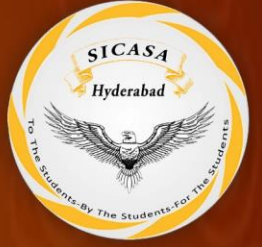




Hyderabad Branch of SIRC of ICAI
&
Hyderabad Branch of SICASA



Happy Diwali
FESTIVAL OF LIGHTS

E-NEWSLETTER

EDIFY



ISSUE-1 | NOVEMBER, 20

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Office Bearers of SICASA Hyderabad



CA RAJAMBAL MS

Chairperson - SICASA Hyderabad



CA SATISH KUMAR M

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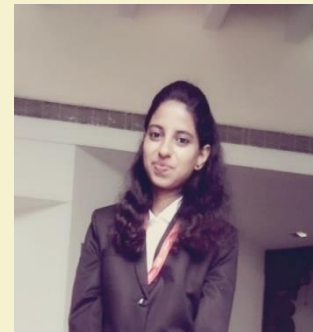
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Joint Message from SICASA Chairpersons :

Dear Learners,

Welcome to the newsletter for the Month of November. Festival of lights around the corner, We wish and pray that everyone finds illuminated path to future. We had a very bright and action packed October Month. Now it is time to just crack the exams and come out victorious with positive result. We wish all the students and readers Happy Diwali.

Apart from the usual IIT and MCS online program previous month we have had some brilliant new initiatives which we rolled out and were well received by the student. We are glad that we could of help. Since we have opened up this online batches more and more student are being benefitted with this. Please Stay connected with us and be updated.

We had conducted First ever Virtual Mock-Test series: Mission-Ekalavya, which was done for all Level of Students under the guidance of Expert Faculties. We have also had a Student Fest : eXtacy , which was a online recreational forum for students to beat the blues was also very well received. We plan to bring in more and more such initiative's to you in the future and bring the best of academics and entertainment to you.

We request students to participate and engage with the newsletter by way on contributions of articles for the newsletter. Finally We thank our editorial team, technical team, authors and well wishers, who are promoting this journal. With these words, We conclude and promise that the professional standards will be maintained and promoted for the betterment of each one of us.

Best wishes,

At your services always,

CA Rajambal MS.

Feel free to contact at rajamcahyd@gmail.com

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Tech Mithra:

“Tech Mithra” is an initiative taken by SICASA Hyderabad to make CA Students familiar with the Technological Changes happening around the world and how those changes would impact our Profession way forward.

In this Modern Era, its very important to stay updated with the usage of Technology. Though many of us maybe strong in the fundamentals of subjects & Concepts but might lack the application knowledge due to unawareness of usage of things around in this digital times.

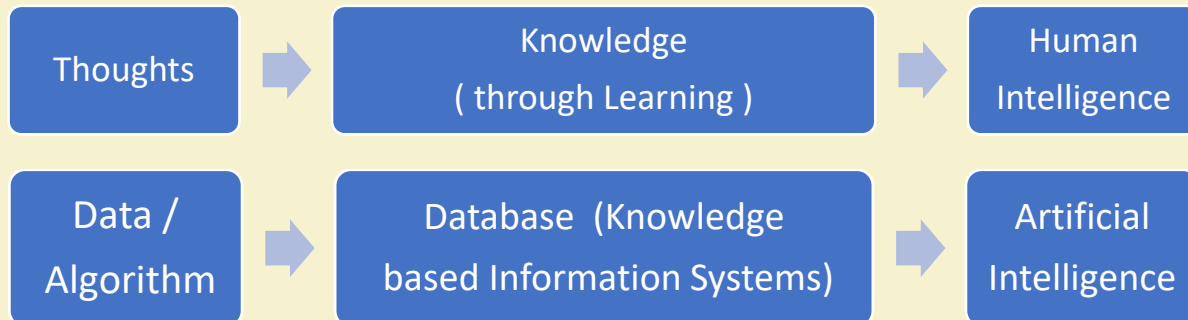
We SICASA Hyderabad are trying to bridge that gap and help the fellow students by publishing a series of Topics which are inter-related in a sequential manner such that student can gain at least the basics of the topics and their impact on us moving ahead in their career path.

For this Month,we are starting with 1.Artificial Intelligence.

Series: 1-Artificial Intelligence

The skill which will differentiate humans with other creatures is '**Ability to Think**'. We are able to think, analyse and store data and also predict future based on our past experience or available information. When it comes to machines they cannot think on its own and run processes to give desired results. Here the importance of AI will come into picture. We'll get **knowledge** through learning and implementing our thoughts. And how, where, when, what type of knowledge to be used in each situation is decided by our **Intelligence**. Same way machines have Data/ Algorithm and store all the information in a Database (Knowledge based Information Systems) and how to extract the data from database to solve a particular situation is handled with AI.

Now, Machine can able to think based on DATA. Robots (machines) are communicating with other machines automatically, human intervention will reduce. So, complexity will increase and clarity will reduce. To improve the clarity we use **Artificial Intelligence**.



