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-I (2026-2027)]

[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.: [PPR/20/2015/DD/20/INF/2015/DC/921/2018]

In the matter of:

CA. Sunil Kumar Verma (M. No. 067477)

Partner, M/s. S K V & Co. (FRN: 326967E), Chartered Accountants

Professional Address	**Residential Address**
Plot No B-139, 2nd Floor Sec- 69, Transport Nagar Noida **Uttar Pradesh - 201301**	Flat 3A, Floor 3, Jayshree Apartment, Jote Shibrampore, Maheshtala, Shibrampore **Kolkata, West Bengal, - 700141**

.... Respondent

MEMBERS PRESENT:

1. **CA. Mangesh Kinare, Presiding Officer**
2. **Ms. Rani Singh Nair IRS (Retd.), Government Nominee**
3. **Mr. Ajaib Singh, IA & AS (Retd.), Government Nominee**
4. **CA. Gyan Chandra Misra, Member**
5. **CA. Abhay Chhajed, Member**

DATE OF HEARING : 23rd July 2026
DATE OF PRONOUNCEMENT OF DECISION : 23rd October 2026
DATE OF ORDER : 23rd October 2026

1. That vide Findings dated 29th 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. Sunil Kumar Verma (M. No. 067477)** (hereinafter referred to as the **Respondent**) is **GUILTY**

of Professional Misconduct falling within the meaning of Items (5), (6), (7), (8) and (9) of Part I of 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 an opportunity of being heard in person/ through video conferencing and to make representation before the Committee on 23rd July 2026.

3. The Committee noted that on the date of hearing on 23rd July 2026, the Respondent was present through VC. During the hearing, the Respondent made verbal submissions and also referred to the written representation dated 20th February 2026 on the Findings of the Committee. The Committee noted the verbal and written representation of the Respondent on the Findings of the Committee, which, inter alia, are as under: -

i The Respondent submitted that Rule 8(1) of the Chartered Accountant Rules, 2007 requires that within sixty days of receipt of complaint/information, a copy of said complaint/information must be sent to the member.

ii The Respondent submitted that the prima facie opinion of Director (Discipline) was provided to the Respondent approximately eleven months after the date of prima facie opinion.

iii The Respondent submitted that under Rule 9(3) of the Chartered Accountant Rules, 2007 where the Director (Discipline) forms a prima facie opinion that the member is not guilty of misconduct, the matter must be placed before the Board of Discipline for closure or further directions. It was specifically contended that in the present case, despite the Director (Discipline) recording findings of no guilt in respect of certain allegations, the entire matter was nevertheless referred directly to the Disciplinary Committee. This procedure was contrary to the mandatory statutory scheme. This objection was also not adjudicated upon.

On Merits

- That Rs. 4.05 crore difference arose from inter-segment balances that were shown gross under AS 17 but offset at the enterprise level to avoid duplication and the difference was only 0.67% of total assets, was immaterial.
- That Rs. 75.99 crore was disclosed as Share Application Money Pending Allotment, since the shares were actually allotted only in FY 2011-12, and its inclusion in diluted EPS was in accordance with AS 20.
- That Rs. 15.71 crore finance charges were classified within operating activities based on the company's established practice and that borrowings were integral to its day-to-day

operations. Although the separate financing classification was preferable under AS 3, it had no impact on net cash flows or the true and fair view, and the omission was unintentional rather than due to negligence or concealment.

- That although the investment was not specifically classified as "Trade" or "Other" investment, all details including its long-term and unquoted nature, shares, face value and cost were duly disclosed. The omission was an inadvertent, non-material oversight without any dishonesty.
- That Rs. 6.08 crore was included under Sundry Creditors, comprising Rs. 5.93 crore payable for capital goods and only Rs. 14.99 lakh of government dues; the term "Other Finance" was a management sub-classification and did not misstate or conceal any liability.
- That revenue recognition on dispatch complied with AS 9 because the company operated on ex-factory terms, under which significant risks and rewards passed to the buyer at dispatch. Although the accounting policy did not expressly state this, audit evidence, invoices, management confirmations and industry practice supported the treatment, with no premature recognition or material misstatement warranting qualification.
- That the unsecured loans were short-term, interest-free transactions granted and repaid within the same financial year, with no year-end balance, and were therefore reported on a net basis under AS 3. Rs. 2.01 crore year-end balance was unrelated to these loans, and the Respondent contends that CARO disclosures were appropriate and there was no material omission, negligence, or professional misconduct.
- That the audit assignment of M/s Rashmi Cement Limited was his first statutory audit engagement, which he had conducted to the best of his professional knowledge and abilities.
- That he had been diligently participating in the hearings and furnished all requisite documents and information. He requested the Committee to take a lenient view.

4. In respect of submissions of the Respondent, the observations of the Committee are as follows:

i As regards the Rule 8(1) of the Chartered Accountant Rules, 2007 which requires that within sixty days of receipt of complaint/information, a copy of said complaint/information must be sent to the member, the Committee noted that that the timelines prescribed in CA Rules are with an intention to expedite and ensure timely completion of the disciplinary proceedings and it is not the intent of legislation to render any complaint/information defunct/ invalid merely on the ground of procedural time lag, if any occurred. Further, the timelines as given in Rule 8(1) needs to be counted from the date of receipt of a valid complaint/information and not from the date of receipt of a defective/incomplete

complaint/information for which a particular process is followed till registration. In the extant case, the said matter has been decided to be treated as "Information" within the meaning of Rule 7 of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007 on 10th March, 2015, and in accordance with the provisions of clause (a) of sub-rule (1) of Rule (8) read with Rule 11 of the aforesaid Rules, an "Information" letter dated 22nd April, 2015 was sent to Respondent to submit his written statement i.e., which was well within 60 days as prescribed under the Rule. Hence, the objection raised by Respondent is not maintainable.

ii As regards prima facie opinion of Director (Discipline) was provided to the Respondent approximately eleven months after the date of prima facie opinion, the Committee noted Rule 18 (2) of the Chartered Accountant Rules, 2007 which is as follows:

"If the Committee decides to proceed further under clause (b) of sub-rule (2) of rule 9 or if it receives a reference from Board of Discipline under clause (b) of sub-rule (3) of rule 9, it shall expeditiously cause to deliver to the respondent and the complainant, a copy each of the following, –

(a) prima facie opinion formed by the Director, and

(b) particulars or documents relied upon by the Director, if any, during the course of formulation of prima facie opinion."

In view of aforesaid rules, the Committee noted that prima facie opinion dated 28th April 2018 was accepted by the Disciplinary Committee in meeting held on 27th November 2018 and as per Rule 18(2) of the Chartered Accountant Rules, 2007, a copy of the prima facie opinion formed by the Director (Discipline) along with a copy of the documents relied upon by him while formulating the aforesaid prima facie opinion was forwarded to Respondent on 26th February 2019.

iii As regards non-compliance under Rule 9(3), the Committee noted the provisions of Rule 9(3) which read as follows:

"Where the Director is of the prima facie opinion that the member or the firm is not guilty of any misconduct either under the First Schedule or the Second Schedule, he shall place the matter before the Board of Discipline, and the Board of Discipline,-

(a).....

(b) If it disagrees with such opinion of the Director, then it may either proceed under chapter IV of these rules, if the matter pertains to First Schedule, or refer the matter to the Committee to proceed under Chapter V of these Rules, if the matter pertains to the Second

Schedule or both the Schedules or may advise the Director to further investigate the matter."

