

the charges. On the same, the Respondent replied in the affirmative and pleaded Not Guilty to the charges levelled against him. Thereafter, the Respondent presented his detailed line of defense. He relied upon his written submissions dated 10th September 2021 on record. Looking into the gravity of the charges vis-à-vis submissions of the Respondent, the Committee decided to adjourn the hearing to a future date. With this, the hearing in the matter was partly heard and adjourned.

10. On the day of the third hearing, held on 24th July 2023, the Committee noted that the Respondent Counsel made his submissions in the matter by submitting that the matter relates to non-disclosures relating to revised Schedule VI and F.Y. 2011-12 was the first year when revised Schedule VI was applicable. With this, the hearing in the matter was partly heard and adjourned.

11. On the day of the final hearing held on 18th September 2023, the Committee noted that the Respondent Counsel presented his line of defense stating, inter-alia that:-

- a. Since it was the first year of Revised Schedule VI, the alleged information had escaped to be reported in the said financial statements.
- b. That the charges pertain to only technical deficiencies in disclosures and there was no financial impact.
- c. That the Deferred Tax Liability was related to only one item i.e. Depreciation and he has made proper disclosures in this regard.

11.1 Thereafter, the Committee posed certain questions to Respondent Counsel to understand the issue involved and the role of the Respondent in the case.

11.2 On consideration of the same, the Committee gave directions to the Respondent to submit

- a. Copy of Balance Sheet submitted to SEBI and
- b. His submissions on the impact of mentioning of date 31/3/2012 in notes on page B-23 whereas the audit period was 30/6/2012.

Thereafter, the Committee decided to conclude the hearing by reserving it's judgement on the said case.

12. Thereafter, this matter was placed for its final decision held on 31st October, 2023 wherein the same members, who heard the case earlier, were present for consideration of the facts and arriving at a decision by the Committee. The Committee noted that pursuant to its direction given in the meeting held 18th September, 2023, the Respondent submitted the attested true copy of the original Financial Statements for the year ended 30th June 2012 as signed by him and the management. He further submitted as under:
- a. That it was a typographical error and the date of 31st March 2012 and 01st April 2011 had been erroneously printed in the financial statements instead of 30th June 2012 and 01st June 2011 respectively.
 - b. That in terms of the provisions of AS-22 on Accounting for Taxes on Income on ICAI issued by the ICAI, the tax impact on the timing difference was correctly calculated by the management for the period from 01st July 2011 to 30th June 2012.

12.1 After consideration of the same, vis-à-vis facts of the case and documents/submissions on record, and the submissions of both parties, the Committee passed its judgement.

FINDINGS OF THE COMMITTEE:-

FIRST CHARGE

13. The Committee on the merits of the case noted that the **first charge** relates to non-compliance of requirements of General Instruction of preparation of the Balance Sheet of Part I of Revised schedule VI to the Companies Act, 1956 relating to **investments**. The Committee observed relevant extracts of Note 6 (K) and 6 (N) of the General Instruction for preparation of Balance Sheet of

Part I of Revised Schedule VI to the Companies Act, 1956 which states as follows:-

"6 (K) Non- Current Investments

(i) *Non-Current investments shall be classified as trade investments and other investments and further classified as:*

- (a) *Investment property;*
- (b) *Investments in Equity Instruments;*
- (c) *Investment in preference shares;*
- (d) *Investments in Government or trust securities;*
- (e) *Investments in debentures or bonds;*
- (f) *Investments in Mutual Funds;*
- (g) *Investments in partnership firms*
- (h) *Other non-current investments (specify nature)*

Under each classification, details shall be given of names of the bodies corporate (indicating separately whether such bodies are (i) subsidiaries, (ii) associates, (iii) joint ventures, or (iv) controlled special purpose entities) in whom investments have been made the nature and extent of the investment so made in each such body corporate ((showing separately investments which are partly-paid). In regard to investments in the capital of partnership firms, the names of the firms (with the names of all their partners, total capital and the shares of each partner) shall be given."

(ii)

(iii) *The following shall also be disclosed*

(a) *Aggregate amount of quoted investments and market value thereof;"*

"6(N) Current Investments

(i) *Current investments shall be classified as,*

- (a) *Investments in Equity Instruments;*
- (b) *Investments in preference shares*
- (c) *Investments in Government or trust securities;*

(d) Investments in debentures or bonds;

(e) Investments in partnership firms

(f) Investments in Mutual Funds:

(g) Other investments (specify nature)

Under each classification, details shall be given of names of the bodies corporate (indicating separately whether such bodies are (i) subsidiaries, (ii) associates, (i) joint ventures, or (iv) controlled special purpose entities) in whom investments have been made and the nature and extent of the investment so made in each such body corporate (showing separately investments which are partly-paid). In regard to investments in the capital of partnership firms, the names of the firms (with the names of all their partners, total capital and the shares of each partner) shall be given."

