The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)

Kumbakonam Branch (SICASA)

NEWSLETTER

AUGUST 2026

Building Knowledge.
Driving Integrity.
Creating Value.



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From The Chairman's Desk



Dear Students

Warm greetings to all the aspiring Chartered Accountants!

As we step into another vibrant month of learning, growth and opportunities, I am delighted to connect with you through this edition of our CA Students' Newsletter.

The journey towards becoming a Chartered Accountant is not merely about clearing examinations. It is about developing knowledge, confidence professional ethics and the ability to adapt to a rapidly changing professional environment. Every seminar, interaction, competition and student activity provides us with an opportunity to learn something beyond textbooks.

✨ AURA – A Celebration of Talent, Learning & Togetherness

I am particularly happy to invite all our CA students to participate in AURA, which is scheduled to be held on 8th & 9th August.

AURA is an opportunity to step outside the regular academic routine, connect with fellow students, showcase your talents and create memorable experiences along the way. I encourage every student to participate with enthusiasm—not merely as an attendee, but as an active contributor.

Whether it is knowledge, creativity, communication, leadership or teamwork, let your AURA shine!

I sincerely invite all the students to make the best use of this programme and be a part of these two exciting days. Your participation and enthusiasm are what make student activities truly successful.

Keep Learning. Keep Growing. Keep Inspiring.

Dear students, always remember that small, consistent efforts create extraordinary results. Make use of every opportunity that comes your way, surround yourself with positive and ambitious people, and never hesitate to step beyond your comfort zone.

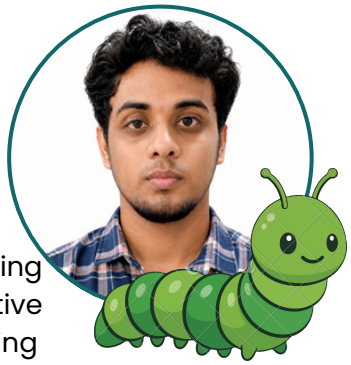
Let us make August a month filled with learning, participation, friendship and professional growth.

I look forward to seeing all of you at AURA on 8th & 9th August.

With Warm Regards,
CA Vivek Manohar
SICASA Chairman, Kumbakonam Branch (SIRC)

ARTICLE 1

Artificial Intelligence in Auditing: Will CAs Be Replaced orEmpowered?



Contributed by: Mr. HARIHARAN A, CA Intermediate Student

During my articleship, a considerable portion of my time was spent vouching purchaseinvoices against bank statements — a necessary but repetitive exercise. It is preciselythis category of work that Artificial Intelligence is beginning to displace. KPMG, forinstance, announced plans in 2026 to remove human involvement from significantportions of the audit process, with a full rollout targeted for 2027. This developmentcaptures the essence of a question increasingly debated within the profession: will AIreplace Chartered Accountants, or will it empower them to work differently?

There is no simple answer to this question. However, a closer examination of how AI iscurrently being deployed, and where its limitations lie, suggests that empowerment isthe more accurate outcome — provided the profession adapts proactively rather thanresisting the change.

What AI Is Already Doing on the Ground

The application of AI in auditing is no longer theoretical. Deloitte has deployed internaltools such as DARTbot to review audit evidence and working papers. PwC has integratedAI capabilities into its legal and compliance workflows and implemented Microsoft 365Copilot across the firm. EY has similarly expanded its AI-agent capabilities. These arenot isolated pilot projects; they are being applied to live engagements at scale.

Closer home, the Institute of Chartered Accountants of India has taken a proactivestance. At its AI Innovation Summit in June 2026, ICAI reported that it had alreadytrained over 50,000 members in AI and developed more than 150 GPT-based tools forprofessional use, alongside launching an AICA Level 3 certification and an "AI Essentialsfor Chartered Accountants" guide. With the regulator itself entering into partnershipswith AI companies and describing AI as the "new frontier of audit efficiency," this shiftcan no longer be treated as a distant consideration.

In practical terms, this means auditors can now test entire populations of transactionsrather than relying on sampling, identify irregular vendor payments or duplicateinvoices far more efficiently, and use natural language processing tools to reviewcontracts and board minutes for anomalies that might otherwise go unnoticed. Theroutine, transaction-level work — of the kind described earlier — is precisely what isbeing automated first.

