



भारतीय सनदी लेखाकार संस्थान

(संसदीय अधिनियम द्वारा स्थापित)

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

[DISCIPLINARY COMMITTEE BENCH-IV (2025-2026)]

[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.

File No.: [PR/347/2018-DD/28/2019 -DC/1620/2022]

In the matter of:

Shri Mukesh Aggarwal

(Represented by legal heir Mrs. Sunita Aggarwal)

117, Ram Vihar,

New Delhi - 110092

.... Complainant

Versus

CA. Parag Gupta (M. No. 505750)

Partner, M/s Parag Gupta & Associates

Chartered Accountants

209, Ram Vihar, Near Anand Vihar,

Opposite Surajmal Vihar, Vikas Marg Extn.,

Delhi - 110092

.... Respondent

MEMBERS PRESENT:

1. CA. Prasanna Kumar D, Presiding Officer (In person)
2. Ms. Dakshita Das IRAS (Retd.), Government Nominee (Through VC)
3. Adv Vijay Jhalani, Government Nominee (In person)
4. CA. Mangesh P. Kinare, Member (Through VC)
5. CA. Satish Kumar Gupta, Member (Through VC)

DATE OF HEARING: 05th February 2026

DATE OF ORDER: 10th February 2026

1. That vide Findings dated 21st January 2026 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. Parag Gupta (M. No. 505750)** (hereinafter referred to as the **Respondent**) is **GUILTY** of Professional Misconduct falling within the meaning of Clause (7) of Part - I of the Second Schedule to the Chartered Accountants Act, 1949.



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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 an opportunity of being heard in person/ through video conferencing and to make representation before the Committee on 05th February 2026.

3. The Committee noted that on the date of hearing on 05th February 2026, the Respondent was present in person. During the hearing, the Respondent made verbal submissions and also referred to written submission dated 30th January 2026 on the Findings of the Committee. The Committee noted the verbal and written representation of the Respondent dated 30th January 2026 on the Findings of the Committee, which, inter alia, are as under:

- Non-disclosure of "advance towards purchase of property" was an error on the part of the company, and it was not a matter to be reported by the Respondent.
- Non-compliance of Section 211 by the reporting company, if any, will not automatically cause professional misconduct of the auditor.
- Non-disclosure of "advance towards purchase of property" did not constitute a material misstatement, as it has no impact on profit, no related party concealment, in a situation when this is a 100% promoter held company and there are no public stakeholders.
- Non-disclosure did not affect the true and fair view of the state of affairs and of the profit of the company.

4. The Committee considered the reasoning as contained in Findings holding the Respondent 'Guilty' of Professional Misconduct vis-à-vis verbal and written representation of the Respondent. The Committee noted that the issues/ submissions made by the Respondent as aforesaid have been dealt with by it at the time of hearing under Rule 18.

5. Thus, keeping in view the facts and circumstances of the case, material on record including verbal and written representation of the Respondent on the Findings, with regard to the wrong disclosure/wrong reporting of the advance given against the property purchased by the Company from the Respondent's mother, the Committee observed that the said advance



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was disclosed under the head "Other Parties" in Note IX – Short Term Loans and Advances for the financial year 2012–13. However as per the General Instructions, under Part I of Revised Schedule VI to the Companies Act, 1956, the nature of "Others" under Short Term Loans and Advances was required to be specifically disclosed.

6. The Respondent admitted the said omission of the specific disclosure, namely "advance towards property purchase," but contended that it was a minor and non-material oversight in a closely held company and did not affect the true and fair view of the financial statements. However, the Committee held that the said omission could not be regarded as a mere presentation lapse, as it pertained to a mandatory disclosure requirement, and noted that the Respondent failed to report such non-compliance in his audit report. Hence, the Professional Misconduct on the part of the Respondent is clearly established as spelt out in the Committee's Findings dated 21st January 2026 which is to be read in consonance with the instant Order being passed in the case.

