The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)

CA INDIA

Kumbakonam Branch (SIRC)

Audit • Account • Assure

for a Trusted Tomorrow



Together Towards a Stronger Profession

KNOWLEDGE BEYOND NUMBERS

COMPLIANCE WITH CONFIDENCE

GROWTH TOGETHER

November 2026

NEWSLETTER

From the Chairman's Desk



Dear Members,

"Where Ethics Lead, Trust Follows." This message from our Institute is the theme for this month. The world observed Global Ethics Day on 21 October, and it is a good moment for us to pause and remember what our profession truly stands on.

Our signature carries weight because people trust it. Banks lend on our certificates, shareholders rely on our reports, and the Government accepts our audits. That trust was not built by any one of us. It was built over generations by members who chose to do the right thing, especially when no one was watching. Each of us holds it in trust for the next generation.

In keeping with this theme, our Branch held a seminar on 3 October on Peer Review and on Provisional and Projected Financial Statements. The distinction is worth repeating. Provisional financial statements are prepared for a completed past period from actual, unaudited transactions, and are governed by SRS 4410 (Revised). Projected financial statements look forward, estimating future performance on hypothetical assumptions, and are governed by SAE 3400. Mixing up the two, or certifying either one without the right standard, puts both the member and the user at risk.

On 28 November, we are holding a programme on Ethics with a Mock Disciplinary Bench. It will give members a live experience of how proceedings before the Disciplinary Committee are actually conducted. I strongly encourage every member, young and senior, to attend.

In the coming month we are also planning outreach programmes on the Foreign Assets of Small Taxpayers Disclosure Scheme, 2026, which is open till 31 December 2026, and on recent amendments in GST. These programmes are for the public and our clients, and I request members to help us spread the word.

I know every one of us is tired after a difficult audit season, and the season is not yet over, with many returns still to be filed. I request you to take due care while filing them. In my personal view, a few areas are where returns are most often picked up for scrutiny:

•**Company returns:** check carefully the shareholding schedule of unlisted companies (Schedule SH-1), the GST turnover details, and the assets and liabilities schedule (Schedule AL-1).

•**Opening stock:** it must match the closing stock in last year's ITR.

•**Closing stock:** the figure in the ITR profit and loss account must match the financial statements exactly. Even a rounding difference of Rs.1 or Rs.2 can trigger scrutiny.

UDIN is an important ethical obligation for all of us. If it has not yet been generated, please ensure it is generated within 60 days from the date of the audit report. Equally, the timelines under the Companies Act matter. Signed financial statements and reports must reach shareholders on time and in the proper manner.

Let ethics lead in every file we sign this season, and trust will follow, as it always has.

On behalf of the Managing Committee, I wish all our members and your families a safe, happy and prosperous Deepavali.

Jai ICAI, Jai Hind.

With warm professional regards,



CA. H. Vijay Sarathi
Chairman, ICAI Kumbakonam Branch (SIRC)

SNIPPETS FROM OCTOBER 2026 PROGRAMMES

Mega Career Counselling Programme
01-10-2026



During the Inaugural Session



Inaugural Address by **Dr. S. Maran,** Principal, Government Arts College, Kumbakonam



Special Address by **CA. R Venkatesh**, Treasurer, Kumbakonam Branch (SIRC)