AI enables machines to think and Act like human brain. It analyzes human behaviour in the process of solving a problem and making a decision. Accordingly, AI enables the ability to learn, work and decide in machines, software, and systems so that they can respond smartly in various situations

AI is an app (Application Software) that perceives, detects and understands the environment, satisfies user requirement. It perceives in the form of face recognition, finger print, voice recognition etc. It detects and understands through matching the codes like user id and password, screen lock etc. AI along with it's subsets contributes great

intelligence and decisions, brings another level of thinking to the automation as AI can analyze data in a way that a human could not, recognizing patterns in data and learning from past decisions to make increasingly good intelligent choices.

We almost end up using AI accessories on a daily basis on mobile phones. Mobile phones have become a basic need. Let it be ordering food online, using various apps, when we search for Mobile phones in google and then we open Facebook, we repetitively get ads of the same and when we open a website for subsequent times, it opens faster. These are basically a machine learning technique, a part of AI.

We have seen that it is been used in various fields across space agency, defence, film industry, research etc because of 2 common things-

1. AI gives out best accurate results against humans are prone to error.
2. Efficiency of human tends to reduce over period of time because of fatigue.

AI's potential in Accounting:

AI technology will improve data entry accuracy and lower the liability risk for accountants. Real-time data helps accountants to give real-time solutions. Analyze large amounts of data instantly, evaluate past performance to predict future outcomes. You Tube uses Data Analytics, For example, when you search any video, within few seconds you are served with similar videos as per your preference via recommendations, more the time user spend watching videos more the revenue You Tube will make, such revenue is shared with content creators which encourages them to create more content and that's how the whole chain works like. Understanding customer behavior will make a CA aware of how they can make their accounts in such a way that will help them increase their profits & lower their expenses.

AI's potential in Auditing:

Auditing as a subject has been evolved over a period of time, starting from thick and heavy manual records to present days' digitalized form. The period of transition was not an easy one, but it ensured that the drawback of traditional system of auditing was set off by present days' electronic form. From the time when trial balances were tallied by Chartered Accountants themselves to the time now when even simplest Accounting software can do this for you. In the olden days a lot of time, money and energy of the auditor used to be wasted by focussing on some of the immaterialised things. But, now the auditor can place a reliance on electronic medium and can focus on crucial areas by providing better value added services. In the recent years, various acts and initiatives were passed gearing the process of digitalisation, notably The Companies Act, 2013. The Act mandated the

requirement of maintaining the books of accounts for a minimum of 7 years. Now, maintaining the physical records for a whopping 7 years seemed impossible. So, this paved way for digitalisation. The process of digitalisation revolutionised into AI.

AI was a distant dream in the past, but now we have realized our dream. Now we can also see the use of technology(Augmented Reality with AI) in physical stock audit, whereby it helps the statutory auditor to make a better opinion by posing AI to do stock audit of branches instead of merely relying on management's confirmation.

During this Dynamic world, with all set of shortcomings, AI helps in meeting all the compliances with least possible effort that too with precision. It can't be easily tampered as in case of hard copy. The 2 risks are-

1. Auditor can't place complete reliance on AI with regards to judgemental matters.
2. As the information is available in electronic form, it is subject to the risk of being manipulated so necessary security controls must be exercised.

Even though AI is quite accurate and gives promising results, we still cannot completely rely on machines for opinions involving professional judgement. Companies will always need CA that can analyze and interpret AI data, as Algorithms can only operate in parts of the world that humans can precisely describe to it. The work of an analyst, however, does not just involve conducting data analysis within closed environments.

We, humans, are not restricted to the information supplied to us we can think beyond that & that is where the concept of Professional Skepticism comes as we do not blindly rely on the information provided. Understanding what it means to be human and caring about human experiences are intrinsically linked to the analysis process. For example, if we give AI an order to solve world hunger the easiest way to solve world hunger is just to kill all the life on the planet & then nothing would ever be hungry again. But obviously, this is not what we want. Therefore it is unlikely that, an algorithm is going to learn to understand humans anytime soon.

Even though AI is developing at a faster pace, it is no match for auditors. The auditor has acquired professional knowledge and real-life experience through years of hard work and practice. There is definitely a future need for a human auditor even as machine learning starts to augment audit procedures. The auditor role, for both internal and external auditors, will switch from performance of the procedures to design of the procedures, interpretation of the results, and monitoring the effectiveness of the interpretation.

Journey of CA:

CA Anurag Parvathaneni

How did your CA Journey begin?

Myself CA Anurag Parvathaneni from Parvathaneni & Associates, the first step into CA happened after I pursued my Intermediate, coming from a MPC (science) background I didn't really know what CA was at first. It was my father, who suggested me and guided me to take on this path of Chartered Accountancy. The thing is, I never really dreamed to be a Chartered Accountant in my childhood, as I did know none of it. But, once as I started to pursue it, I did it like any other thing in my life. Thankfully I could finish all my exams in the first attempt itself. This helped me in becoming a Chartered Accountant a little early.

How Articleship helped you?

