



भारतीय सनदी लेखाकार संस्थान

(संसदीय अधिनियम द्वारा स्थापित)

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

[DISCIPLINARY COMMITTEE BENCH-IV (2025-2026)]

[Constituted under Section 21B of the Chartered Accountants Act, 1949]

ORDER UNDER SECTION 21B (3) OF THE CHARTERED ACCOUNTANTS ACT, 1949 READ WITH RULE 19(1) OF THE CHARTERED ACCOUNTANTS (PROCEDURE OF INVESTIGATIONS OF PROFESSIONAL AND OTHER MISCONDUCT AND CONDUCT OF CASES) RULES, 2007.

File No.: [PPR/P/106/2016/DD/345/INF/2017/DC/1549/2022]

In the matter of:

CA. Shubhra Purwar (M. No. 414611)

M/s. A.B Tandon & Co. (FRN No. 019571N),

H. No. 44, Flat No. D-2

Rohini Sector -20

Delhi-110085

.... Respondent

MEMBERS PRESENT:

1. CA Prasanna Kumar D, Presiding Officer (In person)
2. Ms. Dakshita Das IRAS (Retd.), Government Nominee (Through VC)
3. Adv Vijay Jhalani, Government Nominee (In person)
4. CA. Mangesh P. Kinare, Member (In person)
5. CA. Satish Kumar Gupta, Member (Through VC)

DATE OF HEARING: 21st January 2026

DATE OF ORDER: 10th February 2026

1. That vide Findings dated 05th January 2026 under Rule 18(17) of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007, the Disciplinary Committee was inter-alia of the opinion that **CA. Shubhra Purwar (M. No. 414611)** (hereinafter referred to as the **Respondent**) is **GUILTY** of Professional Misconduct falling within the meaning of Clauses (6), (7) and (8) of Part – I of the Second Schedule to the Chartered Accountants Act, 1949.

2. That pursuant to the said Findings, an action under Section 21B (3) of the Chartered Accountants (Amendment) Act, 2006 was contemplated against the Respondent and a communication was addressed to her thereby granting an opportunity of being heard in person/ through video conferencing and to make representation before the Committee on 21st January 2026.



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3. The Committee noted that on the date of hearing on 21st January 2026, the Respondent was present through video conferencing. During the hearing, the Respondent made verbal submissions and also referred to the written representation dated 16th January 2026 on the Findings of the Committee. The Committee noted the verbal and written representation of the Respondent dated 16th January 2026 on the Findings of the Committee, which, inter alia, are as under: -

- Examination of witnesses cannot be outrightly denied solely for absence of prior reasons or evidence.
- There were no wage or electricity expenses to show any manufacturing activity; moreover, note 2.8 of the financial statements classifies inventory as 'Stock-in-Trade.'
- Auditors are not required to maintain books of account; only to examine them, notes to accounts already disclose the manner of maintenance of books, audit comments must be viewed in light of management disclosures, mere NIL audit fee, without evidence of influence, cannot impair independence.
- Filed a Mercy application stating that the lapse was not due to professional negligence but arose from severe personal trauma, which caused emotional, financial, and health-related difficulties.
- The Respondent requested to take a lenient view in the matter while passing the order.

4. The Committee considered the reasoning as contained in Findings holding the Respondent 'Guilty' of Professional Misconduct vis-à-vis verbal and written representation of the Respondent. The Committee noted that the issues/ submissions made by the Respondent as aforesaid have been dealt with by it at the time of hearing under Rule 18.

5. Thus, keeping in view the facts and circumstances of the case, material on record including verbal and written representation of the Respondent on the Findings, the Committee noted that advances from customers amounting to Rs. 94.98 lakhs in FY 2014-15, which were claimed to have been adjusted against sales and not treated as "deposits" under Section 45-I(bb) of the RBI Act, 1934 and Paragraph 2(1)(xii) of the NBFC Public Deposits Directions, 1988. The Committee observed that the Respondent was unable to satisfactorily correlate the advances reflected with the corresponding ledger accounts. This failure to reconcile the data gave rise to



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serious concerns regarding the validity of the customer advances. Further, there was a significant fluctuation in customer advances during the financial year 2014–15, wherein the advances increased by Rs. 84,50,000 and were reduced to nil in the subsequent year. The Respondent failed to furnish any substantive evidence to explain the reasons for such fluctuation in customer advances.

6. The Committee observed that the VAT Return for Assessment Year 2014–15 disclosed turnover/sales of VAT goods at Rs. 2.23 crore, whereas the financial statements for FY 2014–15 reflected turnover of Rs. 3.18 crore. The difference was stated to pertain to exempted goods not liable to VAT. However, upon enquiry, the Respondent failed to furnish any explanation or documentary evidence substantiating the nature or details of such exempted goods. Hence, the Professional Misconduct on the part of the Respondent is clearly established as spelt out in the Committee's Findings dated 05th January 2026 which is to be read in consonance with the instant Order being passed in the case.

7. Accordingly, the Committee was of the view that the ends of justice would be met if punishment is given to her in commensurate with her Professional Misconduct.

8. Thus, the Committee ordered that the Respondent i.e. CA. Shubhra Purwar (M. No. 414611), Delhi be REPRIMANDED under Section 21B(3)(a) of the Chartered Accountants Act, 1949.