In this regard, the Committee noted that the Respondent was Guilty of Professional Misconduct falling within the meaning of Clauses (5), (6) (7), (8) & (9) of Part I of Second Schedule to the Chartered Accountants Act, 1949. Accordingly, the Committee 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. The Committee also noted that the Chartered Accountants Act 1949 and the Rules framed thereunder provide for consideration of the Prima Facie Opinion in toto and not on piecemeal charge-wise basis.

5. 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 aforestated have been dealt with by it at the time of hearing under Rule 18.

6. 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, the Committee noted that FRRB observed certain non-compliances with regard to accounting standards, disclosure requirements and Guidance Notes of ICAI in respect of M/s Rashmi Cement Limited for the financial year 2010-11 audited by the Respondent.

7. In respect of charge regarding violation of AS-17 (Reconciliation between the Segment Liabilities & Enterprise Liabilities not provided in the financial statements), the Committee noted that though the Respondent has provided the reconciliation and the details of difference in his further submission to the Prima Facie Opinion and also during the course of hearing, nevertheless, the Respondent was required to include such reconciliation in the financial statements as required under Para 46 of AS-17. Thus, the Committee viewed that since the requirements of the Accounting Standard were not complied with, the Respondent has given wrong reporting in his Audit Report at para 4(iv) stating that the requirements of the Accounting Standards have been complied with. In respect of charge regarding Equity Shares pending for allotment were not considered while calculating Diluted EPS which is a violation of AS-20 (EPS), the Committee noted that the amount of Share Application money of Rs. 75.99 crores constitute a material amount compared to the Balance Sheet size of Rs. 608 crores and despite such material amount, the subject Company has not made any of the aforesaid

disclosure required under Schedule VI of the Companies Act 1956. Thus, the Committee viewed that the Respondent has failed to draw attention to such non-compliance.

8. In respect of charge regarding non-classification of finance charges of Rs. 15.71 crores under Financing Activity in Cash Flow Statement in violation of AS-3 (Cash Flow Statement), the Committee noted that all the borrowing of any Company is directly and indirectly made for supporting its business operations only and it's a wrong analogy that since the borrowing was made by the subject Company for supporting its business operations, the finance charges paid toward such borrowing should be included under the Operating Activity as a direct cost. Thus, the Committee viewed that notwithstanding the Respondent's contention, inclusion of finance charges of Rs. 15.71 crores under the Operating Activity instead of Financing Activity is a violation of AS-3 and the Respondent was grossly negligent in confirming that the financial statements comply with the requirements of AS-3.

9. In respect of charge regarding violation of Scheduled VI of the Companies Act 1956 with respect to Non-Bifurcation of Long-Term Investments into "Trade Investment or Other Investment", the Committee noted that it is a case of non-compliance of regulatory requirement wherein although the investments have been disclosed as long term and unquoted investments, however, the subject Company has failed to classify the same under "Trade Investment" or "Other investments". Thus, the Committee observed that the Respondent was required to report such non-compliance with the requirements of Note 1 to Part I of Schedule VI of the Companies Act, 1956; but he failed to report the same.

10. In respect of charged regarding violation of Schedule VI to the Companies Act, 1956 with respect to liabilities for Other Finance, the Committee noted that the nomenclature "Other Finance", when presented under the head Sundry Creditors, is misleading and does not indicate that the said amount relates to Government dues or Creditors for capital goods. The Committee observed that Part I of Schedule VI to the Companies Act, 1956 mandates classification and disclosure of liabilities based on their nature, to ensure clarity, transparency and proper understanding of the financial statements by users and Clubbing Statutory dues and Creditors for capital goods under a vague and misleading description such as "Other Finance" defeats the purpose of Schedule VI and results in improper presentation. The Committee noted that the amount of Rs. 6.08 crores constituted approximately 1% of the total Balance Sheet size of Rs. 608 crores and nearly 20% of the total current liabilities amounting to Rs. 30.97 crores. The Committee observed that the incorrect classification and misleading description of such liability cannot be regarded as immaterial. Thus, the Committee viewed that using an

inappropriate head like "Other Finance" under Sundry Creditors was misleading and not in compliance with the requirements of Part I of Schedule VI to the Companies Act, 1956.

11. In respect of charge regarding violation of AS-9 (Revenue Recognition) with respect to Sales which are reported to be accounted for on "dispatch of products", the Committee noted that paragraph 11 of AS-9 requires revenue from sale of goods to be recognized only when the seller has transferred to the buyer the significant risks and rewards of ownership and merely stating that revenue is recognized on dispatch of goods, without clearly demonstrating transfer of risks and rewards, does not satisfy the requirements of AS-9. The Committee observed that the accounting policy on revenue recognition was incorrect, and that the Respondent failed to obtain sufficient and appropriate audit evidence to conclude that revenue recognition on dispatch was in compliance with AS-9. Thus, the Committee viewed that that the Company's accounting policy on revenue recognition was not in conformity with AS-9, and that the Respondent failed to report the said non-compliance in his Audit Report.

12. In respect of charge regarding violation of AS-3 (Cash Flow Statement) with respect to Non-Reporting of "Unsecured Loan" in Cash Flow Statement, the Committee noted that AS-3 requires cash flows arising from investing activities, including loans given and repayments thereof, to be reported in the Cash Flow Statement. The Committee observed that paragraph 22 of AS-3 permits reporting of cash flows on a net basis only in limited circumstances, such as when cash receipts and payments are on behalf of customers or when the amounts are large, and the maturities are short, provided such presentation does not impair transparency or completeness of disclosure. The Committee noted that the Respondent has contended that such loans were granted and repaid during the same financial year and that no amount remained outstanding at the year end and the amount of Rs. 2.01 crores appearing under Loans and Advances represented amounts receivable from persons other than those covered under the Section 301 register. Thus, the Committee viewed that even if the said amount of Rs. 2.01 crores appearing under Loan and Advances does not pertain to persons covered by Section 301 register, nevertheless, such amount was outstanding at the year end and should have been included under investing activities in the Cash Flow Statement. The Committee observed that not such amount was appearing under investing activities in the Cash Flow Statement. Hence, the Professional Misconduct on the part of the Respondent is clearly established as spelt out in the Committee's Findings dated 29th January 2026 which is to be read in consonance with the instant Order being passed in the case.

13. 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.

14. Thus, the Committee keeping in view the facts and circumstances of the case, material on record and representation of the Respondent before it, ordered that the Respondent i.e. CA. Sunil Kumar Verma (M. No. 067477), Kolkata be Reprimanded under Section 21B(3)(a) of the Chartered Accountants Act, 1949.

Sd/-
(CA. MANGESH KINARE)
PRESIDING OFFICER

Sd/-
(MS. RANI SINGH NAIR IRS (RETD.))
GOVERNMENT NOMINEE

Sd/-
(MR. AJAIB SINGH, IA & AS (RETD.))
GOVERNMENT NOMINEE

Sd/-
(CA. GYAN CHANDRA MISRA)
MEMBER

Sd/-
(CA. ABHAY CHHAJED)
MEMBER

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मीनू गुप्ता / Meenu Gupta
वरिष्ठ कार्यकारी अधिकारी / Sr. Executive Officer
अनुशासनात्मक 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 – I (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

Ref. No. – [PPR/20/2015/DD/20/INF/2015/DC/921/2018]

In the matter of:
CA. Sunil Kumar Verma (M. No. 067477)
Partner, M/s. S K V & Co. (FRN: 326967E)
Chartered Accountants
Todi Corner, 8th Floor,
32, EZRA Street,
Room No. 807,
Kolkata – 700001 .... **Respondent**