7. Accordingly, the Committee was of the view that the ends of justice would be met if punishment is given to him in commensurate with his Professional Misconduct.

8. Thus, the Committee ordered that the Respondent i.e. CA. Parag Gupta (M. No. 505750), Delhi be REPRIMANDED and also imposed a fine of Rs. 50,000/- (Rupees Fifty Thousand only) upon him, which shall be paid within a period of 60 (sixty) days from the date of receipt of the order.

Sd/-
(CA. PRASANNA KUMAR D)
PRESIDING OFFICER

Sd/-
(MS DAKSHITA DAS IRAS (RETD.))
GOVERNMENT NOMINEE

Sd/-
(ADV VIJAY JHALANI)
GOVERNMENT NOMINEE

Sd/-
(CA. MANGESH P. KINARE)
MEMBER

Sd/-
(CA. SATISH KUMAR GUPTA)
MEMBER

सत्यापित होने के लिए प्रमाणित / Certified to be True Copy
Anju Grover
अंजू ग़ोवर / Anju Grover
सहायक सचिव / Assistant Secretary
अनुशासनान्तक निदेशालय / Disciplinary Directorate
भारतीय सनदी लेखाकार संस्थान
The Institute of Chartered Accountants of India
आई.सी.ए.आई. भवन, सी-1, सेक्टर-1, नोएडा-201301 (उ.प्र.)
ICAI Bhawan. C-1, Sector-1, Noida-201301 (U.P.)

CONFIDENTIAL

DISCIPLINARY COMMITTEE [BENCH – IV (2025-2026)]

[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/347/2018-DD/28/2019 -DC/1620/2022]

In the matter of:

Shri Mukesh Aggarwal
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...Complainant

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MEMBERS PRESENT:

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Adv. Vijay Jhalani, Government Nominee (in person)
CA. Mangesh P. Kinare, Member (Through VC)
CA. Satish Kumar Gupta, Member (Through VC)

DATE OF FINAL HEARING : 03rd November 2025

PARTIES PRESENT:

Respondent : CA. Parag Gupta (Through VC)
Counsel for Respondent : CA. C. V. Sajan (Through VC)

1. Background of the Case:

- 1.1 It is stated that the Complainant was the director of '**M/s Shiv Shakti Promoters Private Limited**' (hereinafter referred to as the "Company" / "SSPL") and **M/s BK**

Educational Services Pvt Ltd (hereinafter referred to as the "BKES"), and the Respondent firm was the Statutory Auditor of the Company for FYs 2012-13 to 2014-15. It is stated that the Respondent was well known to the Complainant since 2011, since the Respondent was associated with the Complainant and was filing Income Tax Returns, returns in ROC and giving consultancy to the Complainant related to various financial business transactions. Further, as stated, the Complainant reposed full faith and trust in the Respondent because of their fiduciary relations. It is also stated that the Respondent was the real brother of CA. Anurag Gupta (M. No. 506600) against whom a separate complaint (PR/180/2016-DD/289/2016) has been filed by the Complainant which is being dealt with separately.

2. Charge(s) in brief:

- 2.1 The Company had purchased a property from Smt. Kumkum Varshney (mother of the Respondent) but the money paid to her towards the sale consideration of such property had been shown as 'loan to Smt. Kumkum Varshney' in the financial statements of SSPL for FY 2012-13 and the Respondent was the auditor of the Company for the concerned Financial Year.
- 2.2 The Respondent continued as auditor of the company (SSPL) despite being disqualified under Section 141 (3) (d) (ii) of Companies Act 2013 as his mother owed Rs 5 crore to the company.