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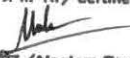
Sd/-
(CA. PRASANNA KUMAR D)
PRESIDING OFFICER

Sd/-
(MS DAKSHITA DAS, I.R.A.S (RETD.))
GOVERNMENT NOMINEE

Sd/-
(ADV VIJAY JHALANI)
GOVERNMENT NOMINEE

Sd/-
(CA. MANGESH P. KINARE)
MEMBER

Sd/-
(CA. SATISH KUMAR GUPTA)
MEMBER

सत्यापित होने के लिए प्रमाणित / Certified to be True Copy

नीलम पुंडीर / Neelam Pundir
वरिष्ठ कार्यकारी अधिकारी / Sr. Executive Officer
अनुशासनात्मक निदेशालय / Disciplinary Directorate
भारतीय सनदी लेखाकार संस्थान
The Institute of Chartered Accountants of India
आई.सी.ए.आई. भवन, सी-1, सेक्टर-1, नोएडा-201301 (उ.प्र.)
ICAI Bhawan, C-1, Sector-1, Noida-201301 (U.P.)

CONFIDENTIAL

DISCIPLINARY COMMITTEE [BENCH – IV (2024-2025)]

[Constituted under Section 21B of the Chartered Accountants Act,1949]

Findings under Rule 18(17) of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007.

File No: [PPR/P/106/2016/DD/345/INF/2017/DC/1549/2022]

In the matter of:

CA. Shubhra Purwar (M. No. 414611)

M/s. A.B Tandon & Co. (FRN No. 019571N),

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Rohini Sector -20

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...Respondent

MEMBERS PRESENT:

1. CA. Prasanna Kumar D, Presiding Officer (in person)
2. Ms. Dakshita Das, IRAS (Retd.), Government Nominee (in person)
3. Adv. Vijay Jhalani, Govt Nominee (through VC)
4. CA. Mangesh P Kinare, Member (in person)
5. CA. Satish Kumar Gupta, Member (in person)

DATE OF FINAL HEARING : 01st September 2025

PARTIES PRESENT:

Counsel for Respondent : CA. Vaibhav Goel (through VC)

1. Background of the Case:

- 1.1 The Respondent was the statutory auditor of M/s Shri Unimax Corporation Limited (hereinafter referred as 'company') for the financial year 2014 – 15. The Reserve Bank of India (RBI), on receipt of the compliant, has conducted a principle business check (CBS) and observed that the alleged company had received public deposit of Rs. 94.98 Lakhs as

in the disguise of 'advances from customers' as disclosed in the financial statements of the company for FY 2014-15.

2. **Charges in brief:**

2.1 The total amount of Rs.94.98 lakhs had been received/collected by the company in cash from 1512 persons that was shown as "Advances from Customers" in its balance sheet for the year ended 31st March 2015 but suspected to be in the nature of public deposits.

3. **The relevant issues discussed in the Prima Facie Opinion dated 28th July 2021 formulated by the Director (Discipline) in the matter, in brief, are given below:**

3.1. It was noted that Section 45 –I(bb) of the RBI Act, 1934 defines Deposit as "deposit" includes and shall be deemed always to have included any receipt of money by way of deposit or loan or in any other form.

3.2. Sec 45-I(bb) of RBI Act, 1934 excludes a few receipts of money or loans from being treated as a "deposit". Para 2[1(xii)] of NBFC Acceptance of Deposits (Reserve Bank) Directions, 1998 states that the term "public deposit" includes the term "deposit" as defined under RBI Act, 1934 and also excludes a few receipts of money or loans from being treated as "Public deposits". Rule 2 (c) (xii) (a) of the 2014 Rules exempts any advance received for supply of goods or services against which appropriation is done within 365 days from the definition of deposit. In simple words, the advance received by the Company has to be allocated or appropriated against identified or specified goods or services within 365 days of acceptance.

3.3. The Respondent to refute the allegation clarified that the advances were received from customers under a Sales Promotion Scheme in the ordinary course of business which were not repaid in cash/bank rather goods were sold to those customers by the Company in lieu of that collection but the kind of business model she explained in her written statement has not been properly substantiated by the evidences and details.

3.4. The Respondent had brought on record a list of 1512 customers and had submitted their ledger accounts and invoices of some of those customers randomly. From the perusal of those ledger accounts and invoices the following observations were made:-

- i. In the ledger accounts, the amounts were received from so called customers in cash.
- ii. Every month 10% of the principal amount received from the customer was being adjusted as 'Sales'.

