



## NEWSLETTER OCTOBER, 2021



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CA. Manish Gadia

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## CONTENTS

WIRC Chairman's Communication	02
WICASA Chairman's Communication	04
Upcoming Events	05
Library/ Reference Libraries/ Reading Rooms	06
Article on Section 194K of Income Tax Act, 1961	07
Article on Importance of Form 26AS	09
Article on Trading In Future	12
Quiz	15
September, 2021 Event Snapshot	16
Topics for Upcoming Newsletter	19
Creatives	20
Must Read	21



## WIRC CHAIRMAN'S COMMUNICATION



Dear Students,

**“Success is the sum of all efforts repeated day in and day out.” – Robert Collier.**

In fact, it now time to put your foot on the accelerator and really power up your drive to study and to succeed. The only difference between those who qualify and those who don't is that some people dream of success while others wake up and work hard at it. Remember, achievement might take more than one attempt but what will eventually grant you success is your consistency and determination to continue in the face of obstacles. As John Maxwell said, “Successful and unsuccessful people do not vary greatly in their abilities. They vary in their desires to reach their potential.”

### **One Day Seminar**

To continue to give our students an added edge, WICASA organised a number of free one day webinars ensuring that essential subjects like Exam Preparation, Ind AS and Important IBC Case Laws were covered. At the same time professionally relevant and practical topics like Effective Auditing and Due Diligence, Interview Preparation; Forensic Audit and Various Aspects of Valuation; Financial Due Diligence and Management Consulting; Taxation & Investment Planning and on Unexplored Opportunities Post CA. These carefully selected topics ensured that all relevant focus areas for a student was covered.

### **3rd Round of Industrial Trainee Placement Program**

Practicality is one of the pillars of the Accountancy education and this is what sets CAs at a higher level professionally. Ensuring that WICASA students receive this real-world practical experience to grow, we organized the 3rd Round of 'Industrial Trainee Placement Program'. The feedback from the previous rounds are very positive and we are pleased to continue with these placement programmes.

### **Joint Seminars with Universities**

Two skill enhancement programs for students of the Commerce streams jointly with the Savitribai Phule Pune University were organised and conducted by us last month. These programs were eye-openers for the attending Commerce students and their response was truly encouraging. We look forward to conduct these programs with other universities and colleges in the near future. WICASA has continued to hone its focus on providing quality education in relevant fields, especially as the exams are close. The number of Learning Hours for CA Students across the Region touched 197 Hours in the previous month and these will increase qualitatively in the upcoming months.





## Teachers Day Celebrations

'Good teachers are the reason why ordinary students dream about doing extraordinary things.' Teachers are a vital part of who we are. They mould us into becoming better across different aspects of our life. While they have different ways and methods, all have the same goal – to make us better. To that end, WICASA hosted BOS Webinar and Teachers Day Celebration with a Panel Discussion on 'Importance of Teachers/Mentor in Students Life'. This discussion highlighted the relevance and importance of a teacher in the life of a student.

## Cricket Tournament for CA Students

The enthusiasm of students participating in this tournament was truly inspiring. These tournaments are strong team building and bonding exercises. With an overwhelming response for the tournament, 9 matches were organised and played. It gave me great pleasure to observe the sportsman's spirit displayed by our students.

## Interaction with CA Students at Branches

Last month saw a number of events take place across various WIRC Branches. During the course of these events, I was pleased to take time out and interact with our students. While their passion and enthusiasm are inspiring, more importantly these interactions provide us with on-ground feedback as to the progress we, as a Region, are making towards making their dreams come true through our various webinars, events and study programs. This month I was pleased to meet with students in Pune during the course of the CA Student Conference at Pune, as well as during my visit to Nagpur for the Tax Conclave, Branch visit to Amravati and also when I visited Akola Branch for the Beautification of ICAI Marg there. I will continue to meet with students across the Region during my visits to their respective WIRC Branches to ensure that we continue to do our best for them.

Now it is time for students to prepare for their exams in earnest. Yes, this is a rigorous task, which will include rigorous studying, but when you're done you can look back with the satisfaction of knowing that you've conquered a once in a lifetime challenge. These are life changing, career defining moments which, if undertaken with a strong and positive mind-set, will transform not only you but the lives of you near and dear ones. Remember the words of Napoleon Hill, "Effort only fully releases its reward after a person refuses to quit." Don't Quit. Don't Give Up. Be BOLD and you will succeed.