Articleship period is a phase I have started to grow and which gave me a chance to see myself in formals & the work I did as an article student taught me a lot. During the period of my articleship I was suggested to read this book "The magic of thinking big", this book has given me immense motivation and inspiration, after reading the book my whole perspective on life has changed. I have redefined the way of doing things and treating people. I recommend students to read this book. In fact, I have these books in my office so that people who are feeling sad or even when happy can read them and get a better look at the life they are leading.

How did the association with films start?

I always had a creative interest to do something in my life, but wasn't sure what exactly to do or where to begin with. I started hitting the gym when I was in my 10th standard, I just did it like any other thing in my life. May be it all started then. May be because of it I appeared to be taller, strong & fit than the rest of my peers in my class. As said earlier, I use to entertain people around me and people used to love it. That is what nudged me to be an actor and associate with the film industry.

What does the words success and failure mean to you?

I believe every profession has its own pros and cons, failure and success are present in every profession and in every industry. Since I was mischievous, rebellious and little arrogant as kid, I have seen enough of bad than good in that age, that has how I could grow to be a better man, although I have no regrets for being such a kid, as that little courage helped me to take me to a place where I am now.

The best thing about life is, everything shall pass be it failure or success, they all pass through time, this is for all irrespective of being a student or member. For Students to be specific, there is always a tomorrow after ace-ing a rank or flunking an attempt. The feelings that we grow through the after success and failure, they all pass in time. When in failure people tend to think more about what others are thinking about them, but trust me all those feeling shall vanish in time. CA is not everything in the life, it is a certificate like in any other profession.

What matters most is the skill set that you build and the way you handle failure and the way you are in with your parents and it could be a relation if you are in any, these are the things that define you and not the certificate alone. If you still think that CA was everything know this that India's richest man is not a CA. This is not to discourage you students, it is just that there a life more than CA and your passing or failing is not going to determine your life. Keeping moving forward, as everything will pass, be it your success or failure.

Whats your special moment in your life?

The defining moment is the moment where you decide your priorities. Qualifying and starting my practice. One more thing is my marriage, she herself is a CA and has supported me in my journey. Today I feel I have grown beyond an actor and beyond a CA to a better man, who is more passionate to CA which has helped me to be the place where I am. The best thing I take pride is, my team, the articles. I recommend the student to use this articleship period to the extent possible as its pay-off is immense. If the students could create something out of nothing, it would add real value to them and the ones around them. Even at our office, we believe if someone is going to work with us we make sure that they can achieve things in life than just being confined to CA.

Tips on preparation:

I always use to have a record of the chapters, in which I used to make a note of things such as time allotted for the topic, time taken etc. so that there can be an improvement while revising it again. Keeping track of those things helped me and revision helps a lot. Though I use to go out for entertainment and movies in the day time, I made sure that, I have studied through the night. I used to walk while reading theory subjects, so that the body can be active. All these little things together created a process which made me feel confident.

Message to students who are appearing for their exams:

As all you students have got last few days of time to prepare, use them well. Believe in your preparation and stay focused. CA is a part of life but not the whole life. In this pandemic, Health care shouldn't be neglected. Do well in your exams. Stay Strong and do your very best. I wish you all the best.

Thankyou ,

CA Anurag Parvathaneni
Parvathaneni & Associate.

Journey of e-wallets & digital payments since demonetization.

Introduction:

The role and importance of the E-wallets and the Digital payments is gaining importance day by day at exponential rate. In a span of less than 3 years since the implementation of Demonetization, the market of the e-wallets grown significantly and the custom of accepting the digital payment became an integral part of the business.

It may be noted that, even it is evident that the demonetization is main push-up for the such a massive development of e-wallet market and digital transactions, there is another equivalent factor that had equal impact on the journey of e-wallets and digital payments i.e., quick settlement of transactions when compared to traditional banking operations. The main features of the e-wallets and digital payments are that they are easy to use, flexible, fast and reliable.

What is E-Wallets?

In simple terms, E-wallet means storing of digital money in electronic mode. The basic function of the e-wallet is that it allows one party to make transfer the funds electronically with another party. "E-Wallet" can be in any one of the forms:

electronic device, or
online service, or
software program

An E-wallet has mainly 2 components

- 1.Software: The software component stores personal information and provides security and encryption of the data.
- 2.Information: The information component is a database of details provided by the user which includes their name, shipping address, payment method, amount to be paid, credit or debit card details, etc.

What does Digital payments mean?

This can be understood with the following equation:

Digital payments = payment through digital money + electronic mode of payment.

Payment through digital money is nothing but the cashless transactions. Electronic mode of payment is payment in any of the electronic mode (which are explained subsequently).

The Journey of E- wallets:

The Origin:

In 2006, Wallet365.com, India's first e-wallet, launched by media firm Times Group in association with YES Bank. Later on, the importance and the usage of e-wallets increased and a number of e-wallets were launched such as Paytm, Mobikwik, BigBasket and Grofers, Amazon, WhatsApp and so on.

Prior to demonetization:

Prior to the demonetization, the e-wallet market was limited. The reason is that due to financial illiteracy. Another drawback is that the e-wallets requires bank account to be attached to transfer the funds from the wallet to another person. In order to increase the usage of the e-wallets the government of India brought various reforms through financial inclusions a thereby creating the financial literacy resulting in the increase of usage of e-wallets.