- iii. Each month the Customer's account was being credited at the rate of 1.67% of the principal amount in the name of 'Scheme & Discount Account'.
 - iv. From the invoices generated against the sales to customers it was observed that those invoices neither bear any details of the products being sold nor any product code. Further, neither the quantity nor the rate was defined over them.
 - v. No discount was shown in the invoice as mentioned in respective ledger accounts and the billing was made with principal amount only.
 - vi. Neither Logo nor the complete address of the company was mentioned on the invoices submitted.
 - vii. No TIN/VAT number was mentioned over the invoices.
- 3.5. On perusal of the information received from RBI, submissions of the respondent and documents on record, it was viewed that the evidence placed on record by the Respondent were not conclusive evidence to substantiate her claim as the nature or type of the products sold to the customers or promised to sell was neither clarified by the Respondent in her reply nor the invoices were carrying any description of the products or any product code which have been sold to the parties. Even the Voucher/Coupons of Rs.200/- placed on record by the Complainant, issued to party/customer by the Company in lieu of money collected from him, did not specifies the product or nature of product. It simply mentions the word 'PRODUCT VOUCHER' on the face of it. It was noted that the Director's Report for the year 2014-15 placed on record by the Complainant mentioned about the nature of business of the Company as 'Consultancy'. The Respondent in her written statement although had clarified that the Company did only merchandise business in that year and not any consultancy business however, she chose to be silent on the point that why the Director's report mentioned so if it was not true.
- 3.6. That some suspicious activities/transactions had taken place in the Company, which the Respondent has failed to report. She although has described the business model of the Company with an example as mentioned in para 11.2 (iv) of this PFO nevertheless, in a very general manner, but failed to provide specific information in context of the alleged transaction or to specify the treatment that was given to the account head 'Scheme & Discount A/c' in the books of the Company which had appreciated the parties/customers account every month like an annuity given at the rate of 1.67% of the principal amount. It was further noticed that such 'Scheme & Discount A/c' was no-where adjusted in 'Profit &

Loss Account' of the Company of the financial year 2014-15. Even the Respondent could not specify exactly as to which product the Company was dealing in. Prima facie, it appears that every month interest charges were being credited to the customers' account at a fixed rate on the principal amount collected from them in the guise of Sales Promotion Scheme.

- 3.7. It was viewed that even if it could be assumed that such advances were not in the nature of 'Deposits' from the parties and were only advances which the company had accepted to deliver the goods against them as claimed by the Respondent, yet the accounting treatment followed with respect to alleged transaction undertaken were not clear from the face of the ledger account of the parties and financial statements of the company.
- 3.8. Further, although the Respondent had submitted that no consultancy business was carried out by the company during the year and only merchandise business had taken place. However, from the perusal of the balance sheet of the company, it was noted that a Raw Material of Rs.23.11 lakhs approximate was stated to be consumed during the period. It was observed that in merchandise business one purchases goods for trading rather than purchasing raw material which get consumed during manufacturing.
- 3.9. Thus, it was viewed that the Respondent had failed to explain the nature of advances, Sales Promotion Scheme as well as evidence that she collected during audit to confirm the nature of the amounts received and shown in the financial statement of the Company. Rather the evidence like Sale Invoices seem to have been prepared afterwards and thus are lacking the crucial details such as product name, quantity, rate, TIN of company, logo and complete address, the information which constitute essential elements of a sales invoice.
- 3.10. From the discussion held above, it was clear that the Respondent audited the financial statements of the Company without carrying out the audit diligently or deliberately kept silent on the facts reflected during the audit and thus supported the management of the Company in carrying out the transactions in contraventions of the applicable Laws and Regulations.

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3.11. Accordingly, in light of the fact that no proper and complete explanation or evidences had been provided on record by the Respondent to refute the allegation and the response of the Respondent in the matter does not seem convincing and rather contradictory with the available records, the Respondent was held prima facie **Guilty** of Professional Misconduct in respect of this allegation within the meaning of Clauses (6), (7) & (8) of Part — I of the Second Schedule to the Chartered Accountants Act 1949.

3.12. Accordingly, the Director (Discipline) in his Prima Facie Opinion dated 28th July 2021 opined that the Respondent was *prima facie* **Guilty** of Professional Misconduct falling within the meaning of Clauses (6), (7) & (8) of Part-I of the Second Schedule to the Chartered Accountants Act, 1949. The said Clauses of the Schedule to the Act, states as under:

Clauses (6), (7) and (8) of Part I of the Second Schedule:

"A chartered accountant in-practice shall be deemed to be guilty of professional misconduct, if he-

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(6) fails to report a material misstatement known to him to appear in a financial statement with which he is concerned in a professional capacity ."

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

(8) fails to obtain sufficient information which is necessary for expression of an opinion or its exceptions are sufficiently material to negate the expression of an opinion."

3.13. The Prima Facie Opinion formed by the Director (Discipline) was considered by the Disciplinary Committee in its meeting held on 8th April 2022. The Committee on consideration of the same, concurred with the reasons given against the charges and thus, agreed with the Prima Facie Opinion of the Director (Discipline) that the Respondent is **GUILTY** of Professional Misconduct falling within meaning of Clauses (6), (7) & (8) of Part-I of the Second Schedule to the Chartered Accountants Act, 1949 and accordingly decided to proceed further under Chapter V of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of cases) Rules, 2007.

4. Dates of Written Submissions / Pleadings by the Parties:

The relevant details of the filing of documents in the instant case by the parties are given below -

S. No.	Particulars	Dated
1.	Date of Information	27 th September 2017
2.	Date of Written Statement filed by the Respondent	15 th March 2018
3.	Date of Prima Facie Opinion formed by Director (Discipline)	28 th July 2021
4.	Written Submissions filed by the Respondent after PFO	21 st October 2023 9 th July, 2025 11 th August, 2025

5. Written Submissions filed by the Respondent:

The Respondent, vide letter dated 21st October 2023 had, inter alia, made the submission which are given as under: -