Honouring the Branch Treasurer and Career Counsellor by College Administration

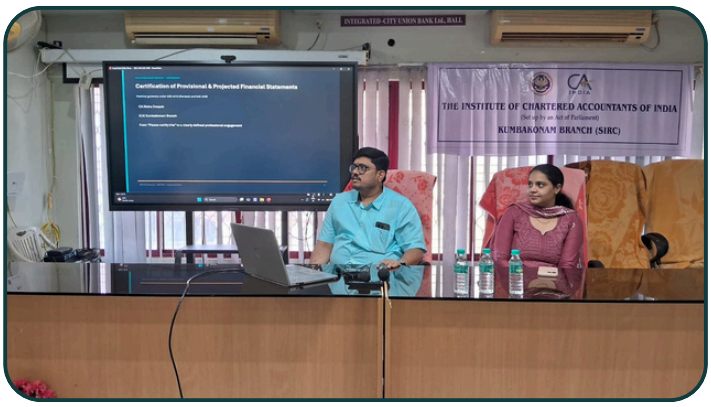


Career Counselling Session by **CA. Ganesh Radhakrishnan**



Kit Distribution by Treasurer Kumbakonam and Career Counsellor to the students

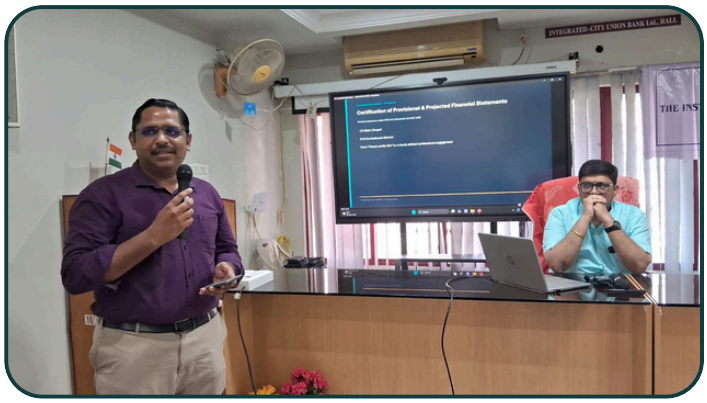
CPE SEMINAR ON PEER REVIEW & ENGAGEMENT STANDARDS
03-10-2026



During the Inaugural session of CPE Seminar



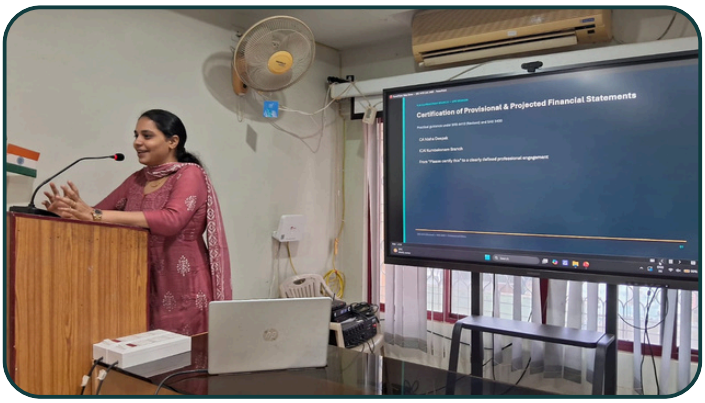
Welcome Address by **CA. Vijay Sarathi**, Chairman, Kumbakonam Branch



Faculty Introduction by **CA. M S K Prasanna Kumar**, Vice Chairman, Kumbakonam Branch(SIRC)



Honouring the Speaker **CA. Nisha Deepak** by **CA. Jaganya** and **CA. Mithra Vijayarama**



Session by **CA. Nisha Deepak** on SRS 4410 and SAE 3400



CPE Session by **CA. Satheesh Kumar** on Peer Review



Honouring the Speaker **CA. Satheesh Kumar** by **CA. S Venkatesan, CA. S Ramadoss** and **CA. H Vijay Sarathi,** Chairman, Kumbakonam Branch (SIRC)

Investor Awareness Programme at SASTRA University, Kumbakonam 08-10-2026



During the Inaugural Session of IAP at SASTRA University



Inaugural Address by **CA. H Vijay Sarathi**, Chairman, Kumbakonam



Honouring the Speaker **CA. Sorimuthu Mahalingam**, Vice President, Barclays



Honouring the Speaker **Mr. P.A. Rupa Kumar Raja** Co-founder of GoStocks



Honouring the Speaker **Mr. D. Saravanan,** Co-founder of GoStocks

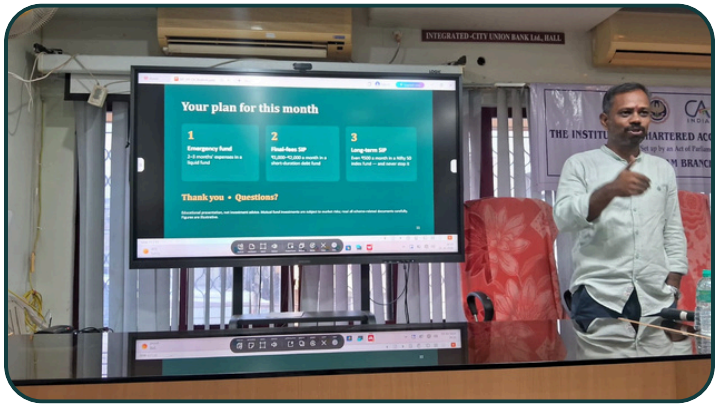


Session on Art of Budgeting by **CA. Sorimuthu Mahalingam**



Session on Choosing Investments and Its Various Strategies by **Mr. P.A. Rupa Kumar Raja** & **Mr. Saravanan D**

Financial and Tax Literacy Programme 28-10-2026



FTL Session by **CA. Ganesh Radhakrishnan**



Honouring the Speaker **CA. Ganesh Radhakrishnan**



Students eagerly attended the programme

Kumbakonam Branch (SIRC)

FORTHCOMING PROGRAMMES – November 2026

Date	Day	Timing	Place	Mode	Topic	Resource Person	Fee (incl. GST)	CPE
22nd Nov 2026	Sun	05:00 pm to 07:00 pm	IMA, Kumbakonam	Physical	Investor Awareness Programme	CA. S. Kumaravelu	-	NA
23rd Nov 2026	Mon	11:00 am to 02:00 pm	ICAI Bhawan, Kumbakonam	Physical	Induction Programme for Newly Registered Foundation Students	CA. Ganesh Radhakrishnan	-	NA
26th Nov 2026	Thu	11:00 am to 12:30 pm	ICAI Bhawan, Kumbakonam	Physical	Public Outreach Programme on Foreign Asset Disclosure	Mr. Mathiyalagan, ITO Ms. Rajarajeswari, DDIT	-	-
26th Nov 2026	Thu	6:00 pm to 08:00 pm	Sangam Hotel, Thanjavur	Physical	GST Public Outreach Programme	Eminent Speaker	-	-
28th Nov 2026	Sat	09:30 am to 05:00 pm	RAS Residency, Chennai Main Road, Kumbakonam	Physical	Sub-Regional Conference on Code of Ethics, 2026 and Disciplinary Proceedings	CA. M P Vijay Kumar, CA. R Sundararajan & CA. R G Rajan	₹885	6

