The e-Newsletter of NITIN N & CO., Chartered Accountants

sudeeksha

INSIGHT · INTEGRITY · INTROSPECTION

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From the Desk

November is the month of internal introspection wherein the post due date administration and documentation is carried out.

2026 witnessed extended due dates and the season still goes on albeit the normal working hours. As a reflection of the season so far, there is a need to appreciate the fact that organisation is more important than individuals. Each person represents the firm through their actions and hence the vision of the firm should be shared by each.

Forgetting this immense learning experience in the process of the self-centric orientation creates a long lasting damage to the foundation of any institution. Gratitude is a virtue that cannot be enforced but the same arises from self-respect and family values.

The Profession of CA is based on trusteeship concept, and each student should prove themselves worthy of earning that title.

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01 INSOLVENCY & BUSINESS RISK

"I Only Signed as Guarantor"

What the Videocon bankruptcy order teaches every promoter, partner and director



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In 2012, a well-known promoter signed a few deeds of personal guarantee so that his flagship company could borrow from a consortium of banks. It was routine paperwork, signed by thousands of business owners every year. Fourteen years later, on 5 November 2026, that signature made him personally bankrupt.

The Mumbai bench of the National Company Law Tribunal (NCLT) has declared Venugopal Nandlal Dhoot, the former promoter and director of Videocon Industries, bankrupt under Section 126 of the Insolvency and Bankruptcy Code, 2016 (IBC). The State Bank of India's claim stands at about ₹**12,668 crore**. A Bankruptcy Trustee has been appointed to take charge of his personal estate, which will be divided among his creditors.

This is not a story about one famous family. It is a story about a single document that most MSME owners, partners and directors in Kerala have already signed, often without reading it twice.

The story in five dates

Guarantee enforcement is slow, but it does not fade away. Here is how the Videocon case moved from a signature to a bankruptcy order:

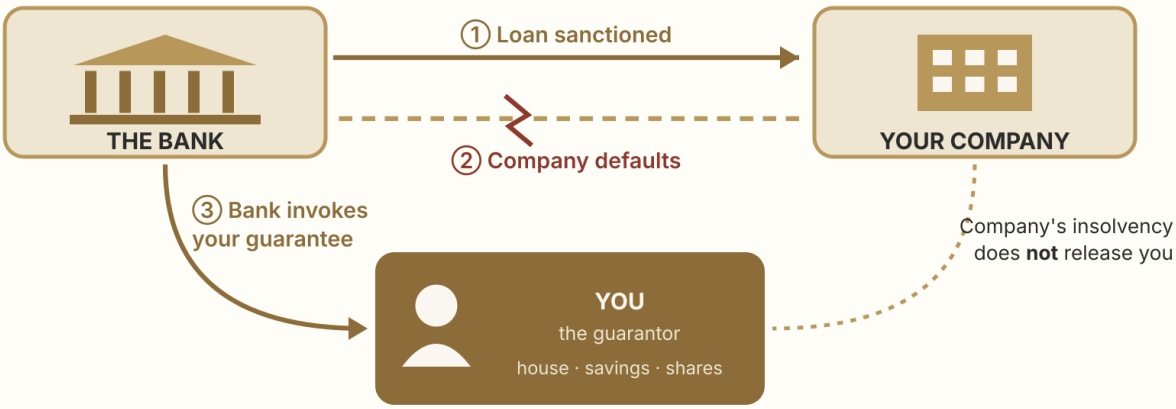


Fourteen years from signature to bankruptcy order — a guarantee does not quietly expire.

₹12,668 crore The claim for which one promoter was declared *personally* bankrupt — on guarantees he signed for his company's loans.

How a guarantee really works

When you sign a personal guarantee, you are not merely vouching for your company. You are promising the bank that if the company does not pay, *you will* — from your own house, savings, shares and future income. Under Section 128 of the Indian Contract Act, 1872, the liability of a guarantor is co-extensive with that of the borrower, unless the contract says otherwise.



Three myths that cost promoters dearly

MYTH 1

~~"If my company goes into insolvency, the guarantee ends with it."~~

Reality: In *Lalit Kumar Jain v. Union of India* (2021), the Supreme Court held that approval of a resolution plan for the company does not, by itself, discharge the personal guarantor. The bank can take a haircut from the company and still pursue you for the balance.

MYTH 2

~~*"The bank has to recover from the company first."*~~

Reality: Because a guarantor's liability is co-extensive with the borrower's, a lender can generally proceed against the guarantor directly, without first exhausting its remedies against the company.