**CA. Manish Gadia**

**Chairman, WIRC**





## WICASA CHAIRMAN'S COMMUNICATION

My Dear Students,

**Marie Forleo said, "The key to success is to start before you are ready".**

Sometimes it happens that we are stuck in a loop of just planning and not focus enough on executing. This may happen because we fear failure. But failure doesn't have to be a bad thing and it doesn't mean you have taken a step backward. Rather, every failure helps you to take a better step forward. Many of you are preparing for your exams, and you may be afraid of not studying enough or regretting not starting to study earlier. But now is not the time think about that. All you have to do now is look forward and give your everything, because a person genuinely working hard never fails.

Last month, WICASA helped enhance our students' knowledge through sessions on 'Effective Auditing and Due Diligence, Interview Preparation'; 'Forensic Audit and Various Aspects of Valuation', 'Financial Due Diligence and Management Consulting' as well as 'Taxation & Investment Planning and on Unexplored Opportunities Post CA'.

This month, we will be having seminars on GST, Tally, Income tax, ROC, TDS, Excel and soft skills to enhance enhance our students' knowledge and skills. We also have a virtual workshop on data analytics and database management, as well as a webinar on fundamental analysis for budding investors and auditors as well as income tax return filing, to further upskill our students.

Our students will get a platform to boost their confidence through the Mumbai City level Debate and Best Presenter competitions. We will also be celebrating Navratri with festivities and cheer, at WICASA first ever Garba Night 2021.

Happy Reading!

Thanks & Regards,  
**Chairman, WICASA**





## UPCOMING EVENTS

Session on	Date	Time	Registration Link
<b>Virtual Workshop on Data Analytics and Database Management - Batch IV Student</b>	October 16, 2021	10:00 AM to 2:00 PM	<a href="http://wirc-icai.org">wirc-icai.org</a>
<b>Half Day Students Seminar on Basic Overview of GST and Tally</b>	October 22, 2021	04:00 PM to 8:00 PM	<a href="http://wirc-icai.org">wirc-icai.org</a>
<b>One Day Students Seminar on Income Tax, ROC, TDS, Excel and Soft skills</b>	October 23, 2021	10:00 AM to 6:00 PM	<a href="http://wirc-icai.org">wirc-icai.org</a>
<b>Free Half Day Students Webinar on Fundamental Analysis for Budding Investors &amp; Auditors and Income Tax Return Filing</b>	October 29, 2021	11:00 AM to 2:00 PM	<a href="http://wirc-icai.org">wirc-icai.org</a>
<b>Mumbai City Level Debate Competition for CA Students ( Virtual)</b>	October 29, 2021	10:00 AM to 6:00 PM	<a href="http://wirc-icai.org">wirc-icai.org</a>
<b>Mumbai City Level Best Presenter (PPT) Competition for CA Students ( Virtual)</b>	October 31,2021	10:00 AM to 6:00 PM	<a href="http://wirc-icai.org">wirc-icai.org</a>
<b>CA Final Mock Test Series I( New Course)- ICAI Tower, BKC</b>	October 4,2021 to October 25,2021	02:00 PM to 5:00 PM	<a href="http://wirc-icai.org">wirc-icai.org</a>
<b>CA Final Mock Test Series I (Old Course)- ICAI Tower, BKC</b>	October 4,2021 to October 26,2021	02:00 PM to 5:00 PM	<a href="http://wirc-icai.org">wirc-icai.org</a>
<b>Intermediate IPCC Mock Test (New Course) Series I-ICAI Tower,BKC</b>	October 5,2021 to October 26,2021	02:00 PM to 5:00 PM	<a href="http://wirc-icai.org">wirc-icai.org</a>
<b>IPCC Mock Test Series I (Old Course) – ICAI Tower,BKC</b>	October 5,2021 to October 23,2021	02:00 PM to 5:00 PM	<a href="http://wirc-icai.org">wirc-icai.org</a>
<b>Foundation Course Mock Test (Series I) – ICAI Tower,BKC</b>	October 18,2021 to October 25,2021	02:00 PM to 5:00 PM and 02:00 PM to 4:00 PM	<a href="http://wirc-icai.org">wirc-icai.org</a>