MEMBERS PRESENT: -

i) **CA. Prasanna Kumar D, Vice President, ICAI & Presiding Officer** (In Person)
ii) **Shri Ajaib Singh, IA&AS (Retd.) (Government Nominee)** (Through VC)
iii) **CA. Vishnu Kumar Agarwal, Member** (Through VC)

DATE OF FINAL HEARING	:	**10-11-2025**
PLACE OF FINAL HEARING	:	**Noida**

PARTIES PRESENT:

Counsel of the Respondent	:	**Adv. Utsav Hirani** (Through video conferencing)

1. **BRIEF OF THE DISCIPLINARY PROCEEDINGS: -**

i) Brief of the Disciplinary Proceedings held on 24th July 2025

On the day of hearing held on 24th July 2025, the Committee noted that the Respondent was present along with his Counsel through VC. Since the case was listed before this Committee for the first time, the Respondent was put on oath and thereafter, the Counsel of the Respondent was asked as to whether he wants to opt for de-novo hearing. The Counsel of the Respondent opted for de-novo hearing. Thereafter, he made his brief submissions in the matter. After hearing the submissions, the Committee decided to list the matter for further hearing in the forthcoming meeting. Accordingly, the matter was **Part Heard & Adjourned.**

ii) Brief of the Disciplinary Proceedings held on 18th August 2025

On the day of hearing held on 18th August 2025, the Committee noted that the Counsels of the Respondent were present through VC. The Counsels of the Respondent made their detailed submissions in respect of Allegation no. 1 & 2. The Committee also posed questions to the Counsels of the Respondent in respect of said two allegations. The Committee also directed the Counsel of the Respondent to provide the following information / documents to the Committee: -

Directions to the Counsels of Respondent: -

(i) To inform the details about the particular segment liability amounting to Rs. 4.05 crores claimed to pertain to a particular party along with ledger account of such party.
(ii) In respect of provision of electricity expenses, to provide the proof of arrears of FY 2009-10 recognized in FY 2010-11 and arrears of FY 2010-11 recognized in FY 2011-12.

With the aforesaid directions, the Committee decided to adjourn the matter to a future date. Thus, the hearing in the matter was **Part Heard & Adjourned.**

iii) Brief of the Disciplinary Proceedings held on 8th September 2025

On the day of hearing held on 8th September 2025, the Committee noted that the Counsel of the Respondent was present through VC. The Counsel of the Respondent made his detailed submissions in respect of Allegation no. 3, 4 & 5. The Committee also posed questions to the Counsel of the Respondent in respect of said three allegations.

Thereafter, the Committee decided to adjourn the matter to a future date. Accordingly, the matter was **Part Heard & Adjourned**.

iv) **Brief of the Disciplinary Proceedings held on 22nd September 2025**

On the day of hearing held on 22nd September 2025, the Committee noted that the Counsel of the Respondent was present through VC. The Committee also noted that in the earlier two hearings, the Counsel of the Respondent has made his submissions on first five allegations in which the Respondent was held Prima Facie Guilty by Director (Discipline). Accordingly, on the instant date of hearing, the Counsel of the Respondent made his submissions on the remaining allegations. The Committee also posed questions to the Counsel of the Respondent in respect of said allegations. After hearing his submissions, the Committee directed the Counsel of the Respondent to provide the following information / documents to the Committee within 5 days: -

Directions to the Counsel of the Respondent: -

i. In respect of allegation pertaining to Unsecured Loans given to 37 parties, the Committee directed the Counsel of the Respondent to substantiate his plea that reporting of operating, financing and investing activities was done on net basis in line with Para 22 of the AS-3. For substantiating the same the Committee directed the Counsel of the Respondent to provide the name of all such 37 parties, the amount of loans given to them, the date on which such loans were given, the date on which such loans were repaid by such parties.
ii. In respect of allegation pertaining to non-mentioning of place of signatures, the Committee directed the Counsel of the Respondent to provide documentary evidence pertaining to the place of meeting in which the Audit Report was approved.

With the aforesaid direction the Committee decided to adjourn the matter to a future date. Thus, the hearing in the matter was **Part Heard & Adjourned.**

v) **Brief of the Disciplinary Proceedings held on 17th October 2025**

On the day of hearing held on 17th October 2025, the Committee noted that the Respondent vide his email dated 10th October 2025 had placed his adjournment request stating that his Counsel had met with an accident and undergone a surgical procedure. The Committee considered the adjournment request of the Respondent and decided to adjourn the matter to a future date. With this the hearing in the matter was **adjourned at the request of the Respondent.**

vi) Brief of the Disciplinary Proceedings held on 10th November 2025

On the day of final hearing held on 10th November 2025, the Committee noted that in the instant information case, the Counsel of the Respondent was present through VC. The Counsel of the Respondent made his detailed submissions. The Committee also posed various questions to the Counsel of the Respondent. After hearing his submissions, the Committee decided to conclude the hearing in the matter with the direction to provide the following information / documents to the Committee within 7 days: -

Directions to the Counsel of the Respondent: -

i. In respect of allegation pertaining to fuel surcharge and electricity duty, to provide his undertaking for requesting the Committee to ignore his Written Submissions given at Rule 8(1) stage and to consider his latest submissions.
ii. In respect of allegation pertaining to non-recognition of revenue as per AS-9, to provide some invoices relating to Cement division.

With this, the hearing in the matter was **concluded and decision was kept reserved**.

2. **CHARGES IN BRIEF**

The Committee noted that in the Prima Facie Opinion dated 28.04.2018 formed by 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, the Respondent was held Prima Facie Guilty in respect of fifteen out of total seventeen allegations (Allegation No. 1, 2, 3, 4, 5, 7, 8, 9, 10, 11, 12, 13, 15, 16 & 17). He was held **Prima Facie Guilty** of Professional Misconduct falling within the meaning of Items (5), (6), (7), (8) and (9) of Part-I of Second Schedule to the Chartered Accountants Act, 1949 which states as under:

"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*

***(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.*

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

(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

(9) fails to invite attention to any material departure from the generally accepted procedure of audit applicable to the circumstances"

3. **BRIEF BACKGROUND OF THE MATTER AND ALLEGATIONS: -**

In the instant case, the Financial Reporting Review Board (FRRB) observed that being a statutory auditor of M/s Rashmi Cement Limited (hereinafter referred to as subject **Company**) for the FY 2010-11, the Respondent had failed to point out various non-compliances / irregularities in the General Purpose Financial Statements of the subject Company. The Committee noted that in the Prima Facie Opinion dated 28th April 2018 formed by Director (Discipline) the Respondent was held Prima Facie Guilty in fifteen out of seventeen allegations (Allegation No. 1, 2, 3, 4, 5, 7, 8, 9, 10, 11, 12, 13, 15, 16 & 17) for:

- Non-Compliances of Multiple AS (AS-1/ 3/ 9/ 12/ 13/ 17/ 18/ 20/ 29)
- Non-Compliances with disclosure requirements of Sch VI of Co's Act, 1956
- Non-Compliances with various Guidance Notes / SAs (SA-700) / CARO.