- 5.1 It was submitted that the Reserve Bank of India (RBI) did not file any formal complaint against the Respondent in the prescribed manner as required under Rule 7(2) of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007, nor it is an "information case" because it does not specify the allegations of misconduct against a member and not received in person, by post, or through courier.
- 5.2 It was submitted that the RBI had merely forwarded the name of the Respondent on the basis of mere suspicion that the company audited by her had accepted deposits. This act cannot, in law, be treated as an allegation of professional misconduct.
- 5.3 It was submitted that emails sent by the RBI, also, did not contain any allegation indicating that the Respondent had performed her duties negligently. Therefore, the material forwarded by the RBI cannot, by any reasonable interpretation, be treated as "Information" within the meaning of Rule 7.
- 5.4 The Respondent submitted Disciplinary Directorate have not been vested with suo-motu power of enquiry. It was stated that the power to initiate suo-motu enquiries under Section 21(1) of the Chartered Accountants Act, 1949 was introduced for the first time by the

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Chartered Accountants (Amendment) Act, 2022. The said amendment is prospective in nature and cannot be applied to proceedings or actions taken prior to its enforcement. Hence, the Director (Discipline) could not have exercised such power in this case.

- 5.5 The Respondent submitted that if the proceedings before the Committee have been commenced without jurisdiction or in a manner inconsistent with the statutory scheme of the 2007 Rules, it would amount to a gross miscarriage of justice to compel the Respondent to face such proceedings.
- 5.6 The Respondent also submitted that there was neither any formal complaint nor any valid information alleging any misconduct on her part. The Director (Discipline) failed to appreciate that the Respondent had produced documentary evidence including a copy of the annual return in Form LII-A under the U.P. VAT Act, 2008, which clearly reflected "Sales of Goods" as the primary source of revenue.
- 5.7 The audited financial statements of the company also disclosed "Revenue from Operations" under the head of Sales. This evidence, taken together, conclusively establishes that the company was engaged in trading activities.
- 5.8 The Respondent also relies upon certain judicial precedents in support of her submissions.
- 5.9 She further submitted that an auditor is not expected to give absolute assurance to correctness of financial statements. It is limited to providing a reasonable assurance based on available evidence.
- 5.10 The Respondent had placed on record the VAT registration certificate, annual return, and audited financial statements which clearly showed that the company was engaged in trading of various items and that the advances from customers were a normal feature of such business operations. There is no evidence to suggest that such advances were treated as "public deposits" under any law.
- 5.11. It was submitted that certain business practices such as receiving advance payments in cash, limiting monthly purchases, granting discounts, or crediting discounts to a ledger account instead of showing them as invoice deductions are purely managerial or operational decisions. These practices do not, in any manner, indicate the acceptance of

public deposits. No material has been produced to show that such advances were refunded instead of being adjusted against sales.

5.12 The Respondent submitted that minor procedural defects such as the non-quotation of TIN or incomplete address cannot alter the essential nature of the transactions recorded. There is also no evidence on record that the sales shown in the ledger were fictitious or omitted from the books of account. Mere suspicion or conjecture cannot form the basis for holding the Respondent Guilty of professional misconduct.

5.13. The Respondent submitted that the financial statements must be read as a whole, and when so read, they clearly depict that the company was engaged in the business of merchandise trading.

5.14 The Respondent has also furnished a list of witnesses to substantiate her submissions.

5.15 The Respondent submitted the following documents vide email dated 9th July, 2025:

- i. Copy of audited financial statement of the company for the period ending 31.03.2014, 31.03.2015.
- ii. Copy of CARO Report annexed along with audit report for the year ending 31.03.2015.
- iii. Copy of Tax Audit Report for the AY 2015-16.
- iv. Copy of Memorandum and Articles of Association of the Company.

5.16 The Respondent submitted the following documents vide email dated 11th August, 2025:

- i. Monthly VAT returns for FY 2015-16.
- ii. Copy of Annual VAT Return porting proof/uploading proof.
- iii. Copy of CARO/Tax Audit report and financial statement for the year ending 31.03.2016.
- iv. Detail of movement of advance from few customers as on 31.03.2015 with whom no outstanding from customers as on 31.03.16.
- v. Company was dealing in certain exempted items like Salt, Papad, Handloom clothes like durries, curtain etc, cattle feed, manure, bio-fertilizers, bio-micronutrients, Agarbatti, Dhupbatti, etc.

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vi. VAT registration and exemption notification.

6. Brief facts of the Proceedings:

6.1 Details of the hearing(s)/ meeting(s) fixed and held/ adjourned in the said matter are given as under –

S.No.	Date of Meeting(s)	Status
1.	22 nd May 2023	Part heard and adjourned.
2.	20 th June 2023	Adjourned at the request of the Respondent.
3.	25 th October 2023	Part heard and adjourned.
4.	23 rd January 2024	Part heard and adjourned.
5.	23 rd April 2024	Deferred due to paucity of time.
6.	18 th September 2024	Adjourned at the request of the Respondent
7.	09 th July 2025	Part heard and adjourned
8.	01 st September 2025	Hearing concluded and decision taken

6.2 On the day of first hearing on 22nd May 2023, Respondent, present through videoconferencing, was put on oath. The Respondent informed that she was aware of the charges and pleaded Not Guilty. In view of Rule 18 (9) of the Chartered Accountants (Procedure of Investigation of Professional and Other Misconduct and Conduct of Cases) Rules, 2007, the Committee adjourned the case to later date. With this, the case was part heard and adjourned.