Effect of Demonetization:

Post demonetization, cashless transactions became necessary and became part of business. In certain cases, few businesses particularly E-commerce giants like Amazon, flipkart started their own e-wallets. Further developments like QR codes pushed the growth of e-wallets greatly. Further e-wallets offered various services at door steps like mobile recharge, booking of LPG, electricity bill payments, etc.,. These services played a crucial role in expansion of e-wallet in consumer market.

The Journey of Digital payments: The origin:

- NPCI, a “Not for Profit” Company under Companies Act 1956, is an initiative of Reserve Bank of India (RBI) and Indian Banks’ Association (IBA) under the provisions of the Payment and Settlement Systems Act, 2007, for creating a robust Payment & Settlement Infrastructure in India
- Objective of the NPCI is to provide infrastructure to the entire Banking system in India for physical as well as electronic payment and settlement systems.
- The ten core promoter banks are State Bank of India, Punjab National Bank, Canara Bank, Bank of Baroda, Union Bank of India, Bank of India, ICICI Bank, HDFC Bank, Citibank and HSBC.

Early stages and Prior to Demonetization

The various products of NPCI are as follows:

- RuPay: An Indigenously developed Payment System – designed to supports the issuance of debit, credit and prepaid cards by banks in India and thereby supporting the growth of retail electronic payments in India.
- Unified Payments Interface: Unified Payments Interface (UPI) is an instant real-time payment system facilitating inter-bank transactions.

- Bharat Bill Payment System: Bharat Bill Payment System (BBPS) is an integrated bill payment system in India offering interoperable and accessible bill payment service. Interoperable is the feature that allows the customer of an one bank to transfer funds to another bank freely because the banking network is interoperable. In the same way, one can make payments via e-wallets to bank directly via BHIM. The main differentiating point between the UPI and BHIM is that UPI is a platform whereas the BHIM is a mobile application wallet.
- ABPS: It is a unique payment system implemented by National Payments Corporation of India (NPCI), which uses Aadhaar number as a central key for electronically channelizing the Government subsidies and benefits in the Aadhaar Enabled Bank Accounts (AEBA) of the intended beneficiaries.

Prior to Demonetization:

With respect to the digital payments, various modes of digital payments were in existence even prior to the demonetization, for example UPI as a digital payments instruments were launched by Reserve Bank in April 2016, however they are not popular. The reserve bank of India along with the National Payments Corporation made efforts to develop digital payments. Unlike e-wallets, digital payments do not have concept of attaching the bank account and the funds are transferred directly to bank, hence there is rapid growth in Digital payments when compared to e-wallets.

Effect of Demonetization

Let's look into the relevant portion of statistics of RBI ANNUAL REPORT (IX. Payment and Settlement Systems and Information Technology) dated 25.08.2020 (<https://m.rbi.org.in//scripts/AnnualReportPublications.aspx?Id=1293>)

Table IX.1: Payment System Indicators – Annual Turnover (April-March)

Item	Volume (Lakh)			Value (₹ Crore)		
	2017-18	2018-19	2019-20	2017-18	2018-19	2019-20
2.4 IMPS	10,098	17,529	25,792	8,92,498	15,90,257	23,37,541
2.6 NEFT	19,464	23,189	27,445	1,72,22,852	2,27,93,608	2,29,45,580
2.7 UPI	9,152	53,915	1,25,186	1,09,832	8,76,971	21,31,730
4.1 Credit Cards	14,052	17,626	21,773	4,58,965	6,03,413	7,30,895
4.2 Debit Cards	33,434	44,143	51,239	4,60,070	5,93,475	8,04,870

From the above it is clear that there is significant change in the trend of digital payments. For the FY 2017-18 the No. of transaction through UPI were around 9,152 Lakhs whereas the No. of UPI transaction in the FY 2019-20 is around 1,25,186 Lakhs that is more than 13 times in 2 years. Similarly, the value of transactions in the FY 2017-18 is Rs. 1,09,832/- Lakhs whereas in the FY 2019-20 it is Rs. 21,31,730/- Lakhs i.e., 107 times when compared to 2017-18. This shows how massive growth has been recorded. The same goes with IMPS, NEFT, Credit cards and debit cards.

Incentive/Promotional Schemes

In order to give to immediate support (i.e., from December 2016) to the digital payments, the government of India had announced various incentives if the payments are made through digital mode. Few of them are as follows

- 1.A discount at the rate of 0.75% of the sale price to consumers on purchase of petrol/diesel.
- 2.Railway shall provide a discount upto 0.5% to customers monthly or seasonal tickets from January 1, 2017.
- 3.Public sector insurance companies will provide discount or credit, upto 10% of the premium in general insurance policies and 8% in new life policies of Life Insurance Corporation sold through the customer portals.
- 4.No service tax will be charged on digital transaction charges/MDR for transactions upto Rs.2000 per transaction.
- 5.For the payment of toll at Toll Plazas on National Highways using RFID card/Fast Tags, a discount of 10% will be available to users in the year 2016-17.