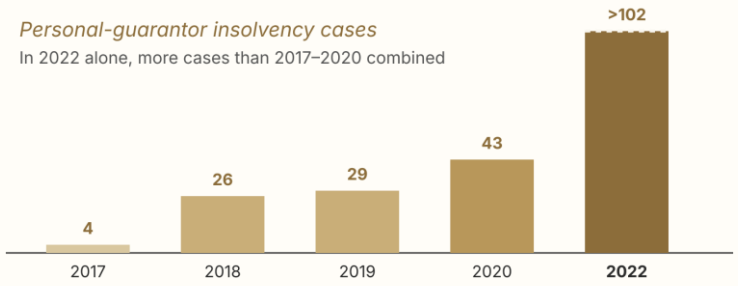
MYTH 3

~~*"Personal insolvency of promoters is only on paper."*~~

Reality: In *Dilip B. Jiwrajka v. Union of India* (November 2023), the Supreme Court upheld the validity of Sections 95 to 100 of the IBC, which govern insolvency of individuals, including personal guarantors. Lenders have been using these provisions steadily ever since — and the Videocon order shows how far they can go.

Lenders have noticed

Personal-guarantor cases before the tribunals were a trickle until the Supreme Court cleared the way in 2021. Then the floodgates opened:



Three things to do this month

1. **Build your guarantee register.** List every guarantee you have signed — lender, borrower, amount, date and whether it is a *continuing* guarantee. Most promoters cannot answer this from memory.
2. **Close the old ones in writing.** When a loan is repaid, or you exit a company or firm, obtain a written release or no-dues letter that specifically discharges your guarantee. Repayment alone may not be enough.
3. **Negotiate before you sign the next one.** Ask for a cap on the amount, a time limit and clarity on co-guarantors. Unlimited, unconditional and irrevocable guarantees should be the exception, not the default.

A personal guarantee is the most personal document in business finance.

Read it like your home depends on it — because it may.

02 THE PROFESSION

The Evolving Role of Chartered Accountants in Modern Business

From Traditional Accountants to Strategic Business Partners



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1. Introduction

In today's rapidly changing business environment, the role of Chartered Accountants (CAs) has evolved significantly. Traditionally, Chartered Accountants were primarily associated with accounting, auditing, taxation, and financial reporting. They were considered the professionals responsible for maintaining financial records, ensuring statutory compliance, and preparing financial statements.

However, the modern business world demands much more than traditional accounting expertise. Businesses today operate in a highly competitive, technology-driven, and globally connected environment. Frequent regulatory changes, digital transformation, increasing financial risks, and changing customer expectations have expanded the responsibilities of Chartered Accountants.

Today, Chartered Accountants are not merely financial record keepers; they are strategic advisors, business consultants, risk managers, technology enablers, and partners in organisational growth.

Their expertise helps businesses make informed decisions, improve operational efficiency, manage financial risks, and achieve long-term sustainability.

> The transformation of the CA profession reflects an important shift: **From recording what happened in the past to guiding what should happen in the future.**

2. Traditional Role of Chartered Accountants

For decades, the primary responsibilities of Chartered Accountants revolved around financial management and statutory requirements.

Some of their traditional functions include:

a) Accounting and Bookkeeping

Maintaining accurate financial records is one of the fundamental responsibilities of a Chartered Accountant. Proper accounting helps businesses understand their financial position, monitor transactions, and maintain transparency.

b) Auditing and Assurance

Auditing plays a crucial role in ensuring the reliability of financial statements. Chartered Accountants examine financial records, evaluate internal controls, identify discrepancies, and provide assurance to stakeholders.

c) Taxation and Compliance

Chartered Accountants assist individuals and businesses in complying with applicable tax laws. Their responsibilities include income tax return preparation, GST compliance, tax planning, tax audits, and representation before tax authorities.

d) Financial Reporting

Preparation and analysis of financial statements enable management, investors, lenders, and other stakeholders to evaluate business performance.

e) Regulatory Compliance

CAs help organisations comply with applicable provisions of the Companies Act, GST laws, Income Tax Act, and other relevant regulations.

Although these functions remain essential, the expectations from Chartered Accountants have expanded considerably.

3. Chartered Accountants as Strategic Business Advisors

One of the most significant changes in the CA profession is the transition from traditional compliance work to strategic business advisory.

Business owners increasingly rely on Chartered Accountants for professional guidance before making important financial and operational decisions.

A CA can contribute to business strategy in several ways:

- **Financial Planning:** Developing budgets, financial forecasts, and long-term financial strategies.
- **Business Expansion:** Evaluating the financial feasibility of new projects, branches, and investments.
- **Cost Management:** Identifying unnecessary expenditure and suggesting cost-control measures.
- **Performance Analysis:** Evaluating profitability, liquidity, efficiency, and financial stability.
- **Investment Decisions:** Analysing investment opportunities and associated financial risks.

For example, when a business plans to expand its operations, a Chartered Accountant can assess the expected investment, working capital requirements, projected revenue, profitability, and potential risks.

This enables business owners to make decisions based on financial facts rather than assumptions.

Thus, the CA becomes a trusted advisor who contributes directly to the growth and success of an organisation.