13.1 On perusal of above note, the Committee noted that Revised Schedule VI requires Investments to be classified as current and non-current Investments and the nature of the entities in which investment were made / held. However, disclosures relating to the same had not been given. Further, the amount of investment constitute more than 1% of the total size of the Balance Sheet and the same appears to be material and the Respondent failed to point out the same in his Audit Report.

13.2 The Committee noted that the Respondent admitted his mistake that since the FY 2011-12 was the first year when Revised Schedule VI was introduced, the presentation of information in relation to investment escaped, making it evident that the Respondent had failed to ensure compliance of the requirement Note 6 (K) (i) & (iii) and 6 (N) (i) of General Instruction for preparation of Balance Sheet of Part I of Revised Schedule VI to the Companies Act, 1956.

13.3 The Committee noted that the Respondent to this charge had already accepted his guilt. Accordingly, the Committee held the Respondent **GUILTY** of Professional Misconduct falling within the meaning of Items (5), (7) and (8) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

SECOND CHARGE

14. The Committee noted that the next charge relates to non-compliance with the requirements of General Instruction of preparation of the Balance Sheet of Part I of Revised schedule VI to the Companies Act, 1956 relating to **long term borrowing**. The Committee observed relevant extracts of Note 6 (C) of the General Instruction for preparation of the Balance Sheet of Part I of Revised Schedule VI to the Companies Act, 1956 which states as under:-

"6. (C) Long Terms Borrowing

- (i) Long Terms borrowing shall be classified as:*

(a) Bonds/ Debenture

(b) Term loans

i) From Bank ii) From Other parties

(c) Deferred payment liabilities

(d) Deposits

(e) Loans and advances from related parties

(f) Long term maturities of finance lease obligations

(g) Other loans and advances (specify natures)

(ii) Borrowings shall further be sub-classified as secured and unsecured.

Nature of security shall be specified separately in each case.

(iii).....

(iv).....

(v).....

(vi) Terms of repayment of term loans and other loans shall be stated."

- 14.1 On perusal of the above note, the Committee noted that the Company had not disclosed the nature of security given against loans and terms of repayment of said loans. Disclosure of terms of repayment should include period of maturity with respect to Balance Sheet date, number and amount of

installments due, the applicable rate of interest and other significant relevant terms, if any. Non-disclosure of the same is non-compliance of Note 6(i), (ii) and (vi) of General Instruction for preparation of Balance Sheet. Further, the amount of long-term borrowings was material. However, the Respondent failed to point out the same in his Audit Report.

14.2 The Committee noted that the Respondent admitted his mistake that FY 2011-12 was the first year when Revised Schedule VI was introduced. Thus, looking into the above facts vis-à-vis the acceptance of the mistake by the Respondent, the Committee viewed that the Respondent was casual in his approach while issuing his audit report for the financial year ended 30th June, 2012.

14.3 The Committee accordingly viewed that the Respondent to this charge had already accepted his guilt and held the Respondent **GUILTY** of Professional Misconduct falling within the meaning of Items (5), (7) and (8) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

THIRD CHARGE

15. The Committee noted that the next charge relates to non-compliance of requirements of General Instruction of preparation of Balance Sheet of Part I of Revised schedule VI to the Companies Act, 1956 relating to **provision for expenses**. The Committee observed relevant extracts of Note (H) of General Instruction for preparation of Balance Sheet of Part I of Revised Schedule VI to the Companies Act, 1956 which states as under:-

"6 (H) Short –term provisions

The amount shall be classified as:

(a) Provision for employee benefits

(b) Others (Specify Nature)"

15.1 The Committee noted that Note 6 'Short Terms Provision' provision for expenses had been disclosed, however, nature of expenses for which provision had been made not disclosed, which is non-compliance as per the

requirement of Note H of General Instruction for preparation of Balance Sheet.

15.2 The Committee noted that like other two charges as mentioned above the Respondent admitted his mistake in this charge also.

15.3 Thus, looking into the above facts vis-à-vis the acceptance of the mistake by the Respondent, the Committee held the Respondent **GUILTY** of Professional Misconduct falling within the meaning of Items (5), (6), (7) and (8) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

FOURTH CHARGE

16. The Committee as regards next charge noted that as per paragraph 5 of General Instructions for Preparation of Balance sheet and Statement of Profit and Loss of a Company in addition to the Notes incorporated above the heading of balance sheet of Revised Schedule VI to the Companies Act, 1956, states as follows:-

"(5) Except in the case of the first Financial Statements laid before the Company (after its incorporation) the corresponding amounts (comparatives) for the immediately preceding reporting period for all items shown in the Financial Statements including notes shall also be given."