Conclusion:

In order to achieve the cashless economy, E-wallets and the digital payments plays a crucial role. Also enable easy, flexible, reliable and seamless transaction settlement of transactions. However, to other side of the coin, due to lack of knowledge of technological security on part of public at large, the chance of loss of money is also significant. The objective of the cashless economy should be accompanied by the financial security to achieve the growth of Economy.



Sunil Vengaldas

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Transfer Pricing Audit – A Detailed Study

Transfer pricing (TP) is a term used to describe inter-company pricing arrangements relating to transactions between related entities. These can include transfers of intellectual property, tangible goods, services, and loans or other financing transactions. Such inter-company transactions, domestically and across borders, are growing rapidly and are becoming much more complex. Compliance with the differing requirements of multiple overlapping tax jurisdictions is a complicated and time-consuming task and at the same time, tax authorities are imposing stricter penalties, mandatory documentation requirements, increased information exchange and carrying out intensive audits.

Why?

Fundamentally, Transfer Pricing has been implemented to ensure all commercial transactions between different entities of a multinational group are transacted at an arms-length price.

How?

To perform a Transfer pricing Audit, one must have in-depth knowledge of the business of such entity, industry in which the entity works and impact of economic changes. Once we understand about the entity, we find out the tested party and method of arm's length Price. For understanding the legal provisions is particularly important.

From here let us divide the entire article into two parts

- **Understanding the FAR Analysis.**
- **Understanding the legal provisions.**

Understanding the FAR Analysis

Rule 10B of the Income Tax rules require a functional analysis to figure out whether controlled and uncontrolled transactions are comparable as well as to set up a factual standard based on which adjustments may be made to the results of comparable transactions or companies.

Landmark judgements saying the Importance of FAR

Morgan Stanley and Company Inc. [292 ITR 416], Hogenas India (P.) Ltd. V. Dy. CIT [2013, 30 taxman.com, 390], Wrigley India (P.) Ltd. V. Addl. CIT [2011]

There are three parts of FAR Analysis:

1. Functional Analysis – functions performed
2. Asset Analysis – assets used (including intangible assets)
3. Risk Analysis – risks assumed by business

FUNCTIONAL ANALYSIS

In functional Analysis we make categorization and sub categorization of entity function it do, once we understand the business/ function we can know lot about the value chain of organization. Whether entity is Manufacturer, Distributor or Service Provider. Once you complete such type of categorization / sub categorization, one can understand the value chain / supply chain of functions performed

ASSET ANALYSIS

In Asset Analysis it is evaluated about assets deployed by Multi National Enterprise for international Transaction or Specified domestic Transaction, If Entity has small set-up or large set-up, once you aware about assets deployed and size of setup of Entity, one can search comparable or say tested party easily, one cannot compare small set-up entity with large set-up entity. Typically, Business Assets (List is illustrative not exhaustive) an entity employ is Tangible: - Building, Plant, Property, Equipment, Office Equipment, Vehicles, Receivables, Inventory...etc. Intangible: - Goodwill, Patents/Trademarks, Customer List, License/Copy right...etc.

RISK ANALYSIS / RISK ASSESSMENT

“Higher the risk – Higher the profit,” this quote can be understood better in the study of transfer pricing. Risk analysis is the integral part of Transfer pricing. An enterprise accepts and manage risk with a view to generate economic benefits/ profits thus assuring its continuity. The assumption of higher risk would be compensated by a greater returns’ expectations, actual return depends on the actual realization of risk. While a company (MNC Group) is compared to other independent entity it is important that both companies are at the same level of risk or such risks are adjusted to drop any material differences else the return on both the transactions would be incomparable.

we must adjust because Profit of higher risk entity cannot be compared with profit of lower risk entity.

Following are some typical risk assumed by an entity: - Market Risk, Environment Risk/ Business Risk, Technology risk, Credit Risk, Foreign Exchange Risk, Warranty/ performance risk, Manpower risk, Capacity use risk.

During Risk Analysis one also check if Entity itself can take such risk or anybody else is taking risk on its behalf, whether Entity is the self-authority for own decision making or anybody else is taking its decision.

Understanding the legal provisions

A separate code on transfer pricing under Sections 92 to 92F of the Indian Income Tax Act, 1961 (the Act) covers intra-group cross-border transactions which is applicable from 1 April 2001 and specified domestic transactions which is applicable from 1 April 2012. Since the introduction of the code, transfer pricing has become the most important international tax issue affecting multinational enterprises running in India. The regulations are broadly based on the Organisation for Economic Co-operation and Development (OECD) Guidelines and describe the various transfer pricing methods, impose extensive annual transfer pricing documentation requirements, and hold harsh penal provisions for noncompliance

Sec – 92 Computation of income from international transaction having regard to arm's length price.

Where in an international transaction, two or more associated enterprises enter into a mutual agreement or arrangement for the allocation or apportionment of, or any contribution to, any cost or expense incurred or to be incurred in connection with a benefit, service or facility provided or to be provided to any one or more of such enterprises, the cost or expense allocated or apportioned to, or, as the case may be, contributed by, any such enterprise shall be determined having regard to the arm's length price of such benefit, service or facility, as the case may be.