6.3 The second hearing of the case on 20th June 2023 was adjourned by the Committee considering the request of the Respondent, received vide emails dated 13th June, 2023 and 19th June, 2023, regarding additional time to procure documents to prepare her defence/written submissions in present case. The Committee adjourned the case extending one more opportunity to the Respondent to defend the charges.

6.4 Being the third hearing of the case on 25th October 2023, the Committee noted that the Counsel(s) for the Respondent were present through Video conferencing mode. Thereafter, they gave a declaration that there was nobody present except them from

where they were appearing and that they would neither record nor store the proceedings of the Committee in any form.

6.5 Thereafter, the Committee noted that the case was part heard and the Respondent was already on oath. The Committee asked the Counsel(s) for the Respondent to make submissions in the matter. The Counsel for Respondent submitted that the Director (Discipline) has exceeded his jurisdiction and had treated this matter as Information case. He stated that as per the Chartered Accountants (Procedure of Investigation of Professional and Other Misconduct and Conduct of Cases) Rules, 2007, a 'complaint' or 'information' has to be received through courier or speed post and same has to be communicated within 60 days of its receipt to the Respondent but in this case, provisions of Rules had been violated as said information was received through e-mail and was not supplied to the Respondent within prescribed time of 60 days. Further, he denied all the allegations made against the Respondent as these were baseless. Further, he referred to letter of Mr. Munna Lal Soni dated 30/12/2015 which was addressed to RBI, in which the said investor had asked the RBI about the genuineness of the Company for making investment.

6.6 After recoding the submissions of the Respondent, the Committee directed him to provide the following documents within 15 days:- (relevant financial year to mention)

- (i) Copy of CARO/MAOCARO Report as applicable to subject Company for FY 2014-2015.
- (ii) Tax Audit Report of the Company for FY 2014-2015.
- (iii) Copy of Notes to accounts of the Company for FY 2014-2015
- (iv) Copy of Memorandum and Articles of Association of the Company

With this, the case was part heard and adjourned to a future date.

6.7 On the day of fourth hearing on 23rd January 2024, the Committee noted that the Counsel for the Respondent was present through Video conferencing mode. Thereafter, he gave a declaration that there was nobody present except him from where he was appearing and that he would neither record nor store the proceedings of the Committee in any form.

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- 6.8 The Committee enquired from the Counsel for the Respondent as to why he has not complied with the directions of the Committee given in the meeting held on 25th October, 2023 for providing the documents/information called for. In response, the Counsel for the Respondent stated that the Respondent is out of India due to her medical treatment, where the doctor has advised her to take bed rest for the next 6 months. Due to this reason, he could not file the documents/information called for by the Committee and sought adjournment in the matter and requested the Committee not to fix the case for another six months for hearing.
- 6.9 Acceding to the request of the Counsel for the Respondent, the Committee granted adjournment and further directed him to file the documents/information within one month, and thereafter the case would be listed for hearing without grant of any further adjournment. The Committee further directed him to provide financial statements of the Company for financial years 2013-2014 and 2014-2015 apart from documents/information called for in its earlier meeting held on 25th October, 2023. With this, the case was part heard and adjourned to a future date.
- 6.10 On the day of fifth hearing on 23rd April 2024, Consideration of the subject case was deferred by the Committee due to paucity of time.
- 6.11 On the day of sixth hearing on 18th September 2024, The Committee noted that in the captioned case, the Respondent vide mail dated 17th September, 2024 had sought an adjournment on account of health issues and being out of India on the date of the hearing. Acceding to the above request of the Respondent, the Committee adjourned the captioned case to a future date. The Committee also directed the office to inform the Respondent to appear before it at the time of next listing and in case of his failure to appear, the matter would be decided ex-parte based upon the documents and materials available on record. With this, the case was adjourned to a future date.
- 6.12 On the day of seventh hearing on 9th July 2025, the Committee noted that the Counsel for the Respondent was present through Video conferencing mode and appeared before it. Thereafter, the Committee noted that the case was part heard and the Respondent was already on oath. The Committee asked the Counsel for the Respondent to make submissions in the matter. The Counsel for Respondent submitted that the Director



(Discipline) has exceeded his jurisdiction and had treated this matter as Information case. He stated that as per the Chartered Accountants (Procedure of Investigation of Professional and Other Misconduct and Conduct of Cases) Rules, 2007, a 'complaint' or 'information' has to be received through courier or speed post and same has to be communicated within 60 days of its receipt to the Respondent but in this case, provisions of Rules had been violated as said information was received through e-mail and was not supplied to the Respondent within prescribed time of 60 days. Further, he denied all the allegations made against the Respondent as these were baseless. Further, he referred to letter of Mr. Munna Lal Soni dated 30/12/2015 which was addressed to RBI, in which the said investor had asked the RBI about the genuineness of the Company for making investment.