ARTICLE 1

AI IS NOT FAILING COMPANIES; INSTEAD, COMPANIES ARE FAILING AI

Contributed by: Mr. NARASIMMAN L MADHAVARAO,
Chief Product and Transformation Officer at Sierra Digital (Houston, USA).



The headline story in business today is that AI is overhyped, unpredictable, and failing to deliver the promised transformation. Leaders point to stalled pilots, expensive tools that nobody uses, and dashboards that fade into irrelevance. But after two decades leading enterprise transformations across life sciences, manufacturing, retail, chemicals, oil and gas, and public agencies, I have learned something much more uncomfortable and consistent: AI is not failing companies; instead,companies are failing AI.

To me, this is a controversy worth facing directly because the gap between AI's potential and its real impact isn't a technical issue. It's an organizational one. The failure begins well before the first model is trained. It starts with leadership beliefs, cultural blind spots, and strategic shortcuts that weaken the system long before AI ever enters the conversation. I observed that many leaders want the benefits of intelligence without the discipline required to build it. They seek automation without redesigning processes, efficiency without cleaning up data, and innovation without confronting long-standing cultural barriers. As a result, we end up blaming the algorithm when the real problem lies in the environment surrounding it.

Every wave of new technology reveals what is strong or weak about a company. It exposes culture, leadership, discipline, and the truth about everyday work. New tools do not need perfection, but they do require honesty.

A recent MIT Sloan study found that nearly 95 per cent of generative AI pilots within companies fail before reaching meaningful scale. Although that number sounds like a technology failure, it is, in my view, a leadership and organisational failure. These initiatives collapse not because the models are weak but because the company is not ready for what AI demands. When organisations carry forward messy data, broken processes, unclear ownership, conflicting incentives, fearful cultures, and siloed decision-making, AI becomes the scapegoat. The reality is simpler: AI is exposing the years-long lack of readiness. Why does this keep happening, and what must leaders do differently now? AI reveals organisational weaknesses faster than any other technology. The first step is to recognise the controversy itself: AI uncovers truths that were once easy for leaders to overlook. Before AI, an organisation could operate with:

- Inconsistent data
- Undocumented processes
- Siloed decision-making
- Conflicting incentives
- Cultures where people feared speaking up

These weaknesses slowed progress but didn't stop the business from functioning. However, AI depends on clarity, consistency, and trust. It cannot perform well in environments where inputs, culture, or decision rights are unclear. AI fails not because the algorithm is flawed but because it is built on dysfunction that the organisation refused to address. AI does not create disorder; instead, it makes disorder impossible to ignore.

Why this issue matters now. Timing is crucial because organisations are reaching a point of no return. AI is rapidly advancing into every aspect of business, from supply chain, safety, and quality to forecasting, customer engagement, finance, and plant operations. Companies that get this right will fundamentally reshape their industries. Those who get it wrong will fall behind faster than in any previous technological shift. This is not just an incremental upgrade; this approach represents a structural change in decisionmaking, workflows, team collaboration, and customer value.

The global economy is already rewarding companies that embed AI maturity into their operating models. Investors expect it. Talent is drawn to it. Customers notice it. And competitors leverage it. The cost of avoiding AI is now higher than the cost of adopting it. However, poor adoption can have catastrophic consequences. That's why we cannot afford to misunderstand the problem. Addressing AI's failure is truly about transforming the organization.

What others have tried and why they fall short? Organisations have not been passive. They have attempted to solve the problem in ways that seem reasonable but fail in practice.

1. Relying too much on technology vendors. Many companies believe AI success depends on the tools they purchase rather than the capabilities they develop. Vendors promise ready-to-use intelligence. But no vendor can fix a broken process, reconcile years of inconsistent data, or align incentives across different business units. Technology is only as effective as the system in which it operates.

2. Launching too many pilots and calling them a transformation. Leaders favour pilots because they promise quick wins without full commitment to real change. However, pilots can create a false sense of progress. Without redesigning processes, establishing governance, and investing in skills, pilots become scattered experiments that never grow. Extended pilots waste resources and erode confidence across teams.

3. Creating governance committees instead of governance discipline. Many companies set up AI ethics panels, risk boards, and oversight councils. Still, these groups often review presentation slides rather than the actual systems. They meet after decisions are made, rather than guiding them as they happen. Governance without clear ownership becomes performative rather than protective.