Sec – 92A - Meaning of Associated Enterprise

Associated enterprise means an enterprise which takes part, directly or indirectly, or through one or more intermediaries, in the management or control or capital of the other enterprise.

In the following cases an enterprise is deemed to be associated enterprises if, at any time during the previous year,

- a) VOTING POWER IN ANOTHER ENTERPRISE – (not less than 26% of the voting power in the other enterprise)**

Sec - 92B - Meaning of international transaction

- International transaction means a transaction between two or more associated enterprises, either or both of whom are non-residents, in the nature of purchase, sale, or lease of tangible or intangible property, or provision of services, or lending or borrowing money etc.
- A transaction entered by an enterprise is be deemed to be an international transaction, if there exists a prior agreement in relation to the relevant transaction between such other person and the associated enterprise, or the terms of the relevant transaction are determined in substance between such other person and the associated enterprise.

- b) VOTING POWER IN MULTIPLE ENTERPRISES** – (not less than 26% of the voting power in each of such enterprises)
- c) ADVANCING OF LOANS** – (not less than 51% of the book value of the total assets of the other enterprise)
- d) GUARATNEE OF BORROWING** - (10%of total borrowing)
- e) APPOINTMENT OF PERSONNEL**
- f) SALE OF MANUFACTURED GOODS TO OTHER ENTERPRISE**
- g) CONTROL OF ANOTHER ENTERPRISE** – (by way of same individual (or his relative), HUF, BOI, AOP, FIRM or any other mutual interest)

92C - Computation of arm's length price.

Arm's length price is the price at which independent parties charge under uncontrolled conditions. An uncontrolled condition is a transaction taking place between two independent parties under free market forces

The arm's length price in relation to an international transaction shall be determined by any of the following methods, being the rightest method, having regard to the nature of transaction or class of transaction or class of associated persons or functions performed by such persons or such other relevant factors as the Board may prescribe, namely: –

- (a) comparable uncontrolled price method;**
- (b) resale price method;**
- (c) cost plus method;**
- (d) profit split method;**
- (e) transactional net margin method;**
- (f) such other method as may be prescribed by the Board.**

a. Comparable Uncontrolled Price Method (CUP):

- The CUP method forms a part of OECD's traditional transaction methods & it evaluates the "price" charged in a *controlled transaction with reference to the "price" charged in comparable *uncontrolled transactions, which could be identified either through internal or external comparable.
- In other methods we start to drive price but in CUP Method, price is already there we just must compare it.
- CUP Method is preferable, but while using CUP Method, first condition which should be fulfilled is "Product and market conditions should be of similar nature, if product and market condition are not similar than it will impact price of product and price will not be comparable

*CONTROLLED TRANSACTION: - transaction will be between associated enterprises

*UNCONTROLLED TRANSACTION: - transaction will be between unrelated entities

Practical examples where CUP Method can be used are Interest rate charged on group loan, Royalties, Sale of listed securities, Back office services where hourly rate could be compared...etc.

Resale Price Method (RPM):

This traditional transaction method takes the price at which a product/service is resold to an independent third party and reduces this resale price by an appropriate gross margin, being the amount out of which the reseller would seek to cover its selling and operating expenses and, in the light of its functions and risks, make an appropriate profit.

b. Cost Plus Method (CPM):

This traditional transaction method is meant to analyse a controlled transaction between an associated supplier and purchaser. It is mostly implemented when semi-finished goods are transacted between associated parties or when the associated parties have long-term arrangements for buy and supply. Here, the suppliers' cost is added to **mark-up** for the product or service to enable the suppliers in making an appropriate profit that considers the functions performed by the entity and the existing market conditions.

The gross profit mark-up of the comparable uncontrolled transaction must be computed as per the same accounting norms as used by the company. This mark-up is adjusted to take into account the differences in the functions and other aspects of the international transaction and the uncontrolled transaction or the enterprises entering such transactions, which could materially affect the mark-up in the open market. The direct and indirect costs incurred in respect of the services are increased by the adjusted gross profit mark- up to arrive at the arm's length price.

c. Profit Split Method (PSM):

Profit Split Method is applicable in cases involving multiple transactions amongst associated enterprise (including international transaction between the assesses and the associated enterprises), which are so inter-related that they cannot be evaluated separately for the purpose of figuring out of an arm's length price of any transaction.

The profit split method would take the joint profit from a dealing or group of dealings between the Company and AE, and split the profit between the parties based on the economic value each has contributed.

d. Transactional Net Margin Method (TNMM)

TNMM needs comparison between the incomes derived from the operations of the uncontrolled parties and income derived by an associated enterprise from similar operations.

A functional analysis of the associated enterprise or the independent enterprise, as the case may be, is required to decide whether the transactions are comparable and what adjustments must be made to obtain reliable results.

In TNMM, the net profit margin realized by the tested entity is related to some key factor such as sales, costs, or net assets etc. and the ratio so computed by a set of unrelated enterprises from comparable transactions, or of transactions between the tested party and unrelated parties.