6.13 After recording the submissions of the Respondent, the Committee directed the Counsel for the Respondent to provide, the following documents within 07 days :-

- (i) Copy of monthly VAT returns of the Company for FY 2014-2015.
- (ii) Proof of filing of VAT returns for FY 2014-2015.
- (iii) Date of filing of above VAT returns.
- (iv) Copy of Financial Statements for FY 2015-2016.
- (v) Copy of sales promotion scheme.
- (vi) Details of advances from retail customers for FY 2014-2015 and 2015-2016.
- (vii) Details of products/goods dealt with by the Company and classification of exempted and non-exempted goods.
- (viii) Copy of Ledger account of Sales, and Scheme and Discount Account.
- (ix) Copy of few purchase invoices for FY 2014-2015.
- (x) Copy of bank statement of the Company.
- (xi) Copy of ledger of VAT account maintained by the Company for FY 2014-2015.
- (xii) Ledger account of all customers for financial year 2015-2016.
- (xiii) If any assessment made against the Company for FY 2014-2015, then to provide copy of such order

With this, the case was part heard and adjourned to a future date.

6.14 On the day of final hearing on 1st September 2025, the Committee noted that the Counsel for the Respondent was present through Video conferencing mode and

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appeared before it. The Committee noted that in the previous meeting, certain documents were asked to submit, however, the following were only provided vide email dated 11th August, 2025:

- i. Monthly VAT returns for FY 2015-16.
- ii. Copy of Annual VAT Return porting proof/uploading proof.
- iii. Copy of CARO/Tax Audit report and financial statement for the year ending 31.03.2016.
- iv. Detail of movement of advance from few customers as on 31.03.2015 with whom no outstanding from customers as on 31.03.16.
- v. Company was dealing in certain exempted items like Salt, Papad, Handloom clothes like durries, curtain etc, cattle feed, manure, bio-fertilizers, bio-micronutrients, Agarbatti, Dhupbatti, etc.
- vi. VAT registration and exemption notification.

The Counsel for the Respondent explained that no details for "advance from customers" for F.Y. 2015-16 could be submitted because the balance sheet reflected that the corresponding balance was nil as of March 31, 2016. Further, with regard to the disposition of the prior year's opening balance of approximately 94,98,000, the Counsel stated that the same had been booked as revenue. Furthermore, with regard to the break-up of the 10.48 lakhs opening balance for 2014-15, which the Counsel claimed was not audited by the Respondent. The Committee also highlighted certain issues related to audit working papers while the Counsel justified their absence by citing professional standards regarding the retention of only audit documentation, not transactional documents. On consideration of the submissions made by the Counsel for the Respondent, the Committee posed certain questions to them which were responded by them. Thereafter, the Committee, on considering the documents on record and the oral and written submissions of the parties to the case vis-à-vis facts of the case, concluded the hearing in the case and decided on the conduct of the Respondent.

8. FINDINGS OF THE COMMITTEE:

8.1 The Committee noted that the charge in the present matter is that advance from customers amounting to Rs 94.98 Lakhs in FY 2014-15, when Respondent was Statutory Auditor of the alleged company, were adjusted against sale of goods and these amounts do not fall

under the definition of deposits as per Section 45-I(bb) of Reserve Bank of India Act, 1934 and paragraph 2 (1) (xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions 1988.

8.2 Further, the Committee noted that the Respondent had at the outset, raised certain preliminary objection:

- i. It was a case of receipt of "Information" by RBI which as per the Respondent was in the nature of suo motu proceedings. It could not be treated as information under Rule 7 of CA Rules, 2007.
- ii. It is not an "information case" because it does not specify the allegations of misconduct against a member and not received in person, by post, or through courier.
- iii. Further, the same is to be communicated within 60 days of its receipt to the Respondent but in this case, provisions of Rules had been violated as said information was received through e-mail and was not supplied to the Respondent within prescribed time of 60 days.
- iv. Examination of witness(es)

Thereafter, the Respondent made his submission in detail in respect of each allegation which was dealt with accordingly.

8.3 The Committee considered the preliminary objections raised by the Respondent and noted that Rule 7 (1) of CA Rules 2007 read as under:

"Any written information containing allegation or allegations against a member or a firm, received in person or by post or courier, by the Directorate, which is not in Form I under sub-rule (1) of Rule 3, shall be treated as information received under Section 21 of the Act and shall be dealt with in accordance with the provisions of these rules."

In view of the above, the Committee noted that the Director (Discipline) could receive information from any source and as such there was no bar to have complaint or information from any specific source. Thus, the plea of the Respondent that the case had emanated from "Information" which was reported by RBI is in the nature of suo motu proceedings was not maintainable.

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8.4 With regard to the preliminary objection raised by the Respondent for communicating within 60 days from the date of complaint under Rule 8, it needs to be clarified that the timelines prescribed in CA Rules are with an intention to expedite and ensure timely completion of the disciplinary proceedings and it is not the intent of legislation to render any complaint/ information defunct/ invalid merely on the ground of procedural time lag, if any occurred. Further, the timelines as given in Rule 8(1) needs to be counted from the date of receipt of a valid complaint/information and not from the date of receipt of a defective/incomplete complaint/information for which a particular process is followed till registration. In the extant case, the said matter has been decided to be treated as "Information" within the meaning of Rule 7 of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007 on 11th August, 2017, and in accordance with the provisions of clause (a) of sub-rule (1) of Rule (8) read with Rule 11 of the aforesaid Rules, an "Information" letter dated 27th September, 2017 was sent to Respondent to submit her written statement i.e., which was well within 60 days as prescribed under the Rule. Hence, the objection raised by Respondent is not maintainable.