Where AI Still Falls Short

Despite these advances, AI has not been able to replicate the aspect of auditing thatmatters most: professional judgment. AI can identify that a transaction appears unusual,but it cannot determine whether this indicates fraud or simply reflects a legitimatebusiness development. This distinction rests on professional scepticism, which remainsa fundamentally human capability.

This limitation has been acknowledged by regulators internationally. The UK's FinancialReporting Council issued guidance in 2026 recognising that AI tools are "moving beyondexperimentation to becoming a reality" in audit practice, while stopping well short ofsuggesting that AI could replace judgment on matters such as materiality, going concern,or management estimates. Ultimately, an auditor must interpret context, exercisescepticism, and take professional and legal responsibility for the opinion expressed —none of which AI is currently equipped to assume.

Implications for CA Students

Having recently completed my articleship, it is evident that the profession I will formallyenter upon qualifying will look markedly different from the one my seniors trained in.This is not necessarily a negative development. The tasks being automated are largelythose that added the least analytical value. What is expanding, correspondingly, isjudgment-intensive work — assessing risk, engaging with clients, and formingconsidered opinions on matters that require contextual understanding.

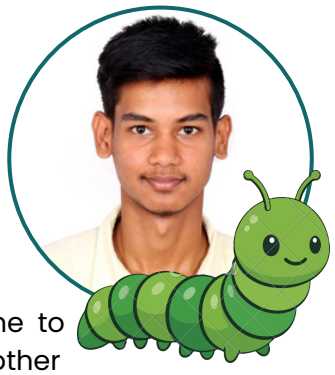
This shift also necessitates a change in the skill set expected of CA students. Familiaritywith AI-based audit tools, a working knowledge of data analytics, and comfort with ITsystems are increasingly essential rather than optional. ICAI's efforts to train over50,000 members in AI within a relatively short period reflect the direction the professionis moving in. This is not without precedent: the introduction of calculators andspreadsheets was similarly feared to render accountants redundant, yet these toolsultimately freed professionals from manual computation and elevated the professiontoward analysis and advisory work. AI is likely to follow a comparable trajectory, albeit ata considerably larger scale.

Conclusion

The relevant question, therefore, is not whether AI will replace Chartered Accountants,but whether Chartered Accountants will adapt to work alongside AI. Professionals whodecline to engage with these tools risk being outpaced by peers who do — not by AI itself.As I move toward completing my CA journey, the objective is not to compete with AI, butto build the judgment, scepticism, and technological fluency that ensure the profession'scontinued relevance.

ARTICLE 2

CLUBBING OF INCOME UNDER THE INCOME-TAX ACT, 1961



Contributed by: Mr. P. Prakash, Thiruvaiyar

Introduction

The Income-tax Act, 1961 contains provisions relating to Clubbing of Income to prevent tax avoidance. These provisions ensure that income transferred to another person without an actual transfer of ownership or for inadequate consideration is taxed in the hands of the original owner. The clubbing provisions are mainly contained in **Sections 60 to 64** and are intended to ensure that tax liability cannot be reduced through artificial arrangements.

Transfer of Income without Transfer of Asset – Section 60

Where only the income from an asset is transferred without transferring ownership of the asset, such income remains taxable in the hands of the transferor.

Important Points

1. Ownership of the asset remains unchanged.
2. Only the right to receive income is transferred.
3. The income continues to be taxable in the hands of the transferor.

Example:

If Mr. A transfer the rental income of his property to his wife but retains ownership of the property, the rental income will continue to be taxed in Mr. A's hands.

Income from Revocable Transfer of Assets – Sections 61 to 63

A transfer is considered revocable if the transferor has the right to reclaim the asset or its income.

Important Points

1. Income from a revocable transfer is taxable in the hands of the transferor.
2. A transfer is revocable if the transferor can recover the asset or continues to enjoy its benefits.
3. Clubbing does not apply to irrevocable transfers made for the lifetime of the beneficiary.

Remuneration Received by Spouse – Section 64(1)(ii)

If a spouse receives remuneration from a concern in which the other spouse has a substantial interest, such income is clubbed with the income of that spouse.

Important Points

1. Covers salary, commission, fees, bonus and similar payments.
2. Clubbing does not apply where remuneration is earned due to the spouse's professional or technical qualifications.
3. Substantial interest generally means holding **20% or more voting power or profit share.**

Income of Spouse from Transferred Assets – Section 64(1)(iv)

Income arising from assets transferred directly or indirectly to a spouse without adequate consideration is taxable in the hands of the transferor.