16.1 The Committee noted that the comparative figures of the previous year relating to the opening balance of fixed assets, addition during the year and depreciation charged for each class of fixed assets have not been provided by the Company and the Respondent failed to point the same in his Audit Report.

16.2 The Committee noted that the Respondent admitted his mistake in this charge also. Thus, looking into the above facts vis-à-vis the acceptance of the mistake by the Respondent, the Committee viewed that the Respondent

was casual in his approach while issuing his audit report for financial year ended 30th June, 2012.

16.3 Accordingly, the Committee held the Respondent **GUILTY** of Professional Misconduct falling within the meaning of Items (5), (7) and (8) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

FIFTH CHARGE

17. The Committee as regards the next charge noted that relevant extracts of Note 6 (L) of the General Instruction for preparation of the Balance Sheet of Part I of Revised Schedule VI to the Companies Act, 1956 relating to **Loans and advances** states as under:-

"6. (L) Long-term loans and advances

(i) Long-term loans and advances shall be classified as:

(a) Capital Advances;

(b) Security Deposits;

(c) Loans and advances to related parties (giving details thereof);

(d) Other loans and advances (specify nature).

(ii) The above shall also be separately sub-classified as:

(a) Secured, considered good;

(b) Unsecured, considered good;

(c) Doubtful"

17.1 The Committee noted that classification of Loans and advances in to secured or unsecured, good or doubtful has not been disclosed. The Committee further noted that the Company failed to disclose nature of other loans and advances as well as nature of prepaid expenses as per the requirement of Note 6(L) of General Instruction for preparation of Balance Sheet and the Respondent failed to point out the same in his audit report.

17.2 The Committee noted that the Respondent admitted his mistake that since the financial year 2011-12 was the first year when Revised Schedule VI was

introduced, by mistake loans and advances were not classified and sub-classified, making it evident that the Respondent had failed to ensure compliance of the requirement Note 6 (L) of General Instruction for preparation of Balance Sheet of Part I of Revised Schedule VI to the Companies Act, 1956.

17.3 The Committee noted that the Respondent to this charge had already accepted his guilt. Accordingly, the Committee held the Respondent **GUILTY** of Professional Misconduct falling within the meaning of Items (5), (7) and (8) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

SIXTH CHARGE

18. The Committee as regards the next charge relating to **violation of disclosure requirements of AS-22** noted that Paragraph 31 of AS-22, Accounting for Taxes on Income to be read under:-

"31. The break -up of deferred tax assets and deferred tax liabilities into major components of the respective balances should be disclosed in the notes to accounts."

18.1 The Committee noted that major break up of deferred tax liability and assets into major components of the Balance Sheet was not disclosed by the Company as per above stated requirements. Further, only consolidated figure of movement during the year was given and no breakup into major components was given.

18.2 The Committee noted that at the time of hearing, the Respondent stated that the breakup of Deferred tax liabilities component was not relevant and material as the DTL was related to only one item i.e. Depreciation. The Committee in this regard observed that the Respondent failed to adhere the disclosure requirement of the Accounting Standard. Further, looking into the above facts vis-à-vis the acceptance of the mistake by the Respondent, the

Committee viewed the Committee noted that Respondent during the hearing had accepted typological mistakes in financial statements.

18.3 The Committee noted that the Respondent to this charge also had accepted his guilt. Accordingly, the Committee held the Respondent **GUILTY** of Professional Misconduct falling within the meaning of Items (5), (7) and (8) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

19. The Committee further noted the casual approach of the Respondent in reporting that the audit report for financial year ended 30th June, 2012 whereas the period reported in notes to accounts was 31st March 2012.

CONCLUSION

20. In view of the above observations, considering the submissions of the Respondent and documents on record, the Committee held the Respondent **GUILTY** of Professional Misconduct falling within the meaning of Items (5), (6), (7) and (8) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

SD/-

(CA. RANJEET KUMAR AGARWAL)
PRESIDING OFFICER

SD/-

(MRS. RANI NAIR, I.R.S. RETD.)
GOVERNMENT NOMINEE

SD/-

(SHRI ARUN KUMAR, I.A.S, RETD.)
GOVERNMENT NOMINEE

SD/-

(CA. SANJAY KUMAR AGARWAL)
MEMBER


SD/-

(CA. SRIDHAR MUPPALA)
MEMBER

DATE: 07.02.2024

PLACE: New Delhi

सही प्रतिनिधि होने के लिए प्रमाणित/
Certified to be true copy


नीलम पुंडीर / Neelam Pundir
परिष्कार कार्यकारी अधिकारी / Br. Executive Officer
अनुशासनात्मक निदेशालय / Disciplinary Directorate
इंस्टिट्यूट ऑफ चार्टर्ड एकाउंटेंट्स ऑफ इंडिया
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