3. The relevant issues discussed in the Prima Facie Opinion dated 07th June 2022 formulated by the Director (Discipline) in the matter, in brief, are given below

- 3.1 In respect of the charge mentioned in Para 2.1 above regarding wrong-disclosure / wrong-reporting of property which was purchased by the Company from Respondent's mother, in the financial statements of the Company i.e., M/s Shiv Shakti Promoters Private Limited, it was firstly noted that an agreement to sell in respect of house property of Respondent's mother was entered into between her and the Company on 21.09.2012 i.e., during FY 2012-13. Further, it was noted that the financial statements of the Company for FY 2012-13 were audited by the Respondent as signing partner of the Respondent firm. In the instant matter, it was

noted that in his submissions, the Respondent mentioned that the amount of Rs. 5 crore were actually advanced in August 2012 by the Company to Respondent's mother against an agreement to sell and accordingly, had been recorded / reported as loans and advances in the financial statements of the Company for FY 2012-13. In this regard, in the 'Agreement to Sell' entered into between the Company and Respondent's mother namely Smt. Kumkum Varshney on 21.09.2012, it was clearly mentioned that the Respondent's mother had agreed to sell her residential property to the Company for Rs. 5 crore where the sale consideration of Rs 5 crore has already been received by her from the Company against the sale of such property. For better clarity and understanding, it was pertinent to mention certain relevant provisions / paragraphs of such Agreement to Sell as under:

Relevant clause of agreement to sell

- "1. That in pursuance of the **total sale consideration** amount, as mentioned above which has been **received by the first party from the second party**, **the first party** being fully empowered and absolute owner of the said property **hereby sell(s), grant(s), convey(s), transfer(s), assign(s) the said property, together with all privileges, easements and appurtenances thereto to the second party and the second party**, being the owner of the said property, **is free to have and to hold the said property absolutely and forever. (emphasis added)***
- 2. That the **first party has delivered the actual, physical, vacant and peaceful possession of the said property; to the second party on the spot. (emphasis added)***
- 3. That the **second party shall realise all the profit of the said property from the date of execution of this agreement and the first party shall not demand any amount from the second party. (emphasis added)***
- 4. That the first party has left no claim, title, or interest of any kind whatsoever in the said property, and the **second party has become the sole and absolute owner of the above said property** and now the second party is fully entitled to use, to mortgage, to sell the above said property as desire(s) by him / her, being the absolute owner thereof. **(emphasis added)***

11. That the second party shall have the right to get the said property mutated in his / her own name in the records of the concerned authorities on the basis of this agreement." (emphasis added)

3.2 In view of the aforesaid clauses contained in the said agreement, it was noted that:

- i. The entire sale consideration of Rs 5 crore was already transferred by the Company to the Respondent's mother;
- ii. The possession of the property has also been handed over to the Company.
- iii. The ownership in respect of alleged house property has also been transferred to the Company.

3.3 Along with above Agreement to Sell, the Respondent's mother had also executed 'General Power of Attorney', Special Power of Attorney, indemnity bond, affidavit, and receipt of full and final payment in favour of the Company and the Complainant in respect of transfer of alleged property by Respondent's mother to the Company. On perusal of various clauses of Agreement to Sell and other documents executed in favour of the Company and considering the fact(s) that the entire consideration was already paid by the buyer Company and possession was also given by seller (i.e., Respondent's mother) to the buyer Company, it was viewed that the sale of alleged property by Respondent's mother to the Company was complete in all respect in September 2012 itself. Thus, considering the principle of substance over form, the purchase of alleged property by the Company should have been recorded as 'Fixed Assets' / 'Asset - Inventory' in its balance sheet as on 31.03.2013 i.e., as at the end of FY 2012-13. However, as per the Respondent, the same was disclosed as 'Loans and Advances' in the financial statements of the Company for such financial years. Thus, the submission of the Respondent for treating the said amount of Rs. 5 crore as loans and advances in the books of the Company appears to be incorrect especially when he could not give any justification to show such amount as Loan and Advances in the books of the Company for alleged financial year. Accordingly, it was viewed that the Respondent was prima facie **Guilty** of Professional Misconduct falling within the meaning of Clause (7) of Part-I of Second Schedule to the Chartered Accountants Act 1949 for not reporting the aforesaid discrepancy in his audit report relating to wrong reporting of fixed assets / Inventory as loans and advances in Company's financial statements.