4. **SUBMISSIONS OF THE RESPONDENT AND FINDINGS OF THE COMMITTEE:**

4.1 **Allegation No. 1: Violation of Accounting Standard AS-17 (Reconciliation between the Segment Liabilities & Enterprise Liabilities not provided in the financial statements)**

4.1.1 In respect of the instant allegation, it is stated that Para 46 of AS 17 (Segment Reporting) provides that an enterprise should present a reconciliation between the information disclosed for reportable segments and the aggregated information reported in the enterprise financial statements. In presenting the reconciliation, segment revenue should be reconciled to enterprise revenue; segment assets should be reconciled to enterprise assets; and segment liabilities should be reconciled to enterprise liabilities. In the instant case, it was observed that the subject Company has disclosed Segment liabilities of Rs. 190.87 crores **(A-49)**, whereas in the financial

statement an aggregate enterprise liability of only Rs. 186.81 crores were appearing in the Balance sheet **(A-32)**. It was viewed that if there is difference between the figures reported in segmental information vis-à-vis figures reported on the face of the Balance Sheet, the Company is required to provide the reconciliation between the two figures. However, in the instant case it was noted that neither the figures were matching, nor any reconciliation was provided in the financial statements. Accordingly, it was viewed that the information provided under Segment Reporting was not in accordance with AS 17.

4.1.2 The Committee noted that the Respondent in his written statement has stated that the difference of Rs. 4.06 crores between the aggregate liabilities of Rs. 186.81 crores **(A-32)** and the segment liabilities of Rs. 190.87 crores **(A-49- Note 14)** is not material, as it constitutes less than 1% of the Balance Sheet size of Rs. 608.08 crores **(A-32)**. During the course of hearing, the Respondent also stated that he has submitted that the difference of Rs. 4.06 crores pertain to the same party in respect of transactions relating to two different segments, wherein an asset of one segment and a liability of another segment were netted off in the Balance Sheet.

4.1.3 The Committee examined the financial statements of the subject Company and observed that, as per the segment information, the segment liabilities comprised of Secured Loans amounting to Rs. 155.78 crores, Unsecured Loans amounting to Rs. 0.06 crores, Current Liabilities amounting to Rs. 29.84 crores, and Provisions amounting to Rs. 1.13 crores, aggregating to Rs. 186.81 crores **(A-32)**. However, the segment liabilities reported under the segment information amounted to Rs. 190.87 crores **(A-49)**. The Committee noted that reconciliation for the difference of Rs. 4.06 crores between these two figures have not been provided in the Notes to Accounts. In this context, the Committee noted the requirements of Para 46 of Accounting Standard (AS) 17, which states as follows:

"46. An enterprise should present reconciliation between the information disclosed for reportable segments and the aggregated information in the enterprise financial statements. In presenting the reconciliation, segment revenue should be reconciled to enterprise revenue; segment result should be reconciled to enterprise net profit or loss; segment assets should be reconciled to enterprise assets; and segment liabilities should be reconciled to enterprise liabilities."

The Committee observed that though the Respondent has provided the reconciliation and the details of difference in his further submission to the Prima Facie Opinion and also during the course of hearing, nevertheless, the Respondent was required to

include such reconciliation in the financial statements as required under Para 46 of AS-17. In view of the same, the Committee observed that since the requirements of the Accounting Standard were not complied with, the Respondent has given a wrong reporting in his Audit Report at para 4(iv) **(A-27)** stating that the requirements of the Accounting Standards have been complied with. In other words, since the Respondent has failed to report deviation from stated Accounting Standard, accordingly, he was held **Guilty** of professional misconduct falling within the meaning of Item (8) & (9) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

4.2 **Allegation No. 2: Provision for Fuel Surcharge & Electricity duty not made in line with the requirement of AS-29 (Provisions, Contingent Liabilities and Contingent Assets)**

4.2.1 It was seen that Note 10 **(A-40)** of Significant Accounting Policies & Notes on Accounts states following:

10. *ELECTRICITY:*
Fuel surcharge and Electricity duty collected by the West Bengal State Electricity Board provisionally are not ascertainable with reasonable certainty and as such not provided for in the accounts. The differential amount is accounted for as and when determined by the board.

It is alleged that not providing for such liability which is in the nature of present obligation, is violative of Para 10.2, 10.6, 14, 35, 36 of AS-29.

Committee noted that aforesaid Paras of AS-29 states as under:

10.2 A Liability is a present obligation of the enterprise arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resource embodying economic benefits.

10.6 Present obligation - an obligation is a present obligation if, based on the evidence available, its existence at the balance sheet date is considered probable, i.e., more likely than not.

(a) an enterprise has a present obligation as a result of a past event;
(b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

(c) a reliable estimate can be made of the amount of the obligation.

If these conditions are not met, no provision should be recognized.

35. The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The amount of a provision should not be discounted to its present value.

36. The estimates of outcome and financial effect are determined by the judgment of the management of the enterprise, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the balance sheet date.

The Committee noted that the Respondent in support of his defence has stated that there was drafting error in policy and the provision for electricity expenses for the month of March 2011 has been duly accounted for in the books of accounts of the subject Company. The Respondent also stated that the electricity charges for the entire 12-month period had been included under Power and Fuel Charges within Manufacturing Expenses (Schedule 15) **(A-38)** of the Financial Statements. The Committee noted that in support of his contention the Respondent has also submitted the breakup of Power and Fuel Charges, the ledgers of electricity bills pertaining to the Cement and Sponge Divisions, and the electricity bills for the 12-month period issued by the West Bengal State Electricity Board **(refer B-1 to B-31 of Respondent's submission dated 05.09.2019)**

4.2.2 The Committee noted that the Respondent was held Prima Facie Guilty since he was not able to bring on record any evidence to substantiate his claim that Electricity expenses for the month of March 2011 was duly provided for in the accounts. However, during hearing stage, since the Respondent was able to bring on record adequate evidence including the entire breakup of Power and Fuel Charges etc, the Committee was satisfied with the same. Accordingly, the Committee decided to hold the Respondent **Not Guilty** in respect of the instant allegation.

4.3 **Allegation No. 3: Equity Shares pending for allotment were not considered while calculating Diluted EPS which is a violation of AS-20 (EPS)**

4.3.1 In respect of the instant allegation, the Committee noted that Para 28 of AS-20 (Earning Per Share) provides that share application money pending allotment or any advance

share application money as at the Balance Sheet date, which is not statutorily required to be kept separately and is being utilized in the business of the enterprise, is treated in the same manner as dilutive potential equity shares for the purpose of calculation of diluted earnings per share. The Committee noted that apparently, the figures of equity share application money pending for allotment as shown in the Balance Sheet does not appear to match with the figures of equity share pending for allotment used for computation of Earnings per share. Moreover, the earning per share details shows certain equity shares pending for allotment in the previous year also. Accordingly, it was viewed that in the absence of any further information, the figures and the facts that are stated in disclosures for Earning per share vis-à-vis Balance Sheet appear to contradict each other and the auditor has not drawn attention to this non-compliance in the auditor's report.

In respect of the instant allegation, the Committee noted that Respondent in his Written statement has stated that share applications were received on various dates during the year, and the period for which the funds were available to the Company was appropriately considered for determining the EPS based on the weighted average of number of shares. The Committee also pursued the calculation sheet **(C-8 & C-9 of Respondent's submission dated 05.09.2019))** provided by the Respondent for arriving at weighted average number of equity shares pending allotment which was used for arriving at Diluted Earnings per share.

4.3.2 However, from pursual of Form 2 provided by the Respondent **(C-2 to C-7 of Respondent's submission dated 05.09.2019),** the Committee noted that though the Share Application money was received by the subject Company during FY 2010-11 starting 17th April 2010, however, the Shares against the same were allotted only on 31.03.2012 i.e., almost after close to 1 to 2 years. Moreover, out of total 15,19,900 shares issued, Share Application money with respect to 1,05,400 shares was not even allotted but was refunded after holding them for so long since it was seen that only 14,14,500 shares were allotted to the applicants. The Committee noted that the subject Company has not made any disclosures in its Notes to Accounts with respect to Share Application Money of Rs. 75.99 crores which is a material amount compared to Balance Sheet size of Rs. 608 crores despite the fact that Schedule VI of the Companies Act 1956 requires following disclosures to be made in respect of Share Application Money Pending Allotment:

- Share Application money received for allotment of securities and due for refund and interest accrued thereon.