Important Points

1. Applies to direct and indirect transfers.
2. Capital gains arising from the transferred asset are also clubbed.
3. Income generated from reinvestment of such income is not clubbed.

Transfer of Assets to Son's Wife – Section 64(1)(vi)

Income arising from assets transferred without adequate consideration to a son's wife is clubbed with the income of the transferor.

Important Points

1. Covers direct and indirect transfers.
2. Applicable only where adequate consideration is not received.

Clubbing of Minor Child's Income – Section 64(1A)

A minor child's income is generally included in the income of the parent having the higher total income.

Important Points

1. Clubbing normally continues with the same parent in subsequent years.
2. The parent can claim an exemption of ₹1,500 per minor child.
3. Clubbing does not apply to income earned through manual work, specialised skills or to income of a disabled minor covered under Section 80U.

Cross Transfers

Cross transfers involve related persons transferring assets to each other's family members to reduce tax liability.

Example:

If Mr. A transfers an asset to Mrs. B while Mrs. B transfers another asset to Mr. A's spouse, the transactions may be treated as interconnected, and the clubbing provisions may apply.

Conversion of Self-Acquired Property into HUF Property – Section 64(2)

When self-acquired property is converted into HUF property without consideration, the income from such property continues to be taxed in the hands of the individual.



Important Points

1. The conversion is deemed to be without consideration.
2. Income from the converted property is clubbed with the individual's income.
3. Income received by the spouse on partition also remains subject to clubbing.

Income Includes Loss

For the purpose of clubbing provisions, the term income also includes loss. Therefore, any loss arising from the transferred asset is also required to be clubbed with the income of the transferor.

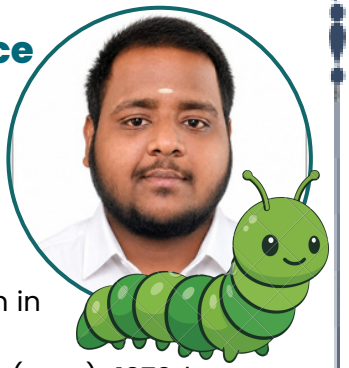
Conclusion

The clubbing provisions under Sections 60 to 64 are important anti-tax avoidance measures under the Income-tax Act, 1961. They ensure that income is taxed in the hands of the person who is the real owner of the asset or who effectively controls it. Understanding these provisions helps taxpayers comply with the law and prevents misuse of transfers made solely to reduce tax liability.



ARTICLE 3

FEMA: Balancing Liberalisation with Regulatory Compliance in India's Global Economy



Contributed by: Mr. R. Vigneswaran, Kumbakonam

Introduction

The liberalisation of the Indian economy in 1991 marked a significant transformation in India's approach towards foreign trade and investment. As India integrated with the global economy, the stringent provisions of the Foreign Exchange Regulation Act (FERA), 1973 became increasingly inconsistent with the needs of a market-driven economy. Consequently, Parliament enacted the Foreign Exchange Management Act, 1999 (FEMA), which came into force on 1 June 2000.

Unlike FERA, which was designed to conserve scarce foreign exchange reserves, FEMA was enacted with the objective of facilitating external trade and payments while promoting the orderly development and maintenance of India's foreign exchange market. Over the last twenty-five years, FEMA has evolved into a dynamic legislation that continuously adapts to India's changing global economic landscape through RBI Regulations, Central Government Rules, and periodic amendments.

Objectives of FEMA

The preamble to FEMA clearly outlines its objectives:

- To facilitate external trade and payments.
- To promote the orderly development and maintenance of the foreign exchange market in India.
- To simplify cross-border transactions while maintaining macroeconomic stability.
- To encourage foreign investment through a transparent regulatory framework.

The philosophy of FEMA is management rather than regulation.

FEMA vs FERA – A Paradigm Shift

Particulars	FERA, 1973	FEMA, 1999
Nature	Regulatory	Facilitative
Objective	Conservation of Foreign Exchange	Management of Foreign Exchange
Contraventions	Criminal	Civil
Economic Approach	Control-based	Liberalised
Penalty	Prosecution & imprisonment	Monetary Penalties & Compounding

The transition from FERA to FEMA symbolises India's movement from a controlled economy to a globally integrated economy.

Important Concepts under FEMA

1. Person Resident in India

Residential status under FEMA is determined based on purpose and intention of stay, and not merely on the number of days of physical presence. This is one of the most misunderstood aspects among taxpayers, especially NRIs returning to India.