4. Viewing AI as a threat to jobs rather than an evolution of work. Fear spreads quickly in organizations that fail to communicate clearly. Employees become disengaged, managers resist, and teams secretly sabotage the system by reverting to old habits. When fear rules, AI is seen as the enemy, not the enabler:

5. Believing skills will appear magically. Few organizations train their people early, thoroughly, or consistently enough. Instead, training is added at the end of a project when resistance is high. Achieving AI maturity requires building capability, not just adding knowledge later.

6. Assuming data issues will resolve themselves. Leaders often think insufficient data is a minor obstacle. In truth, it's the biggest hurdle to AI success. If source systems are broken, AI can't fix them. It only makes them worse. Each of these efforts shows an attempt, but no understanding. They see AI as a tool to be forced into existing systems rather than a signal that systems themselves need to evolve.

What these attempts miss is AI that requires a different kind of leadership. The main misunderstanding isn't about technology. It's about leadership. AI asks leaders to do things they've avoided for years:

- Confront outdated processes.
- Rethink roles and responsibilities.
- Redesign decision rights.
- Break down functional silos.
- Embrace transparency.
- Reward learning instead of
- perfection.
- Communicate clearly and consistently.

AI demands leaders who can set the right environment for intelligence, not those who delegate it to a vendor or platform. I've seen both approaches. In organisations where leaders actively support the cultural and structural changes AI needs, systems thrive. In teams where leaders remain superficial or distant, systems tend to fail quietly, predictably, and completely. AI succeeds when leadership discipline is strong. It fails when leadership comfort is placed above all.

The human insight that changes everything. If there is one insight my career has made undeniably clear, it is this: AI is not just a technology transformation. It is a people transformation.

- People decide whether AI becomes a trusted partner or an untrusted threat.
- People determine whether data is shared or kept hidden.
- People shape whether new processes are followed or ignored.
- People choose whether to question an AI recommendation or follow it blindly.
- People decide whether the organisation builds intelligence or destroys it.

And people will only choose the correct behaviour if they feel safe, valued, informed, and included. I have led transformations where frontline workers became the biggest champions because they were part of the design, understood the purpose, and saw themselves in the outcome. I have also seen projects fail when changes were forced on people who felt disrespected, blindsided, or excluded. AI changes the nature of work. But it is leaders who must change the nature of leadership.

Then what is the real insight? Over the years, I have learned that new technology does not change who a company is. It simply brings the truth to the surface.

- If a company is divided, the divisions become sharper.
- If people are afraid to speak up, the fear grows louder.
- If processes are messy, the mess gets automated.
- If information is inconsistent, the results will be inconsistent too.

AI reveals the truth. That is its power and its danger. Leaders should focus less on what AI could do to the company and more on what the company could do to AI. This is where my experience across different industries helped me view things more pragmatically. My own work across industries has repeatedly shown me this. I have seen highly advanced companies fall behind because their culture could not handle change. And I have seen companies with modest systems succeed because of leadership-built clarity, trust, and a shared sense of direction. The deciding factor has never been the tool. It has always been the environment it is placed in.

What do leaders need to do? The companies that will succeed with new technology are not the ones buying the flashiest tools. They are the ones laying the right foundations. That requires leaders to build discipline in five areas.

- Fix how decisions are made, not just the software. Technology only works when the steps, roles, and responsibilities around it are clear; if people don't know who decides what or when, no system will help.
- Make people feel safe speaking up. Employees must feel comfortable raising concerns, asking questions,
- and pointing out issues. Without that, problems stay hidden and grow.
- Treat your data like a core part of the business. The new norm is "Data is the New Oil". Clean, consistent data is everyone's responsibility, not just the IT team. No tool can fix bad inputs, unclear definitions, or scattered ownership.
- Help everyone understand the technology. From senior leaders to frontline workers, people need to know what the new tools do and how they support their work. Understanding should not be limited to only a few experts.
- Bring business and technology teams together. Technology will not succeed if business and IT stay in separate worlds. Teams must plan, build, and solve problems together. Shared goals and shared accountability matter more than ever. These shifts are not optional. They are the new way organizations must operate if they want technology to truly help them.

The Future Belongs to Companies that Understand this. Every wave of new technology reveals what is strong or weak about a company. It exposes culture, leadership, discipline, and the truth about everyday work. New tools do not need perfection, but they do require honesty. Honesty about how decisions are made, how work really flows, and how ready the organization is for change. Companies that face this honestly will grow stronger and more capable. Those who ignore it will keep blaming technology for results caused by their own internal issues.

The question is no longer whether AI is ready for companies; rather, the real question is whether companies are ready for AI?

ARTICLE 2

SMALL COMPANY AUDITS: LESSONS FROM THE FY 2025-26 SEASON



Contributed by: CA. Nisha Deepak, Kumbakonam

This audit season I reviewed close to 25 company annual reports for sign-off — manufacturers, traders, a construction start-up in its first year, a loss-making tech company, a section 8 school and a few group companies. Most were small or closely held private companies. The same six issues came up again and again, and almost none of them were about complex accounting. They were about unsecured loans, director current accounts, Additional Regulatory Information (ARI), ratios and charges. This article collects those lessons, with every client kept anonymous.