The net profit margin so obtained is used to get the arm's length price.

e. Such other method as may be prescribed by the Board

As of the date of this report, the CBDT has not prescribed any other method.

f. Such other method as may be prescribed by the Board

As of the date of this report, the CBDT has not prescribed any other method.

Section - 92D - Maintenance, and keeping of information and document by persons entering international transaction.

- Every person who has entered an international transaction or specified domestic transaction shall keep and support such information and document in respect thereof, for the period not less than eight years.
- The Assessing Officer or the Commissioner (Appeals) may, during any proceeding under this Act, require any person who has entered an international transaction to furnish any information or document in respect thereof, as may be prescribed, within a period of thirty days from the date of receipt of a notice issued in this regard, which may be extended on an application made by such person, by a further period not exceeding thirty days.
- Whatever documents, financials, information you have reviewed to do FAR Analysis, whatever analysis, or Workings you did to reach conclusion during FAR Analysis and all workings you have done to arrive at Arms' Length Price which will be the most important part of Transfer Pricing study, all such documentation and information should be kept properly and will be important part of Transfer pricing study. All these document and information is to be submitted to Transfer Pricing Offer while Income tax assessment.

Sec- 92E - Report from an accountant to be furnished by persons entering international transaction.

Every person who has entered an international transaction and specified domestic transaction during a previous year shall obtain a report from a Chartered Accountant and furnish such report (Form 3CEB) on or before the specified date (31st October) *.

➤ *amended though the budget introduced in 2020

Summary of Penal Provisions

Section	Default	Penalty
271AA	i. Failures to keep & maintain info & docs as per sec 92D (1&2), or ii. Fails to report transactions which is required to do so, or iii. Maintains / furnishes Incorrect information or documents iv. Fails to furnish information & documentation as required under sec 92D (4)	2% of transaction value Rs.5,00,000
271 G	Failure to furnish information & documents as per sec 92D (3)	2% of transaction value
271BA	Failure to furnish report of CA as per Sec 92E	Rs.1,00,000
270A	Failure to report any transactions would constitute 'misreporting of income'	Penalty of 200% of Taxes apply

Conclusion: -

Thus, based on precedents it can be concluded that tax authorities at-best cannot interfere with legitimate business transactions which have commercial objectives and offerings to tax are in line with real income principles.



Manoj Atluri

SRO0406321 | Satheesh & Associates

Creative Corner

Poem's:

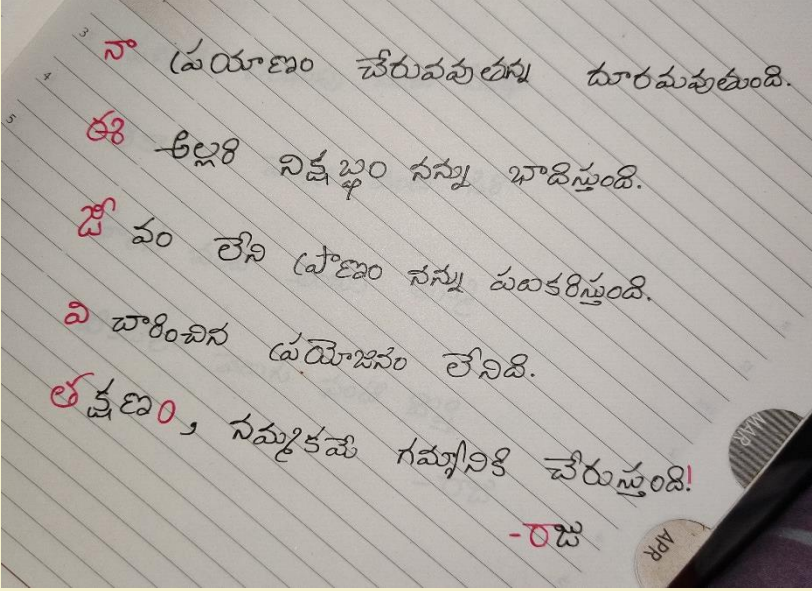
మారాలి

ఓ మనిషి మహర్షిల ఉదయించిన హృదయం !
నలుపంత మటుమాయమైన నవ వసంతం...!!
నవ యువతి విధేచ్ఛగా తిరిగిన వేళ !
అవుతుంది భారతదేశం పసిడి బంగారు హేళ...!!
మనుషులు మారాలి, మనసులు మారాలి !
మరిన మనసులు మళ్ళీ మారాలి...!!
మార్పు ఆలోచనలలో తేవాలి !
మళ్ళీ మళ్ళీ మారాలి...!!
మారుతూనే ఉండాలి..!
దేశ ప్రగతికి పాటుపడాలి...!!