Interestingly, FEMA residential status may differ significantly from residential status under the Income-tax Act.

2. Current Account Transactions

These include transactions relating to:

- Import and export payments
- Travel expenses
- Education abroad
- Medical treatment
- Interest payments
- Remittances for maintenance of relatives

Most current account transactions are freely permitted unless specifically restricted by the Central Government.

3. Capital Account Transactions

Capital account transactions alter the assets or liabilities outside India of persons resident in India or vice versa.

Examples include:

- Foreign Direct Investment (FDI)
- Overseas Direct Investment (ODI)
- External Commercial Borrowings (ECB)
- Acquisition of immovable property abroad
- Issue or transfer of shares

These transactions are governed through RBI Regulations and may require compliance with prescribed conditions.

Regulatory Framework

FEMA functions through multiple authorities:

- Reserve Bank of India (RBI)
- Central Government
- Directorate of Enforcement (ED)
- Authorised Dealer Banks
- Adjudicating Authorities
- Appellate Tribunal

The RBI issues Master Directions, Notifications and Regulations that operationalise FEMA on a day-to-day basis.

FEMA Compliance Framework

Corporate entities dealing with cross-border transactions are expected to comply with several reporting requirements, including:

- Foreign Liabilities and Assets (FLA) Return
- Single Master Form (SMF)
- External Commercial Borrowing (ECB) reporting
- Overseas Direct Investment filings
- Annual Performance Report (APR)

Failure to comply may attract penalties and compounding proceedings.

Recent Developments under FEMA (2025)

The year 2025 witnessed several important regulatory developments aimed at simplifying foreign exchange transactions and improving ease of doing business.

Some notable changes include:

1. Amendment to Manner of Receipt and Payment Regulations

The RBI amended the payment mechanism relating to transactions involving Asian Clearing Union (ACU) member countries, clarifying routing requirements for cross-border payments and enhancing operational certainty for authorised dealers.

2. Amendment to Non-Debt Instruments Rules

The Central Government permitted Indian companies operating in sectors where fresh FDI is otherwise prohibited to issue bonus shares to existing non-resident shareholders, provided the existing shareholding pattern remains unchanged. This amendment removes practical difficulties in corporate restructuring while safeguarding sectoral restrictions.

3. Continuing Rationalisation of FEMA Regulations

The RBI has also released draft regulations relating to export-import transactions and guarantee regulations with an objective of reducing compliance burden, promoting principlebased regulation and improving ease of doing business.

Practical Challenges

Despite significant liberalisation, professionals continue to face challenges relating to:

- Determination of residential status.
- Classification of transactions as current or capital account.
- Delays in FEMA reporting.
- Frequent regulatory amendments.
- Coordination between Companies Act, FEMA, Income-tax Act and SEBI Regulations.

For Chartered Accountants, FEMA has become an interdisciplinary subject requiring knowledge of corporate law, taxation, banking regulations and international business.

Role of Chartered Accountants

Chartered Accountants today perform a crucial role in FEMA compliance by:

- Advising on inbound and outbound investments.
- FEMA due diligence.
- Certification under RBI regulations.
- Compliance reporting.
- Assisting in compounding applications.
- Guiding start-ups on cross-border investments.
- Advising multinational enterprises on exchange control regulations.

As India's global economic engagement expands, the importance of professional expertise in FEMA will continue to grow.

Conclusion

Twenty-five years after its enactment, FEMA remains one of India's most progressive economic legislations. It has successfully shifted India's foreign exchange framework from control to facilitation while preserving regulatory oversight. The continuous amendments issued by the RBI reflect a responsive legal framework that adapts to evolving business models and international financial practices.

For aspiring Chartered Accountants, FEMA is no longer a niche subject confined to multinational corporations. With increasing overseas investments, start-up funding, crossborder services, and international mobility of professionals, FEMA has become an indispensable area of practice. A sound understanding of FEMA is therefore essential not only for ensuring legal compliance but also for enabling India's continued integration with the global economy.

MOTIVATIONAL ARTICLE



THE PATH OF DHARMA: A CA STUDENT'S JOURNEY TO EXCELLENCE

Contributed by: CA Ganesh Radhakrishnan, Thirubuvanam.

The journey to become a Chartered Accountant is not merely an academic pursuit; it is a test of character, resilience, discipline, and unwavering determination. Every CA student understands the countless hours spent with books, the pressure of examinations, and the emotional highs and lows that accompany this challenging path. Yet, history has repeatedly shown that the most rewarding achievements often demand the greatest perseverance.