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3.4 In another complainant filed under Reference number PR/180/2016-DD/289/2016 against CA. Anurag Gupta who is also the son of Smt. Kumkum Varshney and brother of Respondent, it has been informed by CA. Anurag Gupta that the alleged amount of loan/advance of Rs. 5 Crore were later repaid by Smt. Kumkum Varshney to the Company during February 2016. It was noted that even if the submission of the Respondent that the amount of Rs. 5 crore paid by the Company to Respondent's mother in September 2012 was in the nature of loans and advances, was taken to be true (though it is not corroborated with the agreement to sell dated 21.09.2012), it was noted that where the relative of the person is indebted to the Auditee Company exceeding a sum of Rs. 5 lakhs after the enactment of Companies Act 2013, the said person was ineligible to be Auditor of said Auditee Company under the provisions of Section 141(3) of Companies Act 2013. The said provisions of Section 141(3) along with Section 2(77) of the Companies Act 2013 and the related Rules were reproduced as under:

'Section 141: Eligibility, qualifications and disqualifications of auditors.

3) The following persons shall not be eligible for appointment as an auditor of a Company, namely:

(a) a body corporate other than a limited liability partnership registered under the Limited Liability Partnership Act, 2008;

(b) an officer or employee of the company;

(c) a person who is a partner, or who is in the employment, of an officer or employee of the company;

(d) a person who, or his relative or partner:

(i) is holding any security of or interest in the company or its subsidiary, or of its holding or associate company or a subsidiary of such holding company:

Provided that the relative may hold security or interest in the company of face value not exceeding one thousand rupees or such sum as may be prescribed;

(ii) is indebted to the company, or its subsidiary, or its holding or associate company or a subsidiary of such holding company, in excess of such amount as may be prescribed; or.....' (emphasis added)

'Rule 10 of Companies (Audit & Auditors) Rules, 2014

10. Disqualifications of auditor. —

(1) For the purpose of proviso to sub-clause (i) of clause (d) of sub-section (3) of section 141, a relative of an auditor may hold securities in the company of face value not exceeding rupees one lakh:

Provided that the condition under this sub-rule shall, wherever relevant, be also applicable in the case of a company not having share capital or other securities:

Provided further that in the event of acquiring any security or interest by a relative, above the threshold prescribed, the corrective action to maintain the limits as specified above shall be taken by the auditor within sixty days of such acquisition or interest.

(2) For the purpose of **sub-clause (ii) of clause (d) of sub-section (3) of section 141**, a person who or whose relative or partner is **indebted to the company** or its subsidiary or its holding or associate company or a subsidiary of such holding company, **in excess of rupees five lakh shall not be eligible for appointment.** (emphasis added)

'Section 2(77) of Companies Act 2013

"relative", with reference to any person, means anyone who is related to another, if:

(i) they are members of a Hindu Undivided Family;

(ii) they are husband and wife; or

(iii) **one person is related to the other in such manner as may be prescribed.** (emphasis added)

- 3.5 It was noted that the relationship of mother / son is included in the list of relatives given under Rule 4 of Companies (Specification of definitions details) Rules, 2014. Thus, based on provisions given above, where the amount of Rs. 5 crore given by the Company to the Respondent's mother, was reported as loans and advances in the audited financial statements of the Company, it was amply clear that the Respondent firm was immediately disqualified from acting as the Statutory Auditor of the Company, but the Respondent firm continued to audit the financial statements of the Company for FY 2014-15 when the above provisions of Companies Act 2013 was applicable. Accordingly, since the Respondent firm continued to audit the financial statements of SSPL for FY 2014-15 wherein the Respondent was the signing partner while the alleged loan of Rs. 5 crore to Respondent's mother was still standing in the financial statements, it is viewed that the Respondent was prima facie **Guilty** of Professional and 'Other' Misconduct

falling within the meaning of Clause (7) of Part-I of Second Schedule and Clause (2) of Part-IV of First Schedule to the Chartered Accountants Act 1949 in respect of instant allegation.