- The terms and conditions including the number of shares proposed to be issued, the amount of premium, if any, and the period before which shares shall be allotted shall be disclosed.
- The period for which the Share Application money has been pending beyond the period for allotment as mentioned in the document inviting application for shares along with the reason for such Share Application money being pending.
- Share Application money not exceeding the issued capital and to the extent not refundable shall be shown under the head Equity,
- Share Application money to the extent refundable shall be separately shown under 'Other current liabilities'

The Committee viewed that the amount of Share Application money of Rs. 75.99 crores constitute a material amount compared to the Balance Sheet size of Rs. 608 crores and despite such material amount, the subject Company has not made any of the aforesaid disclosure required under Schedule VI of the Companies Act 1956. Moreover, since Share Application money amounting to Rs. 52,700,000/- towards 1,05,400 shares was refunded, showing the same under the head Share Capital instead of Other Current Liabilities was misleading. It is also not known as to whether the subject Company has accounted for interest accrued on such amount refunded. It is also not known as to why such material amount of Share Application Money of Rs. 75.99 crores received by the subject Company was kept with the Company for so long without allotment of shares against them. The Committee viewed that the Respondent has failed to draw attention to such non-compliance and accordingly, the Committee decided to hold the Respondent **Guilty** of Professional Misconduct falling within the meaning of Items (5) and (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949, in respect of instant allegation.

4.4 **Allegation No. 4: Non-Classification of Finance Charges of Rs. 15.71 crores under Financing Activity in Cash Flow Statement in violation of AS-3 (Cash Flow Statement):**

4.4.1 The instant allegation pertains to preparation of the Cash Flow Statement **(A-53)**, wherein finance charges amounting to Rs. 15.71 crores **(A-33)** have neither been adjusted while determining the cash flow from Operating Activities nor been separately disclosed under cash flow from Financing Activities. The Respondent has stated that the Company had utilized the borrowed funds for its business operations, and therefore, the related finance charges constituted direct operating costs hence they were not included under Financing Activities in the Cash Flow Statement.

4.4.2 In this context, the Committee noted the requirements of Paragraph 30 of Accounting Standard (AS) 3, which states as follows:

"30. Cash flows from interest and dividends received and paid should each be disclosed separately. Cash flows arising from interest paid and interest and dividends received in the case of a Financial Enterprise should be classified as cash flows arising from Operating Activities. ***In the case of other enterprises, cash flows arising from interest paid should be classified as cash flows from Financing Activities*** *while interest and dividends received should be classified as cash flows from Investing Activities. Dividends paid should be classified as cash flows from Financing Activities."*

The Committee noted that Respondent in support of his defence has stated that the Company was engaged in production of Cement and Steel and that the Company had utilized all its funds for the purpose of its business and accordingly, the cost of borrowings to support the business operations constitute direct operating cost and accordingly the same was included under the Operating Activity.

In respect of the instant allegation, the Committee was of the view that all the borrowing of any Company is directly and indirectly made for supporting its business operations only and accordingly, it's a wrong analogy that since the borrowing was made by the subject Company for supporting its business operations, the finance charges paid toward such borrowing should be included under the Operating Activity as a direct cost. Accordingly, the Committee viewed that notwithstanding the Respondent's contention, inclusion of finance charges of Rs. 15.71 crores under the Operating Activity instead of Financing Activity is a violation of AS-3 and since the Respondent was grossly negligent in confirming that the financial statements comply with the requirements of AS-3, he was held **Guilty** of professional misconduct falling within the meaning of Items (5) and (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949, in respect of the instant allegation.

4.5 **Allegation No. 5: Violation of Scheduled VI of the Companies Act 1956 with respect to Non-Bifurcation of Long-Term Investments into "Trade Investment or Other Investment":**

4.5.1 In respect of instant allegation, the Committee noted that Schedule VI of the Companies Act 1956 provides following with respect to Long Term Investments:

It has been noted that note no. (1) to Part I of Schedule VI to Companies Act 1956, requires as follows:

(I) A statement of investments (whether shown under Investment or under Current Assets as Stock-in-trade) separately classifying trade investments and other investment should be annexed to the balance sheet, showing the names of the bodies corporate (indicating separately the names of the bodies corporate under the same management) in whose shares or debentures, investments have been made (including all investments, whether existing or not, made subsequent to the date as at which the previous balance sheet was made out) and the nature and extent of the investment so made in each such body corporate;....."

It was noted that pursuant to aforesaid requirement, the investments need to be classified as trade investments or other investments.

In respect of the instant allegation, the Committee perused Schedule 6 pertaining to Long-Term Investments **(A-34)** and noted that following has been reported by the subject Company in the said Schedule:

Schedule 6:

Investments (Long Term) (At Cost)

(Unquoted, fully paid)	*Face value Per Share*	*No of Shares, Amount Current Year*	*No of Shares, Amount Previous Year*
Andal East Co.(P)	*10/-*	*3,24,450Shares Rs.13995000*	*205000Shares Rs.13995000*

The Committee noted that the Respondent in support of his defence has stated that non-disclosure of Investments as per Schedule VI of the Company Act 1956 is nothing but a case of omission by oversight without in any matter affecting the materiality and overall understanding of the financial statement of the subject Company. However, from the perusal of aforesaid disclosure made by the Company in its Schedule 6, the Committee viewed that it is a case of non-compliance of regulatory requirement wherein although the investments have been disclosed as long term and unquoted investments, however, the subject Company has failed to classify the same under "Trade Investment" or "Other investments".

From the aforesaid deliberations, the Committee observed that the Respondent was required to report such non-compliance with the requirements of Note 1 to Part I of Schedule VI of the Companies Act, 1956; but since he failed to report the same, the Committee decided to hold the Respondent **Guilty** of Professional Misconduct falling

within the meaning of Item (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949, in respect of the instant allegation.

4.6 **Allegation No. 7: Violation of AS-1 with respect to MAT Credit Entitlement**

4.6.1 The instant allegation pertains to violation of Accounting Standard (AS) -1 relating to disclosure of accounting policies with respect to Minimum Alternate Tax (MAT) Credit Entitlement. It was alleged that in Schedule 10 (Loans and Advances) **(A-36)**, the Company had included MAT Credit Entitlement amounting to Rs. 6.21 crores, which constitutes a significant amount in relation to the size of the Company's Balance Sheet. However, the accounting policy adopted by the Company for recognition of such MAT Credit had not been disclosed, which resulted in non-compliance with the disclosure requirements of AS-1. The Respondent in his submissions had stated that he had verified that the MAT credit was availed and recorded as an asset in the earlier years and that such credit had subsequently been utilized while arriving at the net tax payable in future years. He further submitted that the Company had recognized MAT credit as an asset during the financial year 2010-11 based on management representation that the same would be utilized within the permissible period, well before its expiry. He also submitted that the MAT credit recorded in the books of the Company was utilized in the subsequent years in accordance with the management's representation **(See E-1 to E-2 of the Respondent's submissions dated 05.09.2019)**.