One point first. From 1 December 2025, a "small company" under section 2(85) is one with paid-up capital up to Rs.10 crore and turnover up to Rs.100 crore (MCA amendment). Many more of our clients now qualify, so CARO 2020 drops out for them under para 1(2)(iv). But Schedule III, including ARI and ratios, applies in full. Several drafts I saw dropped the ARI along with CARO. That is the first mistake to avoid.

1. Unsecured loans: who lent, and is it a deposit?

Nearly every small company is funded by "USL" from directors, relatives and friends. The ledger usually says "Unsecured Loans" and nothing more. The auditor's job is to sort each lender into its place under the Companies (Acceptance of Deposits) Rules, 2014.

•*Director, or relative of a director of a private company* — exempt under Rule 2(1)(c)(viii) only if the lender gave a written declaration that the money is not borrowed funds, and the Board's report discloses the amount accepted. In most files the declaration was missing, and the Board's report was silent.

•*Members (shareholders)* — an eligible private company may accept from members up to 100% of paid-up capital, free reserves and securities premium, with the particulars filed with the Registrar.

•*Other companies* — exempt under Rule 2(1)(c)(iv).

•*Friends, employees, a director's business associates* — these are deposits. If the company has not complied with Chapter V, the auditor must report it.

•*DPT-3* — the annual return of deposits and exempted receipts, due 30 June, is often not filed. Ask for the SRN.

On presentation, Schedule III wants borrowings split into secured and unsecured, with loans from related parties shown separately and the terms of repayment stated. "Repayable on demand" loans from directors belong in short-term borrowings, not long-term, unless there is a written arrangement deferring repayment beyond twelve months. In one first-year company, every lender's loan sat in long-term borrowings with no terms anywhere in the file.

Where a loss-making company with negative net worth survives on directors' loans, the going-concern assessment rests on those loans staying in. I prefer to take the directors' commitment not to recall the loans in the management representation letter, and to report a short Material Uncertainty paragraph where the facts call for it. Banks also ask for a lender-wise USL certificate at loan appraisal. Keep the lender-wise list ready and reconciled to the books from day one.

2. Director current accounts: the ledger that turns into a loan

In family companies the director's "current account" is where everything meets — remuneration credited, rent payable, personal expenses paid by the company, cash withdrawn, loans brought in. The balance flips between credit and debit during the year. That flip is the problem.

- *A debit balance is an advance to a director.* Section 185 bars loans to directors unless the company is an eligible private company under the June 2015 exemption: no body corporate holds its shares, borrowings are below twice paid-up capital or Rs.50 crore, and there is no default on borrowings. Check all three conditions on the date of the debit, not just at year-end.
- *Look at the peak, not the closing.* A nil balance on 31 March can hide a large debit in November. Run the month-wise balance.
- *Deemed dividend.* For FY 2025-26 the Income-tax Act, 1961 still governs. A debit balance in the account of a substantial shareholder of a closely held company with accumulated profits can be deemed dividend under section 2(22)(e). Flag it to the client before the tax audit, not after.
- *Split the ledger.* Remuneration, rent and reimbursements are related party transactions for AS 18 and section 188. Loans are not section 188 items; they go to sections 185 and 186. One mixed ledger makes both disclosures unreliable. Ask the client to keep a separate loan account and a separate current account.
- *ARI on loans to directors.* Schedule III requires disclosure of loans or advances to promoters, directors, KMPs and related parties that are repayable on demand or carry no terms of repayment. A debit current account usually falls straight into this.

A practical case this year: a company paid expenses through a credit card issued in a director's name, auto-debited from the company's current account. That is acceptable if every statement is supported by company bills. Any personal spend must be debited to the director, and then the section 185 question above applies.

3. Additional Regulatory Information: not a "Nil" template

The ARI under Schedule III Division I applies to every company, small or not. In most drafts it was a standard page of "Not applicable" carried from last year. Each line is a statement of fact by the Board, and each needs evidence on the audit file.

ARI item	What to verify	Slip seen this season
Title deeds of immovable property	Deeds in the company's name; list any held by a director or in the old firm's name	Property brought in on conversion from a firm still in the firm's name, reported as "Nil"
Loans to promoters, directors, KMPs, related	Amounts repayable on demand or without terms, with % to total loans	Debit director current accounts ignored
Borrowings on current assets	Quarterly stock and book-debt statements filed with the bank agree with the books	No reconciliation on file; differences not explained
Wilful defaulter, benami proceedings	Written confirmation from management	Not asked for
Struck-off companies	Search the MCA master data of every party with balances or transactions	Not searched
Charges not registered or not satisfied	MCA index of charges against the borrowings note	See section 5 below
Funds routed through intermediaries	Representation from management, cross-checked with large advances	Sentence copied without any check
Undisclosed income, crypto	Survey or search proceedings; any virtual asset holdings	Generally correct

The same discipline applies to the promoter shareholding table and to the ageing of receivables, payables and CWIP. Where a company does not prepare ageing, it must still be built for the notes — Schedule III does not give a small company any relief here.