- 3.6 Accordingly, the Director (Discipline) in his Prima Facie Opinion dated 02nd December 2022 opined that the Respondent was held **GUILTY** of Professional and Other Misconduct falling within the meaning of Clause (7) of Part I of Second Schedule and Clause (2) of Part IV of First Schedule to the Chartered Accountants Act, 1949. The said Clause of the Schedule to the Act, states as under:

Clause (7) of Part-I of Second Schedule:

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

x x x x x

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

Clause (2) of Part IV of the First Schedule:

"A member of the Institute, whether in practice or not, shall be deemed to be guilty of other misconduct, if he:

x x x x

(2) *in the opinion of the Council, brings disrepute to the profession or the Institute as a result of his action whether or not related to his professional work."*

- 3.7. The Prima Facie Opinion formed by the Director (Discipline) was considered by the Disciplinary Committee in its meeting held on 26th August 2022. The Committee on consideration of the same, concurred with the reasons given against the charges and thus, agreed with the prima facie opinion of the Director (Discipline) that the Respondent is prima facie **GUILTY** of Professional and Other Misconduct falling within the meaning of Clause (7) of Part-1 of Second Schedule and Clause (2) of Part-IV of First Schedule to the Chartered Accountants Act, 1949 and decided to proceed further under Chapter V of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007.



4. **Date(s) of Written submissions/Pleadings by parties:**

The relevant details of the filing of documents in the instant case by the parties are given below:

S.No.	Particulars	Dated
1.	Date of Complaint in Form 'I' filed by the Complainant	23 rd October 2018
2.	Date of Written Statement filed by the Respondent	07 th March 2019
3.	Date of Rejoinder filed by the Complainant	05 th April 2019
4.	Date of Prima Facie Opinion Formed by Director (Discipline)	07 th June 2022
5.	Written Submissions filed by the Respondent after PFO	8 th September 2025
6.	Written Submissions filed by the Complainant after PFO	---
7.	Judicial decision of the Hon'ble Supreme Court in Suraj Lamps P Ltd Vs State of Haryana (2011 decision) submitted by Respondent.	27 th October 2025

5. **Written submissions filed by the Respondent: -**

5.1. The Respondent vide letter dated 08th September 2025, inter-alia, made the submissions which are given as under:-

- a. The Agreement to Sell and related documents were insufficient to establish transfer of property as per Transfer of Property Act. Section 54 of the Transfer of Property Act, 1882 mandates registration for sale of tangible immovable property above Rs. 100, and a sale agreement alone does not create ownership interest. Section 17 and 49 of the Registration Act render unregistered instruments ineffective to affect immovable property or serve as evidence of transfer, except for limited collateral purposes. Section 35 of the Indian Stamp Act prohibits admission or acting upon unstamped instruments unless duly stamped; the bar is absolute until the duty and penalty are paid.
- b. Supreme Court judgments, including Suraj Lamp (2011), confirm that SA/GPA/Will transactions do not convey ownership and cannot substitute a registered sale deed, consistent with TPA and Registration Act. In Avinash Kumar Chauhan and SMS

Tea Estates, the Supreme Court reiterated that unstamped or insufficiently stamped, compulsorily registrable instruments cannot be acted upon until the defect is cured.