4.6.2 The Committee considered the submissions of the Respondent and examined the material placed on record containing entire working of MAT Credit utilization in subsequent years **(See E-1 & E-2 of Respondent's further submission dated 05.09.2019)**, including documents evidencing recognition of the MAT Credit Entitlement. The Committee noted that the Guidance Note on Accounting for Credit Available in respect of Minimum Alternate Tax (MAT) permits recognition of MAT credit as an asset when there is convincing evidence that the Company will pay normal income tax during the specified period and, consequently, will be able to utilize such credit. The Committee further observed that the Respondent had verified that the MAT credit had been recognized by the Company in earlier years based on management's representation regarding its recoverability and future utilization. The Committee noted that the Respondent had also placed on record documentary evidence to demonstrate that the MAT credit so recognized was utilized in subsequent years while determining the net tax payable by the Company. With regard to the alleged non-disclosure under AS-1, the Committee noted that AS-1 requires disclosure of significant accounting policies adopted in the preparation of financial statements. In the present case, the

Committee observed that the MAT credit entitlement had been consistently recognized as an asset in earlier years and continued to be reflected in the financial statements under Loans and Advances. The Committee was of the view that, in the given facts and circumstances, the absence of a separate accounting policy on MAT credit did not result in a misstatement of the financial statements, particularly when the recognition, measurement and subsequent utilization of the MAT credit were in conformity with the applicable Guidance Note and were duly substantiated by evidence. The Committee further observed that the Respondent had exercised professional judgment based on management representation, corroborated by subsequent utilization of the MAT credit, and there was no material on record to indicate that the recognition of MAT credit as an asset was inappropriate or misleading.

In view of the above, the Committee held that the Respondent had not acted in violation of the requirements of AS-1 and had exercised due professional care in verifying the recognition and utilization of MAT Credit Entitlement. Accordingly, the Committee decided to hold the Respondent **Not Guilty** of any Professional or Other Misconduct in respect of the instant allegation.

4.7 **Allegation No. 8: Violation of Schedule VI to the Companies Act, 1956 with respect to liabilities for Other Finance**

4.7.1 The instant allegation pertains to violation of the requirements of Part I of Schedule VI of the Companies Act, 1956 with respect to liabilities for "Other Finance". It was alleged that in Schedule 11 – Current Liabilities **(A-36)**, a separate line item described as "Sundry Creditors – For Other finance" had been included under the head Sundry Creditors. It was alleged that such liabilities, by their nomenclature, appeared to be loans or financial facilities rather than current liabilities, and hence their presentation was not in conformity with the requirements of Schedule VI to which the Respondent as an auditor failed to draw attention in his Audit Report. The Respondent in his submissions had stated that the amount described as "Other Finance" aggregating to Rs. 6.08 crores comprise of Government dues amounting to Rs. 15 lakhs and Creditors for supply of capital goods amounting to Rs. 5.93 crores and did not include any liability in respect of loans or financial facilities availed by the Company.

4.7.2 The Committee examined the submissions of the Respondent and perused the financial statements placed on record. The Committee observed that the nomenclature "Other Finance", when presented under the head Sundry Creditors, is misleading and does not indicate that the said amount relates to Government dues or Creditors for

capital goods. The Committee viewed that the term "finance" ordinarily denotes borrowing or financial assistance, and in no case conveys that it is in the nature of Statutory Liabilities or Trade Payables. The Committee further observed that Part I of Schedule VI to the Companies Act, 1956 mandates classification and disclosure of liabilities based on their nature, to ensure clarity, transparency and proper understanding of the financial statements by users. Clubbing Statutory dues and Creditors for capital goods under a vague and misleading description such as "Other Finance" defeats the purpose of Schedule VI and results in improper presentation. The Committee also noted that the amount of Rs. 6.08 crores **(A-36)** constituted approximately 1% of the total Balance Sheet size of Rs. 608 crores **(A-32)** and nearly 20% of the total current liabilities amounting to Rs. 30.97 crores **(A-32)**. The Committee was of the view that, considering its magnitude, the incorrect classification and misleading description of such liability cannot be regarded as immaterial. The Committee further observed that the Respondent, as a statutory auditor, was required to evaluate whether the presentation of liabilities was in compliance with Schedule VI and to draw attention to any material deviation therefrom.

In view of the above, the Committee viewed that using an inappropriate head like "Other Finance" under Sundry Creditors was misleading and not in compliance with the requirements of Part I of Schedule VI to the Companies Act, 1956, and that the Respondent failed to draw attention to such non-compliance in his Audit Report. Accordingly, the Committee decided to hold the Respondent **Guilty** of Professional Misconduct falling within the meaning of Items (6), (7) and (8) of Part I of Second Schedule to the Chartered Accountants Act, 1949, in respect of the instant allegation.

4.8 **Allegation No. 9: Violation of AS-12 (Accounting for Government Grants) with respect to subsidy received under the West Bengal Incentive Scheme**

4.8.1 The instant allegation pertains to the violation of AS-12 on Accounting for Government Grants, in respect of subsidy received under the West Bengal Incentive Scheme. It was alleged that in Schedule 13 - Other Income **(A-37)**, a separate line item described as "Subsidy received" had been credited to the Profit and Loss Account, which, according to the allegation, appeared to be a capital investment subsidy. The Respondent, as a statutory auditor, failed to draw attention to non-compliance with AS-12 in his Audit Report. The Respondent in his submissions has stated that the subsidy received by the Company was a Sales Tax Subsidy, which was revenue in nature and was appropriately credited to the Profit and Loss Account in accordance with AS-12. In support of his contention, the Respondent furnished detailed calculations and copies

of the ledger of Subsidy Income **(F-1 to F-2 of the Respondent's submissions dated 05.09.2019)**.

4.8.2 The Committee examined the submissions of the Respondent, the documentary evidence placed on record, and the relevant provisions of AS-12. The Committee noted that AS-12 requires government grants to be recognized in the Profit and Loss Account on a systematic basis over the periods necessary to match them with the related costs which the grants are intended to compensate. The Committee further noted that grants which are in revenue nature, including those intended to compensate for expenses or operational costs, are required to be treated as revenue income. The Committee observed that the documents furnished by the Respondent, including the calculation sheets and ledger extracts, demonstrated that the subsidy received was linked to sales tax collections and was an operational incentive rather than a direct contribution towards acquisition or construction of capital assets. The Committee also observed that no evidence was placed on record to conclusively establish that the subsidy was intended as a capital investment subsidy requiring adjustment against the cost of fixed assets or transfer to capital reserve. The Committee viewed that the Respondent had exercised professional judgment in evaluating the nature of the subsidy with reference to its linkage to sales tax and had supported his conclusion with documentary evidence.

In view of the above, the Committee held that the subsidy received under the West Bengal Incentive Scheme was appropriately treated as revenue income based on its nature and supporting evidence, and that the Respondent had exercised due professional care in this regard. Accordingly, the Committee decided to hold the Respondent **Not Guilty** of any Professional or Other Misconduct in respect of instant allegation.

4.9 **Allegation No. 10: Violation of AS-9 (Revenue Recognition) with respect to Sales which are reported to be accounted for on "dispatch of products"**

4.9.1 The instant allegation pertains to violation of AS- 9 (Revenue Recognition), in respect of the accounting policy adopted for recognition of Sales by the subject Company. It was alleged that policy for accounting for Sales is reported as under: -

"Sales were accounted on dispatch of goods" (Point 9; A-40). However, the accounting policy did not clearly specify whether the significant risks and rewards of ownership of goods were transferred to the buyer at the time of dispatch. Accordingly,

it was alleged that the accounting policy was incomplete and not in conformity with the requirements of AS-9 and the Respondent, as a statutory auditor, failed to draw attention to this non-compliance in his Audit Report. The Respondent in his submissions has stated that the terms of delivery were ex-factory, and all risks during transportation were borne by the purchaser. And as such the Company did not incur transportation or insurance costs, and that invoices were raised at the stage of dispatch of goods. He further submitted that the accounting policy adopted by the Company was in conformity with Para 11 of AS-9. In support of his contention, the Respondent submitted a sample invoice **(G-1 of the Respondent's submissions dated 05.09.2019)** wherein the term of delivery was stated as Ex-factory.