## LIBRARY/ REFERENCE LIBRARIES/ READING ROOMS

Sr. No.	Name and Address	Contact No.
1.	<b>WIRC Library and Reading Room- BKC</b> 5th Floor, ICAI Tower, Plot No. C-40, G-Block, Opp. MCA Ground, Adjacent to Parini Crescenzo Building, (Standard Chartered Bank), Bandra Kurla Complex, Bandra (East), Mumbai-400 051. <b>Librarian: Ms. Rupali Khatkhate</b>	33671488
2.	<b>WIRC Reading Room- Cuffe Parade</b> ICAI Bhawan, 27 Cuffe Parade, Colaba, Mumbai-400 005.	39802937
3.	<b>WIRC Reading Room- Dadar (E)</b> The Graduate Police Officers' Residential Complex, Bullet Apartments, Lakhamsey Nappu Road, Hindu Colony, Dadar (E), Mumbai-400 014.	24131295
4.	<b>WIRC Reading Room- RVG, Andheri (W)</b> Rajasthan Vidyarthi Griha (RVG) Lallubhai Swal Das Marg, Near Lallubhai Park, Off. S. V. Road, Andheri (West), Mumbai-400 058.	26714083
5.	<b>WIRC Reading Room- Mulund</b> C/o. Maheshwari Pracharak Mandal, next to BMC-T-Ward Office, Devidayal Road, Mulund (W), Mumbai-400 080.	25694220
6.	<b>WIRC Reference Library- Churchgate</b> Room No. 580, Aayakar Bhavan, New Marine Lines, Near Churchgate Station, Mumbai-400 002.	22039131 Extn. 2580
7.	<b>WIRC Reading Room- R. S. Campus, Malad (W)</b> R. S. Campus, Ghansyamdas Saraf College of Arts & Commerce, Gate No. 1 Gr. Flr, Rajasthan Sammelan, Swami Vivekanand Road, Opp. Balaji Hall, Near Petrol Pump, Malad (W), Mumbai-400 064.	66812391

For any suggestions or queries kindly write to [rupali.khatkhate@icai.in](mailto:rupali.khatkhate@icai.in)







## ARTICLES



**Ms. Virti Rajawat**  
**SRN: WRO0553730**  
**Mumbai, Maharashtra**

### **Section 194K of Income Tax Act, 1961.**

#### **Background:**

Section 194K of the Indian Income tax Act, 1961 ('the Act') was introduced vide Finance Act 2020. It is to existing Tax Deducted at Source ('TDS') provisions.

The concept of TDS was introduced with an aim to collect tax from the very source of income. As per this concept, a person (deductor) who is liable to make payment of specified nature to any other person (deductee) shall deduct tax at source and remit the same into the account of the Central Government. TDS is required to be deducted as and when income is earned or credit to the account whichever is earlier.

#### **Pre-Existing Law in Income Tax before the introduction of section 194K of the Act:**

Before implementation of section 194K of the Act, Dividend income from Mutual Fund was an exempt income under section 10(35) of Act. As per the erstwhile provision, Mutual fund (Payer Party) were required to deduct the Dividend Distribution Tax ('DDT') under section 115R of Act and remit the same into the account of the Central Government.

In summary, earlier tax was collected in the form of DDT on the mutual fund and the receiver of the income was entitle to receive the balance dividend amount remaining after the deduction of DDT. Following were the DDT tax rate under Section 115R of the Act

Sr No	Types of Mutual Fund	Rate
1	Debt oriented Fund	Individual/HUF: 25% Others: 30% (Plus, applicable surcharge and cess)

#### **Provision of section 194K of the Act:**

Section 194K of Income Tax is applicable when any Mutual Fund company is responsible to pay a resident investor any income in respect following:

1. Units of Mutual fund,
2. Units from Administrator of specific undertaking or
3. Units from specified company.

This section directs to deduct tax at source at rate of 10% of Income at the time of credit of income or at the time of payment whichever is earlier.

So as per this section if any dividend income arises through Mutual Fund, then TDS needs to deducted at prescribed rate with few exclusions below:





- 1) Investors Income is less the Rs 5,000/- or
- 2) Investor has earned the income through Capital gain i.e., sale of Mutual fund.

### Examples:

If Individual has following income during the financial year from Mutual Fund Company Tax deducted at source would be as follows:

Sr No	Date	Income (Rupees)	Tax Deducted at Source (Rupees)
1	1.4.20	10,000	1,000
2	1.4.20	4,900	NIL
3	1.4.20	3,500	NIL
	1.5.20	3,500	350

### Payment of TDS and Statement of TDS.

Tax deducted at source by Mutual Fund company needs to be deposited with government by 7<sup>th</sup> of next month from the month it is deduct or should have been deducted but for month of march it should be done by 30<sup>th</sup> April.