- c. Since no sale deed was executed or registered and no stamp duty was paid, there was no valid property transfer; possession remained with the seller. Therefore, capitalization as fixed assets was not permissible under accounting principles and showing Rs. 5 Crore as "Advances" was appropriate.
- d. The PFO's view ignored statutory bars under the Stamp Act and Registration Act and the Suraj Lamp ruling. The company correctly classified Rs. 5 crore as "Advances," and the Respondent had no obligation to qualify the audit report.
- e. Financials for FY 2012-13 were prepared and approved by management and directors (including the complainant), reflecting the legal position that no transfer occurred. The complainant, being a signatory to the financials, had no locus to allege misstatement; the allegation was dishonest and misleading. The later cancellation of the arrangement and refund in February 2016 confirmed that the transaction never materialized into a sale, supporting the classification as "Advance".
- f. The Director (Discipline) viewed that the Rs. 5.00 crores should be treated as "fixed assets" since it was paid towards purchase of property; however, it was shown as an "advance" because the sale deed was neither executed nor registered, and stamp duty was unpaid, making the transfer incomplete.
- g. Therefore, the transaction's nature was not that of a "loan" as contemplated under Section 141(3)(d)(ii) of the Companies Act, 2013, but an "advance" given in exchange for immovable property under an "agreement to sell."
- h. The Director (Discipline) interpretations are contradictory the first treats the sum as a capital payment (fixed asset), while the second labels it as a loan to invoke auditor disqualification showing bias and inconsistency. There is no basis to treat the Rs. 5.00 crores as a "loan borrowed" instead of an "advance received against

sale of property," since the transaction documents themselves confirm it was not a borrowing.

- i. Even assuming an alternative accounting treatment could be considered, such choices fall under management's discretion and auditor's professional judgment. The later cancellation of the agreement and refund of the advance confirmed that the original accounting treatment as "advance" was appropriate. Hence, professional judgment exercised in good faith, supported by law and subsequent events, cannot amount to misconduct merely because another view is theoretically possible.

6. **Brief facts of the Proceedings:**

- 6.1 The details of the hearing(s)/ meeting(s) fixed and held/adjourned in said matter is given as under:

S.No.	Date of meeting(s)	Status
1	05 th June 2023	Part heard and Adjourned
2	12 th September 2025	Part heard and Adjourned.
3	28 th October 2025	Part heard and Adjourned
4	03 rd November 2025	Hearing concluded and decision taken

- 6.2 On the day of hearing on 05th June 2023, the Committee noted that the Respondent was present through Video conferencing mode. Thereafter, he gave a declaration that there was nobody present except him from where he was appearing and that he would neither record nor store the proceedings of the Committee in any form. The office apprised the Committee that the Complainant was not present and notice of listing of the case has been served upon him. Being first hearing of the case, the Respondent was put on oath. Thereafter, the Committee enquired from the Respondent as to whether he was aware of the charges and charges against the Respondent were read out. On the same, the Respondent replied in the affirmative and pleaded Not Guilty to the charges levelled against him. In the absence of the Complainant and in view of Rule 18 (9) of the Chartered Accountants (Procedure of Investigation of Professional and Other Misconduct and Conduct of Cases) Rules, 2007, the Committee adjourned the case to later date. With this, the case was part heard and adjourned.

6.3 On the day of hearing on 12th September 2025, the Committee noted that the Respondent was present through video conferencing along with his Counsel and appeared before it. The Committee noted that the Complainant, Mr. Mukesh Kumar Agarwal, had passed away in January 2024, and that an application had been received from his legal heirs seeking permission to pursue the matter further, which had already been considered by the Bench. The Committee enquired from the Respondent/Counsel for the Respondent that since the composition of the Committee had changed subsequent to the last hearing held on 05/06/2023 in this case, whether he wished to have a de-novo hearing or may continue from the stage it was last heard. The Counsel of the Respondent opted for de-novo hearing and accordingly the Respondent was administered on Oath. Thereafter, the Committee enquired from the Respondent as to whether he was aware of the charges against him and then the charges as contained in prima facie opinion were read out. On the same, the Respondent replied that he is aware of the charges and pleaded 'Not Guilty' to the charges levelled against them. Thereafter, Committee noted that the Complainant's legal heirs had sought adjournment. The Counsel for the Respondent submitted that the written submissions on behalf of the Respondent had already been filed and requested that the same be taken on record, further requesting that the Complainant or their legal heirs be directed to file a rejoinder, if any, and that all documents filed by them be shared with the Respondent. Acceding to the request of the legal heirs of Complainant, the Committee adjourned the subject case to a future date.