Raviteja chintakayala

SRO0490468 | KVKSN& CO



Pothuganti Raju

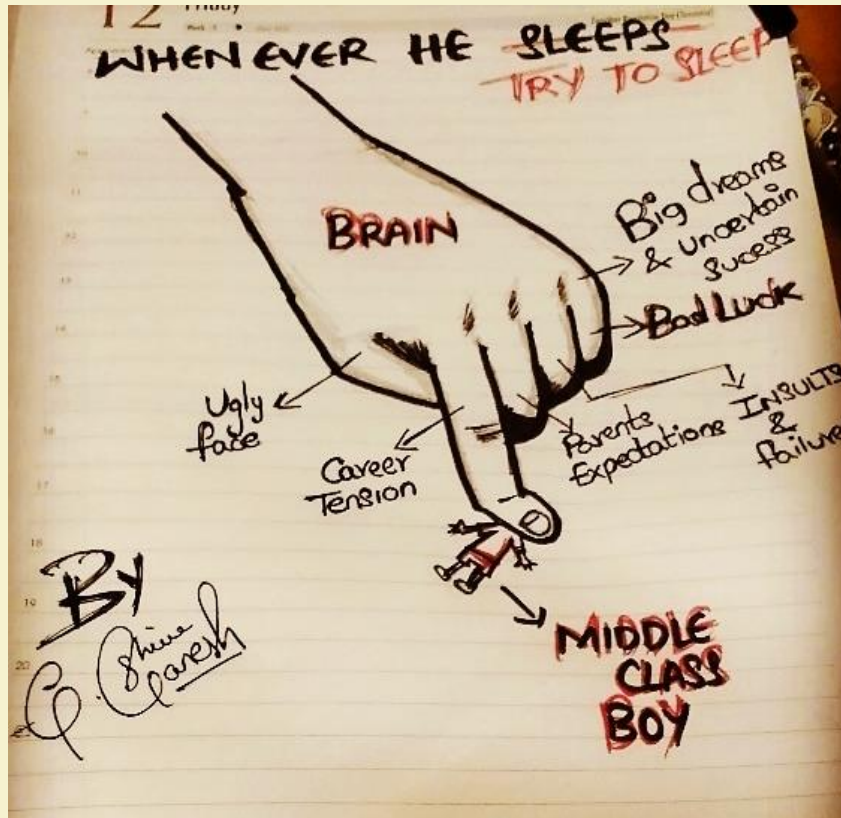
SRO0579709 | Sai baba and Co.

Art Work's:



Aparna K Vinod

SRO0579878 | PM Babu & Associates.



Gaddam Shiva Ganesh

SRO0580121 | SB kabra and Co.

Invitation:

SICASA Hyderabad inviting articles for **E-Newsletter : Edify** for the month of **December,2020**. All the Students who wants to get featured can submit your Articles, Art-Works,Poems,Short-Stories etc. which are related to Chartered Accountancy for our further newsletters.

Topics :

- 1.FinTech
- 2.Widening Scope of TCS
- 3.Global Economic Crises

Send us your works on : sicasahydnewsletter@gmail.com

Last date of Submission : 28th November,2020

Rules:


- 1.No word Limit but Articles shall be confined to Topic's Opted.
2. No Plagiarism Allowed,Cotent sent should be Original.
3. Send your Work to the mail allowing with the following attachments :
 - a) Your Work
 - b) Full Name along with Student Registartion Number & Firm Name
 - c) Passport Photo
 - d) Contact Details

Subject of email must contain the Details of your work (Eg. Article/Art-work etc)

Glimpses:

Mission Ekalavya:


“Mission Ekalavya” is an initiative of Team SICASA – Hyderabad to help students to get better at the upcoming exams. It was a process in which students were mailed Question papers and were asked to solve the questions in a prescribed time under the Exam Conditions, after which a Expert faculty solved those questions in live with the students including Q&A. We are thankful for students making it a massive success with 650+ Students taking part across all the levels of the CA course.



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MISSION - EKALAVYA

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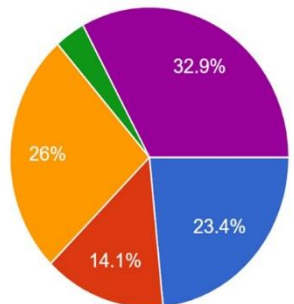
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MISSION - EKALAVYA

Course Studying

653 responses

- CA FOUNDATION
- CA INTERMEDIATE - OLD COURSE
- CA INTERMEDIATE - NEW COURSE
- CA FINAL - OLD COURSE
- CA FINAL - NEW COURSE



Course	Percentage
CA FOUNDATION	23.4%
CA INTERMEDIATE - OLD COURSE	14.1%
CA INTERMEDIATE - NEW COURSE	26%
CA FINAL - OLD COURSE	32.9%
CA FINAL - NEW COURSE	~2.6%

Virtual Student Fest : eXtacy

eXtacy was a virtual fest, first ever online fest for CA students. In which students have performed and show cased their talents of Singing, Dancing, Painting, Drawing, Photography and Zumba. More to it, the fest actually paved a way for the Branch Committee to share their experiences and message to the students in these times where students felt stressed. The whole event was streamed on YouTube live.



To watch the whole event,
Click here: [eXtacy YouTube](#)



Extacy - Virtual Fest

SICASA-HYDERABAD · 1K views · Streamed 1 week ago



Extacy - Virtual Fest

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