After payment of Tax, we also need to file Quarterly return on following dates as follows:

Quarter Ended	Due Date
June 30	31 <sup>st</sup> July
September 30	31 <sup>st</sup> October
December 31	31 <sup>st</sup> January
March 31	31 <sup>st</sup> May

Earlier Dividend Income through Mutual fund was taxed as per DDT by company irrespective of amount of income earned by them, whether Assessee is regular in filling return of income or not, but with the insertion of section 194K of Act, tax burden is shifted to investor/receiver/assesses who earlier use to enjoy exemption u/s 10(35) of Act. Tax Rate applicable in hands of assesses of earned dividend Income for different scenario are as follows:

Sr No	Gross Total Income	Rate of Tax
1	Above 10 Lakhs	30%
2	Above 2.5 Lakhs but below 10 Lakhs	Applicable Slab Rate
3	Below 2.5 lakhs	0%

### Conclusion:

As seen above assesses are taxed as per their earning capacity. So, rates applicable for same Dividend Income it can be taxed at different rates.

Insertion of section has led to addition of payment of Tax on Dividend by investors but TDS deducted by company for applicable investors can utilize tax deducted at source for payment of their tax.







**Ms. Yashvi Apoorva Mashruwala**

**SRN: WRO0697962**

**Ahmedabad, Gujarat**

## Why Is It Important To Check Form 26AS Before Filing Income Tax Return?

### What is 26AS?

To start on a lighter note, I wish to share with you all a funny incident which happened with me. When my principal asked me to tally my first Income Tax Return (ITR) with its 26AS; the first thought that struck me was 26AS (Accounting Standard)- Intangible Asset as I had no clue what Form 26AS was and I pondered for a good amount of time figuring it out how this is related to my ITR. When I came to know what this form is all about I felt so dumb. Hence to avoid such situations, it is important to understand what Form 26AS is.

Form 26AS is a consolidated annual statement which is maintained by the Income Tax Department for each individual assessee (person). It contains tax credit information of each Taxpayer against his PAN. It shows the details of TDS, TCS, Advance Tax, Refund, High value transactions undertaken by the taxpayer. It is like a tax passbook. Just like passbook has debit-credit entries of our bank account and reflects our bank balance, 26AS enlists the incomes chargeable to tax and reflects the amount of tax that can be claimed as credit by an Assessee. Form 26AS contains:

- Details of tax deducted on your income by deductors (TDS).
- Details of tax collected by collectors (TCS).
- Advance tax paid by the taxpayer.
- Self-assessment tax payments.
- Regular assessment tax deposited by the taxpayers (PAN holders).
- Details of refund received by you during the financial year.
- Details of the High value Transactions in respect of shares, mutual fund etc.
- Interest received from bank & others without deducting any TDS as declaration is provided such as Form 15G / H in respect of low/no deduction.





## Understanding Form 26AS:



Date updated till 1-Aug-2019

### Form 26AS

#### Annual Tax Statement under Section 203AA of the Income Tax Act, 1961

\* See Section 203AA and second provision to Section 200C (5) of the Income Tax Act, 1961 and Rule 31AB of Income Tax Rules, 1962

Permanent Account Number (PAN)	Current Status of PAN	Active	Financial Year	2018-19	Assessment Year	2019-20
Name of Assessee						
Address of Assessee						

\* Above data / Status of PAN is as per PAN details. For any change in data as mentioned above, you may submit request for correction. Refer: www.in-efil.com / www.aadil.com for more details. In case of discrepancy in status of PAN please contact your Assessing Officer

\* Communication details for TRACES can be updated in Profile section. However, these changes will not be updated in PAN database as mentioned above

#### PART A - Details of Tax Deducted at Source

(All amount values are in INR)