8.5 Further, with regard to filing of Complaint, the judgement passed by **Hon'ble Delhi High Court in the matter of CA. Sanjay Jain v. Institute of Chartered Accountants & Ors.** has been noted. The Committee noted that in the said case, the Court was of the considered view that the word 'information' as appearing in Section 21 cannot be narrowly construed to mean only those facts which may be specifically provided to the Institute. The phrase 'any information' would thus cover within its ambit not only written complaints that may be received albeit not complaint with Form-I, but also any material or fact that may come to the notice of the Institute pertaining to the professional conduct of a member. From the conclusions of the said case, following has been noted which states as follows:

"K. CONCLUSIONS:

121. In view of the aforesaid discussion, the Court proceeds to record the following conclusions: -

...
P. A written complaint or allegation in writing cannot, in any manner, be understood to be a pre-requisite or a sine qua non for the initiation of action under Section 21. This



since the authority conferred on the Institute relates to both a complaint as well as information. Information, as has been found by this Court, would extend to any material or fact that may come to the notice of the Institute and from which it may derive knowledge. That material need not necessarily be in the written form or be interpreted as being confined to something which an individual may choose to bring to the notice of the Institute.

...

- T. Viewed in the aforesaid backdrop, this Court is of the considered opinion that Section 21 does empower the Institute to proceed suo moto and unhindered by the absence of a written complaint or allegation that may be submitted...

...

- V. Rule 7 cannot control or constrict the ambit of Section 21 of the Act...
- W. Rules cannot possibly be interpreted in a manner which would either scuttle the parent provision or extract or delete something therefrom....
- X. More fundamentally, this Court is of the considered opinion that Rule 7 merely engrafts a statutory or a legal fiction in respect of written allegations that may be received by the Institute against a member or a firm. It becomes pertinent to note that ordinarily the Institute may receive information in the shape of a written complaint against a member or a firm. That written complaint would have to necessarily be compliant with the requirements of Rule 3 and thus in the format prescribed by Form-I. However, Rule 7 takes care of contingencies where even though information may be received by the Institute in writing, it may not be in accord with Form-I as prescribed. It is only to take care of such an eventuality that Rule 7 prescribes that even such written information shall be treated as such and fall within the ambit of Section 21."

From the said case, it clearly emerges that under Section 21 of the Chartered Accountants Act, 1949, the Directorate can commence investigation even on the basis of information received from external sources. Further, the Committee noted that the said case was treated as 'Information' case only after obtaining clarification/comments from the Respondent, which would demonstrate that initiation of investigation has necessarily been preceded by application of mind/evaluation of veracity of the information received and the circumstances warranted such initiation of the investigation. The Respondent could not

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explain as to what prejudice has been caused to her for the alleged delay if any, which has not occurred in this case.

- 8.6 The Committee noted with regard to witness(es) that the Respondent has not given valid reasons for examination of these witness(es) and did not corroborate the relevance of these witness(es). The Committee observed that no valid reason has been given whatsoever for compelling the attendance of these persons for examination. The Committee therefore, was of the view that the said request was clearly made for the purpose of vexation and delay and therefore, be refused in view the provisions of Rule 18(14) of the Chartered Accountants (Procedure of Investigation of Professional and Other Misconduct and Conduct of Cases) Rules, 2007.

Thereafter, the Committee over-ruled the preliminary objections of the Respondent and accordingly the case has been dealt with on merits of the facts / documents on records.

- 8.7 The Committee noted that the Respondent had provided a list detailing 1512 customers along with the corresponding amounts received from each customer with an intend to demonstrate the legitimacy of the advances received. In addition to the customer list, the Respondent also provided copies of ledger accounts for a limited number of customers.
- 8.8 The Committee instructed the Respondent to reconcile the advances received from various customers with their respective ledger accounts. The purpose of this reconciliation was to establish a clear link between the listed customer advances and the actual transactions recorded in the company's accounting system. This would have provided evidence that the advances were indeed received from genuine customers and were properly accounted for. The Respondent was unable to adequately correlate the advances with the ledger accounts. This failure to reconcile the data raised significant concerns about the validity of the customer advances. The Committee observed that without clear connection between the customer list and the ledger entries, it was difficult to verify the authenticity of the transactions.
- 8.9 The Committee further noted from the financial statements for three financial years of the company as follows:

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Particulars	2013-14	2014-15	2015-16
Advance from Customers	1048000	9498000	0

It was noted from the above that during the FY 2014-15 (alleged period) advance from the customers was increased by Rs 84,50,000. However, in the next year the same has been reduced to zero. The Committee noted that the significant fluctuation in customer advances observed during the financial year 2014-15, specifically an increase of Rs 84,50,000, followed by a reduction to zero in the subsequent year. The Respondent did not provide substantive evidence to explain the reason of such fluctuation in advance from customers.

- 8.10 The Committee further noted that as per definition of 'Deposits' per Section 45-I (bb) of RBI Act, 1934, it shall be deemed always to have included any receipt of money by way of deposit or loan or in any other form. Section 45-I (bb) of RBI Act, 1934 excludes a few receipts of money or loans from being treated as "Public deposits".

Rule 2 (c) (xii) (a) of 2014 Rules exempts any advance received for supply of goods or services against which appropriation is done within 365 days from definition of deposit. The said rule is reproduced below:

"(xii) any amount received in the course of, or for the purposes of, the business of the company -

(a) as an advance for the supply of goods or provision of services accounted for in any manner whatsoever provided that such advance is appropriated against supply of goods or provision of services within a period of three hundred and sixty five days from the date of acceptance of such advance:

Provided that in case of any advance which is subject matter of any legal proceedings before any court of law, the said time limit of three hundred and sixty five days shall not apply."