4. Ratio analysis: state the formula, explain the 25%

Schedule III asks for eleven ratios, each with its numerator and denominator, the current and previous year figures, the variance, and an explanation where the change exceeds 25%. The errors this season were consistent:

- Numerator and denominator not stated, so the reader cannot recompute.
- The formula changed between years — for example, net profit after tax this year against profit before tax last year.
- Explanations like "due to increase in turnover" for a 60% fall in the debt-service coverage ratio. The reason must tie to the numbers.
- Ratios that have no meaning shown as figures — return on equity for a company with negative net worth, or debt-service coverage for a debt-free company. Say "not meaningful" and why.
- Ratios not matching the face of the financial statements because they were computed before the final adjustments.

A formula sheet, agreed with the client once and linked to the trial balance in the workbook, solves most of this.

Ratio	Numerator	Denominator
Current ratio	Current assets	Current liabilities
Debt-equity ratio	Total debt	Shareholders' equity
Debt service coverage ratio	Earnings available for debt service	Interest + principal repayments due
Return on equity	Net profit after tax less preference dividend	Average shareholders' equity
Inventory turnover	Cost of goods sold	Average inventory
Trade receivables turnover	Net credit sales	Average trade receivables
Trade payables turnover	Net credit purchases	Average trade payables
Net capital turnover	Net sales	Working capital
Net profit ratio	Net profit	Net sales
Return on capital employed	Earnings before interest and tax	Capital employed (tangible net worth + total debt + deferred tax liability)
Return on investment	Income from investments	Average investments

These follow the formulas in the ICAI Guidance Note on Division I of Schedule III. Whichever variant a company uses, it must disclose it and apply it the same way in both years.

5. Charges: the MCA index rarely matches the borrowings note

Download the index of charges from the MCA portal and place it beside the borrowings note. In almost every company I reviewed, the two did not agree.

- Open charges for closed loans. The term loan was repaid years ago, but the charge is still open because no one filed CHG-4. Section 82 expects satisfaction to be reported within 30 days. Ask the client for the bank's no-dues letter and file it.

- Loans with no charge. Vehicle loans and equipment loans are often secured by hypothecation that the lender never registered. Under section 77, registering the charge is the company's duty, within 30 days of creation, with limited extensions on payment of additional fees.

- Wrong amounts. Enhancements of cash credit limits were not followed by a modification filing, so the index still shows the old limit.

- The disclosure. Schedule III ARI requires the company to disclose charges or satisfactions yet to be registered beyond the statutory period, with reasons. A "Nil" against this line, with an open charge for a repaid loan on the MCA portal, is a misstatement anyone can find in two minutes.

The borrowings note should also state, for each secured loan, the security and the terms of repayment, and any continuing default with its period and amount.

6. Other points that recurred

- *MSME dues.* Schedule III and section 22 of the MSMED Act need the principal and interest due to micro and small suppliers. Get Udyam status from each major creditor; the same list drives the section 43B(h) check in the tax audit.

- *Know your exemptions, and only those.* A small company is exempt from CARO, from the cash flow statement under section 2(40), and can use the abridged Board's report under Rule 8A of the Companies (Accounts) Rules. Reporting on internal financial controls under section 143(3)(i) is not required for small companies, or for private companies with turnover below Rs.50 crore and borrowings below Rs.25 crore. Several drafts applied these exemptions to companies that did not qualify, or failed to use them where they did.

- *First-year companies.* State the period clearly, write off preliminary expenses under AS 26, and make sure the first auditor's appointment by the Board within 30 days is on record.

- *Going concern.* Negative net worth, one customer, no confirmed orders: document management's plans and the directors' support, and decide on a Material Uncertainty paragraph on the facts, not by habit.

- *Contingent liabilities.* Search court and tribunal records for pending cases. Litigation that management did not mention turned up in more than one company.

A ten-minute checklist before you sign

- Every unsecured lender classified; director declarations on file; DPT-3 filed
- Director current accounts checked month-wise for debit balances; section 185 and 2(22)(e) considered
- Loan ledger and current account kept separate; AS 18 note agrees with the ledgers
- Each ARI line backed by evidence, not carried forward
- Struck-off company search done on all parties with balances
- Eleven ratios with formulas; every variance above 25% explained with numbers
- MCA index of charges reconciled to the borrowings note
- MSME status confirmed for major creditors

- Small company status tested at the new limits; exemptions applied only where they fit Small company audits are rarely lost on complex standards. They are lost on a director's ledger, a stale charge and a "Nil" that was never checked. These are cheap to get right, and they are exactly what a peer reviewer, a bank and the Registrar look at first.

Sources

- *MCA raises small company thresholds to Rs.10 crore capital and Rs.100 crore turnover — Taxmann*
- *Companies Act, 2013: sections 2(40), 2(85), 73, 77, 82, 143(3)(i), 185, 186, 188; Schedule III Division I*
- *Companies (Acceptance of Deposits) Rules, 2014; Companies (Accounts) Rules, 2014; CARO 2020; ICAI Guidance Note on Division I of Schedule III*

ARTICLE 3

PERSONAL FINANCE: THE FIRST STEP TO FINANCIAL FREEDOM



Contributed by: CA. Vishnu Manohar

We live in a busy world where managing our everyday tasks can be exhausting. We chase after money but often forget to plan our finances. How many of us maintain a monthly budget and plan our finances? Whenever I ask people this question, the answer is often the same: as soon as the money or salary is credited to their account, they do not know where it goes. By the end of the month, they do not have enough money to meet their essential needs. This is because of the lack of proper personal financial planning.