Sr. No.	Name of Deductor	TAN of Deductor	Total Amount Paid / Credited	Total Tax Deducted*	Total TDS Deposited			
1			519516.00	51951.00	51951.00			
Sr. No.	Section 1	Transaction Date	Status of Booking*	Date of Booking	Remarks**	Amount Paid / Credited	Tax Deducted**	TDS Deposited
1	194F	20-Feb-2019	F	03-Jun-2019	-	54400.00	5440.00	5440.00
2	194F	20-Jun-2019	F	03-Jun-2019	-	255450.00	25545.00	25545.00
3	194F	30-Jun-2018	F	18-Aug-2018	-	31200.00	3120.00	3120.00
4	194F	30-Jun-2018	F	18-Aug-2018	-	92710.00	9271.00	9271.00
5	194F	30-Jun-2018	F	18-Aug-2018	-	52558.00	5255.80	5255.80
2			4543.70	454.37				
Sr. No.	Section 1	Transaction Date	Status of Booking*	Date of Booking	Remarks**	Amount Paid / Credited	Tax Deducted**	TDS Deposited
1	194A	31-Mar-2019	F	27-May-2019	-	4274.07	427.47	427.47
2	194A	31-Mar-2019	F	27-May-2019	-	26.90	2.69	2.69
3						56421.00	529.00	529.00
Sr. No.	Section 1	Transaction Date	Status of Booking*	Date of Booking	Remarks**	Amount Paid / Credited	Tax Deducted**	TDS Deposited
1	192	29-Mar-2019	F	01-Jun-2019	-	33637.00	0.00	0.00
2	192	30-Apr-2019	F	16-Jun-2019	-	62784.00	529.00	529.00
4						1375905.00	114475.00	114475.00
Sr. No.	Section 1	Transaction Date	Status of Booking*	Date of Booking	Remarks**	Amount Paid / Credited	Tax Deducted**	TDS Deposited
1	194F	31-Mar-2019	F	24-Feb-2019	-	81250.00	8125.00	8125.00
2	192	31-Mar-2019	F	17-Jun-2019	-	125000.00	17785.00	17785.00
3	192	28-Feb-2019	F	17-Jun-2019	-	125000.00	10015.00	10015.00
4	192	31-Jan-2019	F	17-Jun-2019	-	125000.00	10015.00	10015.00
5	192	31-Dec-2018	F	21-Feb-2019	-	125000.00	10015.00	10015.00
6	192	30-Nov-2018	F	21-Feb-2019	-	125000.00	10015.00	10015.00
7	192	31-Oct-2018	F	21-Feb-2019	-	125000.00	10015.00	10015.00
8	192	30-Sep-2018	F	14-Jun-2019	-	125000.00	10015.00	10015.00
9	192	31-Aug-2018	F	07-Nov-2018	-	125000.00	10015.00	10015.00
10	192	31-Jul-2018	F	07-Nov-2018	-	125000.00	10015.00	10015.00
11	192	30-Jun-2018	F	11-Aug-2018	-	125000.00	4221.00	4221.00
12	192	31-May-2018	F	11-Aug-2018	-	440355.00	4221.00	4221.00

#### PART A1 - Details of Tax Deducted at Source for 15G / 15H

Sr. No.	Name of Deductor	TAN of Deductor	Total Amount Paid / Credited	Total Tax Deducted*	Total TDS Deposited		
Sr. No.	Section 1	Transaction Date	Date of Booking	Remarks**	Amount Paid / Credited	Tax Deducted**	TDS Deposited

## Why is it important to check 26AS before filing ITR?

Keeping my above experience in consideration, the first question your principal will ask you when you go to him for checking your return is – Did you tally it with your 26AS? I am sure this proves the importance of 26AS.

Just like boss is always right, 26AS is always right in terms of return filing. What I wish to convey to you is that, for our Income Tax Department 26AS is the holy grail. Hence, it is essential to ensure that ITR is in sync with Form 26AS. If there is a mismatch in the amount of TDS claimed in ITR and amount of TDS appearing in 26AS, the assessing officer will allow credit of the amount appearing in 26AS. Hence, any mismatch in data must be rectified before filing ITR to avoid any notice.

There are few transactions which are required to be reported by financial institutions such as banks, mutual fund businesses, bond issuers etc. to The Income Tax Department which are reflected in Form 26AS of the Assessee. These transactions include:-

**Part A:** Details regarding Tax Deducted at source.

**Part A1:** Details regarding Tax Deducted at Source in case **Form 15G / 15H** has been submitted by the deductee.

**Part A2:** Details of Tax Deducted at Source on sale of Immovable Property u/s 194(IA) (For seller of Property).

**Part B:** Contains details regarding Tax Collected at Source.

**Part C:** Details of Tax Paid (Other than TDS or TCS)

**Part D:** Details of Paid Refund.

**Part E:** Details of AIR Transaction

**Part F:** Details of Tax Deducted on Sale of Immovable Property u/s 194IA (For Buyer of Property)

**Part G:** TDS Defaults\*(Processing of Defaults)





- Cash deposit/withdrawal in savings, term deposits exceeding Rs.10 lacs,
- Purchase of shares, debentures, units, foreign currency, bonds, buy-back of shares more than Rs.10 lacs,
- Credit card payments beyond Rs.1 lac in cash or beyond Rs.10 lacs in any other mode during a financial year,
- Purchase or sale of immovable property of transaction value more than Rs. 30 lacs.