4.9.2 During the course of the hearing held on 10th November 2025, the Committee directed the Counsel of the Respondent to furnish some invoices relating to the Cement Division to substantiate the claim that revenue was consistently recognized in accordance with AS-9. In response, the Counsel of the Respondent submitted certain invoices pertaining to the Cement Division. The Committee examined the accounting policy, the submissions of the Respondent, and the invoices produced during the hearing. The Committee observed that while the Respondent relied upon a sample invoice indicating Ex-factory terms, the invoices subsequently furnished in respect of the Cement Division did not specify "Ex-factory" terms of delivery. Accordingly, it could not be conclusively established that the significant risks and rewards of ownership had been transferred to the buyer at the point of dispatch.

4.9.3 In this context, the Committee noted that paragraph 11 of AS-9 requires revenue from sale of goods to be recognized only when the seller has transferred to the buyer the significant risks and rewards of ownership. Merely stating that revenue is recognized on dispatch of goods, without clearly demonstrating transfer of risks and rewards, does not satisfy the requirements of AS-9. The Committee further observed that where delivery terms are not consistently applied, the auditor is required to ensure that the accounting policy clearly provides the basis of revenue recognition. The absence of delivery terms in the invoices relating to the Cement Division undermined the Respondent's assertion that all sales were on an ex-factory basis. The Committee was therefore of the view that the accounting policy on revenue recognition was incorrect, and that the Respondent failed to obtain sufficient and appropriate audit evidence to conclude that revenue recognition on dispatch was in compliance with AS-9.

In view of the above, the Committee held that the Company's accounting policy on revenue recognition was not in conformity with AS-9, and that the Respondent failed

to report the said non-compliance in his Audit Report. Accordingly, the Committee decided to hold the Respondent **Guilty** of Professional Misconduct falling within the meaning of Item (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949, in respect of the instant allegation.

4.10 **Allegation No. 11: Violation of AS-13 with respect to diminution in value of Investments**

4.10.1 The instant allegation pertains to violation of AS- 13 (Accounting for Investments), with respect to non-recognition of diminution in the value of long-term investments. It was alleged that the Company did not consider diminution in the value of its long-term investments, if any, which was not in accordance with the requirements of AS-13 and the Respondent, as a statutory auditor, failed to draw attention to this non-compliance in his Audit Report. The Respondent in his submissions had stated that the Company had made a long-term investment of Rs. 1.39 crores **(A-34)** in the equity shares of M/s Andal East Company Private Limited, which was a joint venture of the subject Company. He further submitted that, as on the date of signing of the Audit Report, there was no diminution in the value of the said investment, and therefore, no provision was required to be made. In support of his contention, the Respondent placed on record the audited financial statements of Andal East Company Private Limited for the Financial Year 2010-11 **(H-1 to H-14 of the Respondent's submissions dated 05.09.2019)**.

4.10.2 The Committee examined the submissions made by the Respondent along with the documentary evidence placed on record. The Committee noted that AS-13 requires provision for diminution in the value of long-term investments only when such diminution is other than temporary in nature. The standard does not mandate automatic provisioning for all long-term investments; rather, it requires the management and the auditor to assess whether any diminution exists and, if so, whether such diminution is of a permanent nature. The Committee observed that the audited financial statements of the investee company did not indicate any diminution in net worth or adverse financial indicators warranting a conclusion of diminution in value as at the Balance Sheet date. Thus, the Committee viewed that the Respondent had exercised professional judgment based on available audited financial information of the investee company. The Committee also noted that AS-13 does not require a disclosure or provision where no diminution exists.

In view of the above, the Committee held that there was no violation of AS-13 in respect of diminution in the value of long-term investments and that the Respondent had not failed in his duties as statutory auditor on this count. Accordingly, the Committee decided to hold the Respondent **Not Guilty** of any Professional or Other Misconduct in respect of instant allegation.

4.11 **Allegation No. 12: Violation of AS-18 (Related Party Disclosure)**

4.11.1 The instant allegation pertains to violation of AS-18 (Related Party Disclosures), on the grounds that under Note 13 **(A-46)** pertaining to Related Party Disclosure, the subject Company has mentioned, ***"NB: Parties with whom no transactions are there are excluded"***. However, AS-18 mandates disclosure of all related parties irrespective of whether any transactions have occurred with them or not. The Committed noted that the Respondent in his submissions had stated that the Related Party Disclosures has been made by the subject Company in compliance with the requirements of AS-18 and that parties with whom no transactions had taken place were also included in the disclosure. The Respondent in support of his contention has given an instance of a party namely M/s Rosemary Sponge & Ispat Private Limited, for which he stated that the subject Company had no transactions with such Company but despite the same, its name has been included under the Related Party Disclosure **(A-46)**. The Respondent further submitted that the remark stating that "parties with whom no transactions are excluded" was inadvertently included by the management.

4.11.2 The Committee examined the disclosures made in the financial statements along with the submissions of the Respondent. The Committee noted that AS-18 requires disclosure of related parties and related party relationships, and that transactions with such parties are required to be disclosed where they occur. The Committee observed that the disclosure placed on record includes the names of related parties even in cases where no transactions had occurred, which is consistent with the requirements of AS-18. The Committee further observed that the statement indicating exclusion of parties with whom no transactions had taken place was contradictory to the actual disclosure made and appeared to be a drafting or clerical error attributable to the management.

In view of the above, the Committee opined that the Respondent had exercised due professional care and that the disclosures, as made, were not in violation of AS-18. Accordingly, the Committee decided to hold the Respondent **Not Guilty** of any Professional or Other Misconduct in respect of the instant allegation.

4.12 **Allegation No. 13: Non-Compliance of Guidance Note on Audit of Cash & Bank Balance**

4.12.1 The instant allegation pertains to non-compliance with the Guidance Note on Audit of Cash & Bank Balances. It was alleged that the cash-in-hand balance amounting to Rs. 20.03 lakhs as at the Balance Sheet date **(Note 9; A-36)** has been reported to have been merely certified by the management and that the Respondent had relied solely on such management certification. It was further alleged that, in terms of Para 7 of the Guidance Note on Audit of Cash and Bank Balances, the auditor is required to perform physical verification of cash by applying appropriate audit procedures, which the Respondent failed to do so. The Respondent in his submissions had stated that he had conducted the physical verification of the cash balance as on 31st March 2011. In support of his contention, the Respondent had also submitted a Cash Verification Certificate **(I-1 of the Respondent's submissions dated 05.09.2019)**, which specifically mentioned the denominations of currency notes verified by him during the physical verification. The Respondent also submitted a Management Representation Letter dated 30.08.2011 **(I-2 to I-4 of the Respondent's submissions dated 05.09.2019)**, which inter alia confirmed the cash balance of Rs. 20.03 lakhs as on 31st March 2011.

4.12.2 The Committee examined the submissions and documentary evidence placed on record by the Respondent. The Committee noted that Para 7 of the Guidance Note on Audit of Cash and Bank Balances requires the auditor to verify cash in hand by physical inspection at or near the Balance Sheet date, and to apply appropriate audit procedures to satisfy himself about the existence and accuracy of the cash balance. On perusal of the Cash Verification Certificate, the Committee observed that the Respondent had not merely relied upon management certification, but had undertaken physical verification of cash, including verification of currency denominations. The Committee further noted that the Management Representation Letter was obtained as a supplementary audit evidence, which is a recognized audit practice, and not as a substitute for physical verification. The Committee observed that the documentary evidence provided by the Respondent clearly indicates that he had complied with the requirements of the Guidance Note by performing physical verification. Accordingly, the Committee decided to hold the Respondent **Not Guilty** of any Professional or Other Misconduct in respect of instant allegation.