6.4 On the day of hearing on 28th October 2025, the Committee noted that the Respondent along with counsel was present through VC and appeared before it. The Committee noted that the case was related to the accounting treatment of a transaction involving Shiv Shakti Promoters Private Limited, where the Respondent audited the company's accounts for the financial years 2012-13 and 2014-15. The Respondent justified the treatment based on Accounting Standard (AS) 10, arguing that the transaction was incomplete and lacked legal title, which is necessary for recognizing a fixed asset. He further contended that the classification as "loans and advances" was appropriate under Schedule VI, as the economic benefits from the asset had not yet materialized. The second allegation pertains to the Respondent's

potential disqualification under Section 141 of the Companies Act, 2013, due to the classification of the transaction. The Respondent argued that the transaction was not a loan but an advance and therefore did not constitute indebtedness under Section 141. The Committee noted the submissions of the Respondent. The Respondent requested time to submit a written submission / explanation on the presentation aspect under Schedule VI of the Companies Act, and the matter was accordingly adjourned. With this the matter was part heard and adjourned.

- 6.5 On the day of hearing on 03rd November 2025, the Committee noted that the Respondent along with counsel of the Respondent has been appeared through video conferencing. The Counsel for the Respondent submitted detailed written arguments addressing the query regarding compliance with Schedule VI presentation requirements, specifically the classification and disclosure of Rs. 5 crore advance. He acknowledged a minor oversight in the disclosure of the nature and purpose of the advance but argued that it was not a material misstatement and did not constitute professional misconduct, as it was inconsequential. He further contended that the complaint was motivated by a family dispute, with the Complainant allegedly filing the complaint after obtaining property from the Respondent's family without paying dues.
- 6.6 Based on the documents/material and information available on record and the oral and written submissions made by the Respondent, and on consideration of the facts of the case, the Committee concluded the hearing in subject matter and took the decision on the conduct of the Respondent.

FINDINGS OF THE COMMITTEE: -

7. The Committee noted the background of the case as well as oral and written submissions made by the Respondent, documents / material on record and gives its findings as under: -
- 7.1 As regards the Charge relating to wrong-disclosure / wrong-reporting of advance given against property which was purchased by the Company from Respondent's mother, the Committee noted that the advance given has been disclosed under the head 'Other Parties' in Note IX – Short Terms Loans and Advances in FY 2012-13.

However, considering the substance of the transaction (entire consideration transferred, agreement to sell executed, and possession handed over), the Rs. 5 crore payment should have been classified as a Fixed Asset/Asset-Inventory.

7.2 The Committee considered the Respondent's defense that while the transaction was a sale in substance, it could not be recognized as a Fixed Asset because the sale deed was not executed or registered. It was also submitted that registration for sale of tangible immovable property above Rs 100 is mandatory as per Section 54 of Transfer of Property Act, 1882 and sale agreement alone does not create ownership rights. The Counsel for Respondent stated that AS 10, Accounting for Fixed Assets, (issued in 1985) mandates that probable economic benefits cannot flow to the entity unless the property is legally registered, citing the Supreme Court decision in Suraj Labs Pvt. Ltd. versus State of Haryana. Since valid registration was a pre-requisite for asset recognition and capitalization, the company decided to treat the payment as an advance.

7.3 Regarding the presentation under Schedule VI to the Companies Act 1956, the Committee noted the Respondent's argument that the amount was initially classified as 'Short Term Loans and Advances' (FY 2012-13) and later converted to 'Long Term Loans and Advances' (FY 2013-14) because the transaction remained un-concluded. The classification satisfied the requirements for separation into long-term/short-term, secured/unsecured, and related parties/others.

7.4 The Committee further noted from General Instructions for preparation of Balance Sheet given under Part I, Revised Schedule VI to the Companies Act, 1956 which states as follows:

"6. A company shall disclose the following in notes to accounts:

R. Short-term loans and advances

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

(b) Others (specify nature)."