These transactions are known as **specified financial transactions (SFT)**.

#### What can be included under Specified Financial Transactions?

SFT No.	Nature of Transaction
SFT-001	Purchase of Bank Drafts / Pay orders in Cash
SFT-002	Purchase of Pre-paid instruments in cash
SFT-003	Cash Deposits in Current Account
SFT-004	Cash Deposits in accounts other than current accounts
SFT-005	Time Deposits
SFT-006	Payment of Credit Card
SFT-007	Purchase of Debentures
SFT-008	Purchase of Shares
SFT-009	Buy Back of Shares
SFT-010	Purchase of Mutual Fund Units
SFT-011	Purchase of Foreign Currency
SFT-012	Purchase and sale of immovable property
SFT-013	Cash payment for goods and services
SFT-014	Cash deposits during specified period (9 <sup>th</sup> Nov 2016 to 30 <sup>th</sup> Dec 2016)

investyadnya.

#### What needs to be done in case of error?

In case there is rectification to be done in 26AS, then the tax payer should approach the concerned reporting entities and request them to make necessary corrections which will be updated in Form 26AS.

Hence, the only drawback of Form26 AS is that the Assessee needs to be dependent on the reporting authority for rectification and sometimes need to take multiple follow-ups to get the work done.





## ARTICLES



**Ms. Vinita Bachani**  
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**Vadodara, Gujarat**

## Trading in Futures

### Introduction:

Investors in India trade in futures to earn profit. BSE and NSE are the exchanges where futures contracts get traded by participants interested in buying or selling. This article provides a basic understanding of trading in futures and also about various aspects related to it.



### Laws and Regulations:

#### ➤ SCRA,1956

As per section 18A of SCRA, 1956,

Notwithstanding anything contained in any other law for the time being in force, contracts in derivative shall be legal and valid if:

- traded on a recognized stock exchange;
- settled on the clearinghouse of the recognized stock exchange,
- following the rules and bye-laws of such stock exchange.

Thus, futures (derivatives) not settled through a recognized stock exchange will be invalid.

#### ➤ Regulatory Environment – SEBI,1992 AND FEMA,1999

As a capital market regulator, SEBI is the primary regulator governing derivatives in India. SEBI protects the interests of the investors and prohibits unethical and illegal practices.

As a foreign exchange regulator in India, RBI issued Foreign Exchange Management Regulations that provide detailed guidelines about eligible derivative products, exposures covered, permissions, limitations related to foreign exchange derivative contracts. Prior approval of RBI is required to enter into any derivative contract unless expressly permitted in FEMA regulation.

### Pricing of Futures:

The value of futures prices gets determined by the cost of the carrying model as follows:

Future price= Spot price + carrying cost –returns

Here, carrying costs refers to storage cost, interest cost to acquire and hold the asset, etc.

And return includes dividends, bonuses, etc.

### Example:





Spot price of stock on 31.01.2021 = 500  
 Future price for April 2021 = 525  
 Face value of stock = 10  
 Time to expiration = 3 months  
 Borrowing rate = 20%  
 Annual Dividend payable before April = 30%

**Analysis:** In the given Q, spot price = Rs500  
 Carrying cost (interest cost) = Rs10 (FV of stock)\*20%(rate)\*3/12months = Rs25  
 And dividend = Rs10\*30%=Rs3

Future price will be calculated as follows  
 = Spot price + interest - dividend  
 = 500+25-3  
 = Rs522

### ➤ Arbitrage Opportunity

As per the COC model, the futures price is Rs522 which is less than the actual price of Rs525. Thus, there exists an arbitrage opportunity and, traders can take benefit of it.

The trader will buy stock @Rs500 by borrowing @20% for 3months and sell futures. In April dividend of Rs3 will be received.

On the expiry date, the stock gets delivered to the trader against futures sales.

Sales proceeds	525
Dividend	3
<b>Total inflow</b>	<b>528</b>
Loan repaid to Bank	500
Interest	25
<b>Total outflow</b>	<b>525</b>
<b>Profit (528-525)</b>	<b>3</b>

Thus, the arbitrageur earns a profit of Rs3 by taking the benefit of the difference in the pricing of futures.