4.13 **Allegation No. 15: Violation of AS-3 (Cash Flow Statement) with respect to Non-Reporting of "Unsecured Loan" in Cash Flow Statement**

4.13.1 The instant allegation pertains to violation of AS-3 (Cash Flow Statements), on account of non-reporting of unsecured loans in the Cash Flow Statement. It was alleged that in the CARO Report **(Point (iii)(a); A-29)**, the Respondent had reported that the Company had granted unsecured, interest-free loans during the year. However, no corresponding inflow or outflow in respect of such loan transactions was seen to be reflected in the Cash Flow Statement **(A-53)**. This resulted in an apparent inconsistency between the disclosures made under CARO, 2003 and the Cash Flow Statement, which the Respondent, as a statutory auditor, failed to draw attention to in his Audit Report. The Respondent in his submissions had stated that the Company had granted loans to 37 parties covered under the register maintained pursuant to Section 301 of the Companies Act, 1956. He submitted that such loans were granted and repaid during the same financial year and that no amount remained outstanding at the year end. He further stated that the amount of Rs. 2.01 crores appearing under Loans and Advances represented amounts receivable from persons other than those covered under the Section 301 register. The Respondent contended that since the loan transactions were large in volume, and of short maturity, they were reported on a net basis in accordance with paragraph 22 of AS-3.

4.13.2 The Committee considered the submissions made by the Respondent and examined the relevant provisions of AS-3. The Committee noted that AS-3 requires cash flows arising from investing activities, including loans given and repayments thereof, to be reported in the Cash Flow Statement. The Committee further observed that paragraph 22 of AS-3 permits reporting of cash flows on a net basis only in limited circumstances, such as when cash receipts and payments are on behalf of customers or when the amounts are large, and the maturities are short, provided such presentation does not impair transparency or completeness of disclosure. In this context, the Committee noted the requirements of reporting Cash Flows on a Net Basis as per AS-3, which states as follows:

*"**Reporting Cash Flows on a Net Basis***

22. Cash flows arising from the following operating, investing or financing activities may be reported on a net basis:

(a) cash receipts and payments on behalf of customers when the cash flows reflect the activities of the customer rather than those of the enterprise; and

(b) cash receipts and payments for items in which the turnover is quick, the amounts are large, and the maturities are short.

23. Examples of cash receipts and payments referred to in paragraph 22(a) are:
(a) the acceptance and repayment of demand deposits by a bank;
(b) funds held for customers by an investment enterprise; and
(c) rents collected on behalf of, and paid over to, the owners of properties.

Examples of cash receipts and payments referred to in paragraph 22(b) are advances made for, and the repayments of:
(a) principal amounts relating to credit card customers
(b) the purchase and sale of investments; and
(c) other short-term borrowings, for example, those which have a maturity period of three months or less

In the present case, the Committee observed that under CARO report, following has been reported under Point (iii)(a):

"During the year, the Company had given unsecured interest free loan to thirteen seven parties covered in the register maintained under the section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 3,10,63,075/- "

The Committee noted the Respondent has contended that such loans were granted and repaid during the same financial year and that no amount remained outstanding at the year end. He further stated that the amount of Rs. 2.01 crores appearing under Loans and Advances represented amounts receivable from persons other than those covered under the Section 301 register. The Committee viewed that even if the said amount of Rs. 2.01 crores appearing under Loan and Advances does not pertain to persons covered by Section 301 register, nevertheless, such amount was outstanding at the year end and should have been included under investing activities in the Cash Flow Statement **(A-53)**. However, the Committee observed that not such amount was appearing under investing activities in the Cash Flow Statement **(A-53)**. Accordingly, the Committee decided to hold the Respondent **Guilty** of Professional Misconduct falling within the meaning of Items (5), (6) and (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949, in respect of the instant allegation.

4.14 **Allegation No. 16: Reporting requirements of CARO with respect to Unsecured Interest-free Loans granted to 37 parties not properly mentioned**

4.14.1 The instant allegation relates to improper reporting of number of parties to whom loans were granted under clause (iii)(a) of the Companies (Auditor's Report) Order, 2003, wherein the number of parties was stated as "thirteen seven" **(A-29)**. It is alleged that such reporting did not clearly indicate whether loans were granted to 7, 13 or 37 parties and, accordingly, it was alleged that the reporting requirements of CARO, 2003 were not strictly complied with. The Respondent in his submissions had stated that the said discrepancy was a typographical error. The Respondent further stated that the loans granted to such parties during the year were fully repaid within the same financial year and, accordingly, no loan remained outstanding as on the Balance Sheet date, which is the relevant criteria for reporting under clause (iii)(a) of CARO.

4.14.2 On perusal of Clause (iii)(a) of the Companies (Auditor's Report) Order, 2003, wherein the number of parties was stated as "thirteen seven" **(A-29),** the Committee regarded the same as a typographical error in writing the word "thirteen" instead of "thirty". The Committee observed that the uncertainty arose due to such typographical error and that there was no material on record to indicate any intent to misreport or suppress information. Accordingly, the Committee decided to hold the Respondent **Not Guilty** of any Professional or Other Misconduct in respect of the instant allegation.

4.15 **Allegation No. 17: Violation of SA-700 with respect to non-mentioning of Place of Signatures of the Respondent**

4.15.1 The instant allegation relates to non-mentioning of the place of signature in the Auditor's Report, which was alleged to be in violation of Para 27 of SA 700. It was alleged that the Auditor's Report did not distinctly mention the place where the audit report was signed. The Respondent in his submission had stated that for the financial year 2010-11, SA 700 was not applicable, and the audit was governed by Auditing and Assurance Standard (AAS) - 28, which was in vogue. The Respondent further submitted that the letterhead of the audit firm clearly mentioned the city "Kolkata" and that the round stamp affixed next to the signature on the audit report also distinctly include the word "Kolkata" **(A-28)**. It was also noted that the registered office of the Company was situated at Kolkata.

4.15.2 The Committee observed that the requirements of AAS-28 are satisfied in the instant case since the place of signing of the audit report could be clearly ascertained from the

letterhead and the auditor's stamp wherein "Kolkata" has been mentioned. The Committee noted that the registered office of the Company was also situated at Kolkata. Accordingly, the Committee decided to hold the Respondent **Not Guilty** of any Professional or Other Misconduct in respect of the instant allegation.

5. **CONCLUSION**

Thus, in the considered opinion of the Committee, the Respondent is **GUILTY** of Professional Misconduct falling within the meaning of Items (5), (6), (7), (8) and (9) of Part-I of Second Schedule to the Chartered Accountants Act, 1949.

Sd/-
(CA. Prasanna Kumar D)
PRESIDING OFFICER

Sd/-
(Shri Ajaib Singh, IA&AS (Retd.))
GOVERNMENT NOMINEE

Sd/-
(CA. Vishnu Kumar Agarwal)
MEMBER

DATE: 29.01.2026
PLACE: New Delhi

सत्यापित होने के लिए प्रमाणित/Certified to be True Copy
गीता अनिरुद्ध कुमार/Geetha Aniruddha Kumar
कार्यकारी अधिकारी/Executive Officer
अनुशासनात्मक निदेशालय/Disciplinary Directorate
भारतीय सनदी लेखाकार संस्थान
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