Success in the CA profession is not measured solely by passing examinations but by developing qualities that define an exceptional professional - integrity, patience, analytical thinking, and commitment to lifelong learning. Every chapter studied, every mock test attempted, and every setback overcome contributes to building these qualities.

One of the greatest lessons from the Bhagavad Gita is found in Chapter 2, Verse 47:

"**Karmanye vadhikaraste ma phaleshu kadachana.**" *You have the right to perform your duty, but not to the fruits of your actions.*

This timeless teaching is especially relevant for CA students. It reminds us to focus on sincere preparation rather than becoming anxious about results. Worrying excessively about outcomes consumes valuable energy, whereas concentrating on daily effort strengthens knowledge and confidence. Every hour of focused study is an investment that never goes to waste.

Similarly, the wisdom of Thiruvalluvar in the Thirukkural beautifully captures the value of perseverance:

"தெய்வத்தான் ஆகாது எனினும் முயற்சிதன்
மெய்வருத்தக் கூலி தரும்." (Thirukkural 619)

Meaning: Even if destiny seems unfavorable, persistent effort will certainly yield its rightful reward.

This couplet teaches that consistent hard work can overcome obstacles that may initially appear impossible. For a CA student, every unsuccessful attempt is not a failure but another step toward mastery. Many accomplished Chartered Accountants did not succeed on their first attempt, yet their determination ultimately defined their success.

Another inspiring Thirukkural says:

"எண்ணித் துணிக கருமம்; துணிந்தபின்
எண்ணுவம் என்பது இழுக்கு." (Thirukkural 467)

Meaning: Think carefully before undertaking a task, but once committed, pursue it without hesitation.

Preparation for CA examinations demands planning. A realistic timetable, consistent revision, and disciplined execution are more valuable than studying for long hours without direction. Success belongs not to those who study occasionally with great enthusiasm but to those who study consistently with purpose.

Failures, though painful, are among the finest teachers. Every unsuccessful result provides an opportunity to identify weaknesses, refine study strategies, and return stronger. A temporary setback should never be mistaken for a permanent defeat. Diamonds are formed under immense pressure, and similarly, outstanding professionals are shaped through challenges.

Maintaining physical and mental well-being is equally important. Adequate sleep, healthy eating, regular exercise, and short breaks improve concentration and memory. Seeking guidance from mentors, discussing difficult concepts with peers, and maintaining a positive support system can significantly reduce stress and enhance learning.

A CA qualification is not merely a certificate - it is a symbol of trust. Society relies on Chartered Accountants to uphold transparency, ethics, and financial integrity. Therefore, every day spent preparing is also a day spent cultivating honesty, responsibility, and professionalism.

As Swami Vivekananda famously said, "Arise, awake, and stop not till the goal is reached." These words resonate deeply with every aspiring Chartered Accountant. The path may be demanding, but it is also transformative. The sacrifices made today become the foundation for tomorrow's success.

To every CA student, remember this: your present struggles are temporary, but the knowledge, confidence, and character you build during this journey will remain with you for life. Believe in your preparation, trust the process, and continue moving forward with determination.

One day, the long nights of study, the repeated revisions, and the moments of self-doubt will become memories. The day you sign your name with the letters "CA" before it, you will realize that every challenge was worth overcoming.

Stay patient. Stay disciplined. Stay committed. Your destination is not merely success in an examination - it is excellence in life and the privilege of serving society with integrity and competence.

ANNOUNCEMENTS



CA Day
1st July 2026



















INVITATION TO CONTRIBUTE ARTICLES FOR THE NEWSLETTER

Dear Students,

Kumbakonam Branch (SICASA) invites enthusiastic students to contribute articles for our upcoming Newsletter.

This is an excellent opportunity to showcase your knowledge, creativity, and writing skills on topics related to Chartered Accountancy, professional development, technology, taxation, auditing, finance, management, student experiences, motivational insights, or any other relevant subject of interest to the student community.

Students interested in contributing articles may kindly contact the Branch Office @ **9486665557** / **kumbakonam@icai.org** or any of the SICASA Managing Committee Members for submission guidelines and deadlines.

We encourage all students to actively participate and make our newsletter a valuable platform for sharing knowledge and ideas.

Your contribution can inspire and benefit fellow students!



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