### Tax Audit and Return Filing:

There is a specific exclusion in section 43(5) of the Income Tax Act of transactions in futures from being treated as speculative. Hence, they will be treated as non-speculative and taxed as **normal business income**.

The deduction for all business expenses is allowed against such income.

Example- telephone bills, brokerage, commission, internet costs, consultancy charges, salary. Personal expenditures are not allowable.

Normal provisions of the Income Tax Act would be applicable. Normal books of accounts have to be maintained following section 44AA provisions.





Tax Audit is required if turnover exceeds the limit as prescribed under section 44AB.

## ➤ **Computation of Turnover**

The transactions in futures get completed without taking the actual delivery of securities. The transactions are squared up (on or before the expiry date) through payment of differences. The journal entries in books of accounts get recorded for such differences.

The total of favorable and the unfavorable differences get considered as turnover.

### **Example**

Mr.A has undertaken two transactions-

- (i) Purchases a lot of futures of Infosys Ltd worth Rs10Lakh and sells it for Rs12Lakh. Profit= 12-10=Rs200000
- (ii) Purchases a lot of futures of RIL worth Rs7Lakh and sells it for Rs6.5Lakh. Loss=4-7=Rs50000

**Analysis:** Total profit= 200000-50000=Rs150000.

However, Turnover for purpose of Tax Audit= 200000+50000= Rs250000

## ➤ **Treatment of loss**

Since transactions in futures are normal business income (non-speculative), the loss arising can be set off against all the income except salary income

If the loss is not set off in the same financial year, then such loss can be carried forward up to 8 years (and can be set off against future income: can be set off only against non –speculative income) only if the return is filed on or before the due date.

If transactions are based on actual delivery, then the same will be treated as capital gain and, the provisions of capital gain would apply accordingly.

### **GST Applicability:**

Since future contracts are considered as financial derivatives, they qualify as securities.

As per CGST Act, securities are excluded from the definition of goods as well as services. Since securities are neither treated as a supply of goods or services, they are outside the scope of supply. Hence, futures contracts are not liable to GST.

However, if any brokerage or service charges or documentation fees associated with it are levied, then the same would be considered as a supply of services and will be chargeable to GST. If future contracts are settled by way of actual delivery of underlying commodity/currency, then they would be treated as normal supply of goods or services and, will be liable to GST.

### **Conclusion:**

Futures are effective instruments to earn income from price changes in the underlying stocks, commodities, currencies, indices, etc. Futures have become popular in India and provide opportunities to maximize returns.







## QUIZ

**1. Events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud are called as:**

- (a) Fraud risk factors
- (b) misappropriation of assets
- (c) Fraud opportunities
- (d) eventual frauds

**2. A valuer in a company will be appointed by the \_\_\_\_\_ or in its absence, by the \_\_\_\_\_ of that company.**

- (a) Board of directors, Shareholders
- (b) Board of Directors, Audit committee
- (c) Shareholders, Audit committee
- (d) Audit Committee, Board of Directors

**3. Money Laundering is commonly used by criminals to make dirty money appear legitimate. In this context, which stage of Money Laundering involves the bank transfers between different accounts in different names in different countries making deposit and withdrawals?**

- (a) Placement
- (b) Layering
- (c) Integration
- (d) Financing

**4. The substitution effect will be stronger when:**

- (a) the goods are closer substitute
- (b) there is lower cost of switching to the substitute good.
- (c) there is lower inconvenience while switching to the substitute good.
- (d) all the above

Mail your answers at [wicasa@icai.in](mailto:wicasa@icai.in)  
Answers for the month of September, 2021-

1.(a) 2.(b) 3.(a) 4.(a)

Correct answer given by-  
Pawan Soni  
SRN: WRO0468612





## September, 2021 EVENT SNAPSHOTS

### Webinar on Effective Auditing & Due Diligence



Left to right (First row): CA Prajit Gandhi, Speaker; CA Priyesh Karia, Speaker; CA Jitendra Pandey, Speaker; Ms. Sakshi Panchamia, Treasurer, WICASA

### One Day Students Webinar On Taxation & Investment Planning



Left to right : CA Hiten Sutar, ,Speaker; CA Abhishek Ruia, ,Speaker; CA Tushar Khandelwal,Speaker;