- 8.11 Further, while perusing the copy of sales bills of products sold submitted by the Respondent, the Committee noted that these invoices were not proper in order as it does not contain rate, quantity and description of product sold. Therefore, the Respondent's argument that the company is doing the merchandise business is not acceptable.

- 8.12. With regard to nature of business conducted by the Company as claimed by the Respondent, on one hand, it was merchandise business, however, there was raw material consumed of Rs 23.11 lakhs during the year. It was also noted from the heading 'Brief description of the Company Working' given under Director's Report that the company is carrying on the business of Consultancy and there are no changes in the Company's nature of business during the year. The Committee noted that facts given in financial statements and facts given by the Respondent are contradictory in nature. The Respondent's claim that the company is engaged in a merchandise business is directly challenged by the inadequacy of the purchases/sales invoices. The lack of essential information on these documents casts a significant shadow of doubt on the veracity of this claim.
- 8.13. A legitimate merchandise business would typically maintain detailed records of all sales transactions, including the rate, quantity, and description of products sold. This information is essential for inventory management, financial reporting, and tax compliance. The absence of these details suggests that the Respondent's argument on business operations is not tenable. It was also noted from the financial statements that audit fees paid has been disclosed as NIL, however, it was paid in previous year amounting to Rs. 11,000 which raises doubt on independence of the auditor.
- 8.14. From the perusal of VAT Return for Assessment Year 2014-15, it was noted that the amount of turnover/sales of VAT goods has been disclosed at Rs. 2.23 crore, however, in the financial statements for FY 2014-15, the same has been disclosed at Rs 3.18 crore. Accordingly, the difference between these two figures was due to exempted goods on which VAT is not applicable. While enquiring about list of exempted goods, the Respondent has failed to provide any explanation or proof about difference in these two figures.
- 8.15. It was further noted from perusal of ledger accounts and invoices that each month the Customer's account was being credited at the rate of 1.67% of the principal amount in the name of 'Scheme & Discount Account'. However, the Respondent has failed to provide the sales discount scheme. Further, with regard to 10% of the amount received from customer

against sales, no document has been provided by the Respondent as to why this amount is 10% only, its authorization, and method of calculation.

8.16. In view of the above observations, considering the submissions of the Respondent and documents on record, the Committee viewed that the Respondent had failed to produce the sufficient evidence to prove that advance from customers had been adjusted against sale of goods and do not fall into the definition of Deposits as per Paragraph 2 (1) (xii) of the Non –Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions 1988. He neither provided the reconciliation between the customer list and the ledger entries nor provided sales discount scheme adopted by the company. The Committee further noted that the Respondent failed to provide purchase invoices or any evidence to substantiate the inventory figures reported in the financial statements. The Committee thus viewed that the absence of inventory records and failure to verify stock undermined the reliability of the financial statements as regards the activity of the Company.

8.17. In view of above, the Committee concluded that in the light of the submission of the Respondent that the amount of Rs.94.98 lakhs shown as 'Advance from Customers' is in the nature of 'Public Deposits' and the Respondent has failed to make the required disclosures/qualifications. As such the Respondent has failed to report material misstatement in the financial statement and failed to obtain sufficient evidence in this regard as well as not exercised due diligence.. Hence, the Committee concluded that in the extant case, the Respondent has not followed due diligence and accordingly, held the Respondent **GUILTY** of Professional Misconduct in respect of the said charge within the meaning Clauses (6), (7) & (8) of Part – I of the Second Schedule to the Chartered Accountants Act 1949.

9. CONCLUSION:

9.1 In view of the findings stated in above paras, vis-à-vis material on record, the Committee gives its charge wise findings as under:

Charges (As per PFO)	Findings	Decision of the Committee
Para 2.1 as above.	Para 8.1 to 8.17 as above.	GUILTY - Clauses (6), (7), (8) of Part- I of Second Schedule.

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10. In view of the above observations, considering the oral and written submissions of the Respondent and material on record, the Committee held the Respondent **GUILTY** of Professional Misconduct falling within the meaning of Clauses (6), (7) and (8) of Part – I of the Second Schedule to the Chartered Accountants Act, 1949.

Sd/-
(CA. PRASANNA KUMAR D)
PRESIDING OFFICER

Sd/-
(MS. DAKSHITA DAS, I.R.A.S., RETD.)
GOVERNMENT NOMINEE

Sd/-
(ADV. VIJAY JHALANI)
GOVERNMENT NOMINEE

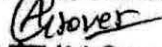
Sd/-
(CA. MANGESH P KINARE)
MEMBER

Sd/-
(CA. SATISH KUMAR GUPTA)
MEMBER

Date: 05th January 2026

Place: Noida

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अर्जुन गровер / Arju Grover

सहायक सचिव / Assistant Secretary

अनुशासनसूचक विभाग / Disciplinary Directorate

भारतीय सशस्त्र लेखाकार संस्थान

The Institute of Chartered Accountants of India

आई सी ए आई, भवन, सी-1, सेक्टर-1, नोएडा-201301 (उ.प्र.)
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