Personal Finance:

Personal finance refers to how much income you earn, how wisely you spend it, how much you save from your total income, how much you invest from your savings, and the methods you follow to protect your wealth. It encompasses every aspect of managing money, from the moment it comes into your hands to how you make it work for you rather than allowing it to go out of your hands unnecessarily.



Income:

Income includes the money earned through salaries, wages, commissions, business profits, and other sources. It represents all the money that flows into an individual's hands. Income is the starting point of personal finance, and it should ideally grow over time.

Spending:

"Annual income twenty pounds, annual expenditure nineteen nineteen and six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery."

- Charles Dickens's David Copperfield

Financial well-being depends not only on how much you earn but also on how wisely you spend. Managing spending is a critical aspect of personal finance. The 50:30:20 rule is a popular budgeting method in which 50% of income is allocated to needs, 30% to wants, and 20% to savings. However, this ratio need not always remain the same. It can be adjusted according to an individual's income level, financial goals, and different stages of life.

Saving:

Savings is the portion of income that remains after meeting your needs and wants. Savings are not the same as investments. Idle savings may lose their purchasing power over time due to inflation. It is also essential to maintain emergency savings equivalent to at least three months of expenses, even if there is no income during that period. A common suggestion is to set aside around 5–10% of income for emergency savings, though this varies from person to person. The remaining savings can be invested in various investment avenues according to individual financial goals and needs.

Investment:

Investing should depend on the purpose for which it is invested. If it is for short term, fixed deposit, recurring deposit, or liquid mutual fund is good. If it is for long term, shares, real estate, Public Provident Fund, etc. Many platforms are available today for investing. It can be as small as 10 rupees a day.

Gold:

Many of the people I asked about what they would invest in — the first thing that came to their mind was gold. Of course, I would not blame them, because gold has seen a nice increase in CAGR over the last couple of years. Investment in gold itself is a good option; however, I would suggest investing in Gold ETFs (Exchange-Traded Funds) instead. A Gold ETF is just like investing in gold, but not in physical form — instead, digitally. Also an investment option it does not lose value in making or design charges. If you still prefer to hold physical gold as an investment, BIS-hallmarked gold coins or bars are usually better than jewellery, because jewellery loses value through making charges and wastage.
Further, India imports the majority of its gold from other countries. India imported around 72 billion dollars' worth of gold in FY 2025-26. This is the second-largest import bill after crude oil. If we import more, foreign currency has to be sent out to pay for it, and this can widen India's current account deficit, which in turn weakens the rupee. Unlike shares or other investments, gold is kept idle; it does not contribute to capital growth in the economy

Share Market:

The reason many people are not investing is that they don't understand how the share market works. To operate in the share market, you need a demat account. A demat account is like a bank account, but instead of holding cash, it holds securities and assets in digital form. That is why it is called a dematerialised account, i.e., demat account.

Let me tell you how the process works, simply. If you buy a share, you place the order in your trading account, which is maintained by your stock broker. Your stock broker places the order on the NSE/BSE (National Stock Exchange/Bombay Stock Exchange). The NSE then finds the seller to match your order and the clearing agent handle settlement, and depositories NSDL/CDSL (National Securities Depository Limited / Central Depository Services Limited credits the shares to your demat account, usually by the next working day. This all happens in the background, while you have many options to look into the company's performance and invest accordingly. If you believe that investing in a particular company will help it grow, and in turn grow your wealth, you can choose to invest in it. Apart from capital appreciation, you may also receive dividends when the company you invested in performs well.

India recorded 30 mainboard IPOs in September 2026, raised approximately ₹38,785 crore. If you are going to subscribe to an IPO (i.e., Initial Public Offering) — this means a company wants to raise money, either for growth, to repay debt, or for any other reason. This purpose will be mentioned in a document called the prospectus. The company can approach the public after getting clearance from SEBI (Securities and Exchange Board of India), which is the regulator of the share market. IPOs are issued in lots.

Investing in the share market has its own risks, but over the long term, considering past trends, it is considered one of the best investment options.

Mutual Fund:

Consider two scenarios: one where you know nothing about the share market but still want to invest, and another where you want to invest in shares whose price is too high for you to afford directly. In these situations, people approach someone who knows the share market well and ask them to manage their money. That person is the fund manager, and this is why mutual funds exist. They charge an annual fee called the expense ratio for managing the fund. Mutual fund investments are represented in units.

The net asset value (NAV) changes depending upon the performance of the funds. Some mutual funds, like ELSS, have a mandatory lock-in period during which you cannot withdraw at all. Other funds don't have a lock-in but charge an exit load - a fee for withdrawing before a specified period.