### Webinar On Unexplored Opportunities Post CA



Left to right (First Row): CA Pankaj Mandhane ,Speaker;CA Rushikesh Wangde,Speaker;CA Shradha Dedhia, ,Speaker;  
Left to right (Second Row): CA Anand Toshniwal,Speaker; CA Manish Gadia, Chairman, WIRC; Ms. Sakshi Panchamia, Treasurer, WICASA

### Skill Enhancement Program For Commerce Students.

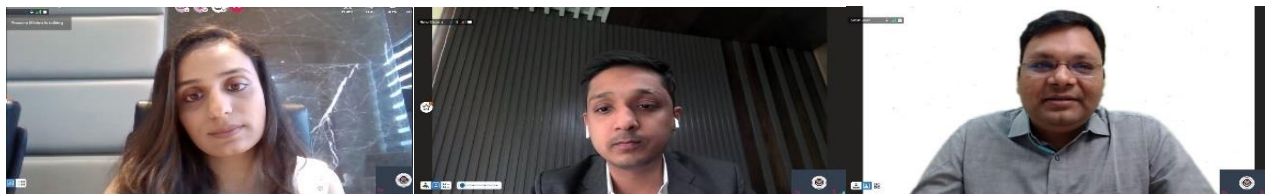


Left to right (First Row): CA Kauser Meherali ,Speaker; Dr Parag Kalkar,Speaker;  
Left to right (Second Row): CA Sameer Ladha,Speaker; CA. Uday Gujar,Speaker; CA Vikram Pandya,Speaker;





## Webinar On Exam Preparation, Ind As, IBC Case Laws.



Left to right : CA Aditi Shah, ,Speaker; CA Rahul Bageria, ,Speaker; CA Satish Jalan,Speaker

## Webinar On Interview Preparation, Financial Due Diligence, Management Consulting.



Left to right : CA Aadish Jagawat, ,Speaker; CA Shivam Palan, ,Speaker; CA Krishna Gupta,Speaker;

## Webinar On Forensic Audit And Various Aspects Of Valuations.



Left to right : CA Naman Maheshwari,Speaker; CA Pawan Saini ,Speaker; CA Palash Kothari,Speaker;

## Cricket Tournament







**Teachers Day Celebration**



**Interactive Meet with Dr Parag Kalkar, Dean, Faculty of Commerce and Management**





**Dear Readers,**

As you all read the articles submitted by our hard- working students, we give our readers the opportunity to submit your articles. By submitting your articles not only our readers' knowledge will be enhanced but also your writing skills. The best article under each topic will be published in our upcoming newsletters. Below are the topics on which you can write:

➤ **Academic Topics**

- Impact of Taxation of dividend in hands of Shareholder
- Section 45 of The Income Tax Act, 1961
- Ind AS 35 Earnings Per Share
- An overview of SA 350: Audit Sampling

➤ **Non- Academic Topics**

- Increasing Role of Technology in life of CA
- An Overview of Crypto Currency
- Atma Nirbhar Bharat
- India- China Relations

➤ **Guidelines**

- Article should be of minimum 1 page and maximum 3 pages.
- Article should be sent with your Photograph, City and Student Registration Number (SRN).
- Article should be in editable version (MS- Word Format), Font- Calibri, Font size- 12.
- Article should be original in nature and neither copied nor published in any other print or electronic media.

➤ **Creatives**

For all the creative minds, if writing is not your cup of tea, you may highlight your creativity skills by sending your art to us. Since, creativity has no fixed parameters so, you can send to us: drawing, poem, photographs and all the art work which is unusual in your way!

Kindly submit your Articles and Creatives at: [wicasa@icai.in](mailto:wicasa@icai.in).





## CREATIVES

### ***Just you!***

*Don't you find yourself searching for souls?*

*Falling and dripping into big holes?*

*These holes are nothing but monsters,*

*Monsters in the form of fears and horrors.*

*It consumes you; it eats you up and makes you hollow.*

*Wherever you go, your insecurities shall follow.*

*Isn't the pain enough for you to give up on those fears?*

*My dear you shall always be left in tears.*

*It haunts you; it seeps deep within you.*

*If you accept these, there are others waiting in a queue!*

*Retrospect and search, there is a courage buried deep down somewhere.*

*Hold onto your fears and throw it out from there.*

*Stand up proudly and cut the evil roots*

*Smile and reap the benefits of the fruit,*

*Fruit which is called victory and gratitude.*

*Always have to keep this attitude!*

*No soul out there shall come in rescue.*

*Yes, my dear it is just you!*

**Poem by: Esha Mahajan**

**SRN: WRO0623841**