7.5 From the above mentioned requirements, the Committee noted for FY 2012-13 that the nature of 'Others' should be disclosed for Short Term Loans and Advances. The Committee acknowledged admission of Respondent as a minor omission in

disclosure, specifically the failure to specify the nature of "Other Advances" (i.e., "advance towards property purchase"). The Respondent's Counsel stated that this oversight was inconsequential because the company was a closely held private entity and its members are 100% shareholders and Directors had no other stakeholders. The Counsel submitted that such minor mistake does not constitute a material misstatement affecting the true and fair view of the financial statements, as per SA 200, "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing".

- 7.6 The Committee noted that disclosure under General Instructions for preparation of Balance Sheet given under Part I, Revised Schedule VI to the Companies Act, 1956 was a mandatory requirement under the Companies Act, 1956 which was not complied with. As regards the Respondent's argument that it was only a presentation error, it was viewed that the mandatory requirements are prescribed to ensure disclosure of material and relevant information to the stakeholders concerned and, therefore, omission thereof cannot be treated as merely a presentation error. The Committee opined that the Respondent had failed to report about the said non-compliance in his audit report. Accordingly, the Committee concluded that the Respondent was **Guilty** of Professional Misconduct falling within the meaning of Clause (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949 with respect to this charge.
- 7.7 The Committee further noted with regard to disqualification of the auditor that as per prima facie opinion, this charge would be applicable if the amount was treated as "Loans and Advances", and the Respondent's firm was disqualified under Section 141(3)(d) of the Companies Act, 2013, due to indebtedness exceeding the statutory limit owed by a relative.
- 7.8 The Committee considered the Respondent's submission that the payment was an advance against sale of property and, by its form, content, and intent, was not a "debt" or a "loan" and lacked typical debt features (repayment clause, interest, security). Therefore, Section 141 to the Companies Act 2013 concerning indebtedness should not apply. Further, Section 141 of the Companies Act, 2013, is applicable from April 1, 2014. However, in the extant case, charge pertained to FY

2012-13 and, therefore, the same is not applicable. Considering the facts and Respondent's Counsel submissions, the Committee concluded that the said charge is based on assumption and, therefore, the Respondent is held **NOT GUILTY** with respect to provision related to disqualification as auditor.

8. CONCLUSION:

In view of the findings stated in above paras, vis-à-vis material on record, the Committee gives its charge wise findings as under:

Charges (as per PFO)	Findings	Decision of the Committee
Para 2.1 as above	Para 7.1 to 7.6 as given above	GUILTY - Clause (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949.
Para 2.2 as above	Para 7.7 and 7.8 as given above	NOT GUILTY - Clause (7) of Part I of Second Schedule and Clause (2) Part - IV of the First Schedule.

9. In view of the above observations, considering the oral and written submissions of the party and material on record, the Committee held the Respondent **GUILTY** of Professional Misconduct falling within the meaning Clause (7) of Part - I of the Second Schedule to the Chartered Accountants Act, 1949.

Sd/-
(CA. PRASANNA KUMAR D)
PRESIDING OFFICER

Sd/-
(Adv. VIJAY JHALANI)
GOVERNMENT NOMINEE

Sd/-
(CA. MANGESH P. KINARE)
MEMBER

Sd/-
(CA. SATISH KUMAR GUPTA)
MEMBER

DATE: 21st January 2026

PLACE: Noida

सत्यापित होने के लिए प्रमाणित / Certified to be True Copy

Anjali Grover
अंजू घोष/Anjali Grover
सहायक सचिव / Assistant Secretary
अनुशासनात्मक विभाग/ Disciplinary Directorate
भारतीय सनदी लेखाकार संस्थान
The Institute of Chartered Accountants of India
आई सी ए आई, भवन, सी-1, सेक्टर-1, नोएडा-201301 (उ.प्र.)
ICAI Bhawan, C-1, Sector-1, Noida-201301 (U.P.)