The advantage of mutual funds is that you can invest a small amount regularly through a SIP (Systematic Investment Plan) - where you invest a fixed amount at regular intervals, such as monthly, instead of a large lump sum at once.

REITs and InvITs:

If you are not interested in companies, there is another option where you can invest in real estate and infrastructure projects. REIT stands for Real Estate Investment Trust, and InvIT stands for Infrastructure Investment Trust. In a REIT, the fund is invested in commercial real estate, which is rented out, and the rental income is distributed to investors. In an InvIT, the fund is invested in infrastructure assets like roads, power lines, or pipelines, and the revenue generated from these assets is distributed to investors.

Bonds:

A Government bond is a debt instrument issued by the government, where individuals lend money to the government. Corporates also issue bonds called corporate bonds. The interest is paid on the bond at a fixed rate, called the coupon rate. The maturity date is the date on which the principal amount is paid back. The expected annual return an investor earns on a bond is called the yield. Government Bonds is one of the safest investments since it is issued by the government. Since the risk is low, the reward is also comparatively low.

Other Investments

Public Provident Fund (PPF) is one of the best long-term investments. It has a lock-in period of 15 years. The minimum contribution is ₹500. You can contribute in multiples of ₹50, up to ₹1.5 lakh per year. The important thing is that the interest earned from PPF is also tax-free under old and new regime.

Fixed Deposit is best for short-term investment goals. Many banks and NBFCs offer fixed deposits, but FD interest rates are currently low because the RBI (Reserve Bank of India) has cut the repo rate several times to support economic growth, and banks have lowered their FD rates in line with this.

Apart from these, there are many other investment options like real estate, chit funds, etc. Each investment has its own risks and rewards. Understand how the share market works, along with its regulatory authority, and invest accordingly.

Protection:

As we earn, invest and work to grow our wealth, it is equally important to protect the income and assets we already have.

Health insurance:

Paying a health insurance premium is not an expense; it is the price of protecting your money. Medical costs are rising fast, and the market offers many health insurance policies, so you can choose a sum insured that suits your needs. Do not wait until you fall sick to buy health insurance; the best time to buy is when you are healthy.

Life/ Term Insurance:

Life insurance provides financial security for your dependants and protects their future if something happens to you. Term insurance offers cover for a chosen period at a relatively low premium. Both health and life insurance protect your life savings and are a wise financial decision. Their main purpose is protection, not returns, though some life insurance plans also include a savings or investment component.

Everyone can use their own knowledge and skills to plan their finances. Know your income, prepare a budget, reduce and manage debt, and keep track of your expenses. The earlier you start, the greater the benefit in the future.

"The journey of a thousand miles begins with a single step." – Lao Tzu

Let us take that first step and begin our journey. Small habits create a big impact over time.

Answer Key to the Professional Quiz – October 2026

Test Your Knowledge: Digital Personal Data Protection (DPDP) Act, 2023 – For Chartered Accountants

Q.No.	Answer	Technical basis
1	C	The commencement notification dated November 2025 adopts phased implementation. Most of sections 3 to 17 become operative eighteen months after publication, whereas specified institutional and other provisions came into force earlier. MeitY
2	B	Section 3 covers digital personal data collected digitally as well as personal data collected in non digital form and **digitised subsequently**. MeitY
3	C	Under section 8, the Data Fiduciary remains responsible for processing undertaken by it or on its behalf, and engagement of a Data Processor is contemplated under a **valid contract**. MeitY
4	B	Section 6 requires consent to be free, specific, informed, unconditional and unambiguous, with clear affirmative action, and limited to personal data necessary for the specified purpose. MeitY
5	B	Withdrawal does not invalidate past lawful processing. The Data Fiduciary must ordinarily cease and cause its processors to cease the consent based processing unless continued processing is otherwise required or authorised by law. MeitY
6	B	Section 7(a) recognises processing for a specified purpose where the Data Principal voluntarily provides personal data and has not indicated that she does not consent to its use for that purpose. MeitY
7	C	Section 8 permits continued retention where necessary for compliance with another law, notwithstanding the general erasure principle. MeitY
8	C	Section 8(6) refers to intimation to the **Board and each affected Data Principal**. MeitY
9	D	The Schedule provides a penalty extending to **Rs.250 crore** for breach of section 8(5). Breach of the notification obligation under section 8(6) carries a separate ceiling of Rs.200 crore. MeitY
10	D	Chapter III expressly covers access, correction and erasure, grievance redressal and nomination. It does not create a general statutory **data portability** right. MeitY

Suggested journal footnote

Note: This professional quiz is based on the Digital Personal Data Protection Act, 2023, the Digital Personal Data Protection Rules, 2025 and the notified phased commencement position, as considered for **November 2026**. Readers should refer to subsequent notifications and amendments, if any, for the position applicable on the date of use.

The final DPDP Rules were notified in November 2025, with Rules 1, 2 and 17 to 21 commencing immediately, Rule 4 after one year and Rules 3, 5 to 16, 22 and 23 after eighteen months. MeitY



The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)

KUMBAKONAM BRANCH (SIRC)