4. Digital Transformation and Technology in Accounting

Technology has brought a remarkable transformation to the accounting profession. Traditional manual accounting processes are increasingly being replaced by digital accounting systems, cloud-based platforms, and automated financial tools.

Modern Chartered Accountants are expected to understand and adapt to these technological developments.

Some important technological developments include:

a) Cloud Accounting

Cloud-based accounting systems allow businesses to access financial information from different

locations. They improve collaboration, data accessibility, and real-time financial monitoring.

b) Automation of Accounting Processes

Automation reduces repetitive manual work such as data entry, invoice processing, bank reconciliation, and routine reporting.

This allows accounting professionals to concentrate more on analysis, interpretation, and advisory services.

c) Artificial Intelligence (AI)

Artificial Intelligence is gradually changing the way financial information is processed and analysed.

AI-based tools can assist in identifying unusual transactions, detecting potential errors, analysing financial trends, and supporting audit procedures.

However, professional judgement, ethical responsibility, and human oversight remain essential.

d) Data Analytics

Data analytics enables Chartered Accountants to examine large volumes of financial and operational information.

Through data analysis, CAs can identify patterns, evaluate business performance, forecast future trends, and provide valuable insights to management.

Technology is not replacing the Chartered Accountant. Instead, it is changing the nature of the work and creating opportunities for professionals who are willing to adapt.

5. The Changing Landscape of Auditing

Auditing is one of the most important areas of professional practice for Chartered Accountants. However, the audit process has also undergone considerable changes.

Traditionally, audits involved extensive manual verification of vouchers, invoices, ledgers, and supporting documents.

Today, auditors increasingly use digital tools and data-driven approaches to improve audit efficiency and effectiveness.

Modern audit practices include:

- Risk-based audit planning.
- Data analytics and computer-assisted audit techniques.
- Evaluation of internal financial controls.
- Identification of unusual financial transactions.
- Assessment of fraud risks.
- Continuous monitoring of financial information.

The focus of auditing is also expanding beyond checking numerical accuracy. Auditors are expected to understand business processes, assess internal control systems, and identify areas where financial and operational risks may arise.

Technology can support audit procedures, but it cannot eliminate the need for professional scepticism and independent judgement.

6. Risk Management and Fraud Prevention

In the modern business environment, organisations face several financial and operational risks.

These include cybersecurity threats, financial fraud, cash flow problems, regulatory non-compliance, credit risks, and business continuity challenges.

Chartered Accountants play an important role in identifying and managing these risks.

Their responsibilities may include:

> **Internal Control Evaluation:** Examining whether appropriate systems and procedures are in place to prevent errors and irregularities.
>
> **Fraud Risk Assessment:** Identifying weaknesses in financial processes that may create opportunities for fraud.
>
> **Financial Risk Analysis:** Evaluating liquidity, credit, market, and operational risks.

Internal Audit: Assessing the effectiveness of internal processes and recommending improvements.

Compliance Monitoring: Helping organisations maintain proper documentation and comply with applicable statutory requirements.

A strong internal control system not only reduces the possibility of fraud but also improves accountability and operational efficiency.

Therefore, Chartered Accountants contribute significantly to protecting the financial interests and reputation of businesses.

7. The Role of Chartered Accountants in Start-ups and Entrepreneurship

The growth of start-ups and entrepreneurship has created new opportunities for Chartered Accountants.

Start-ups often face challenges related to funding, taxation, financial planning, regulatory compliance, and business sustainability.

Chartered Accountants can support entrepreneurs at different stages of their business journey.

Their services include:

- Business structure selection and incorporation support.
- Preparation of financial projections and business plans.
- Budgeting and working capital management.
- Assistance with funding and investor documentation.
- GST and income tax compliance.
- Financial due diligence.
- Valuation and business performance analysis.

For a start-up, financial discipline is essential from the beginning.

A well-designed accounting system helps entrepreneurs understand their cash position, monitor expenses, measure profitability, and prepare for future expansion.

CAs also help founders understand the financial implications of business decisions, enabling them to build sustainable enterprises.

8. ESG and Sustainability Reporting: An Emerging Opportunity

Environmental, Social, and Governance (ESG) considerations are becoming increasingly important in modern business.

Investors, customers, regulators, and other stakeholders are paying greater attention to how businesses manage environmental impact, social responsibility, and corporate governance.

This has created new opportunities for Chartered Accountants.

Their contribution to ESG-related activities may include:

- Reviewing sustainability-related information.
- Supporting ESG data collection and reporting.
- Evaluating internal controls over non-financial information.
- Assessing governance and compliance practices.
- Providing assurance services where professionally permitted and applicable.

In India, sustainability reporting frameworks such as the Business Responsibility and Sustainability Report (BRSR) have increased the importance of reliable non-financial information for applicable listed entities.

The growing focus on sustainability demonstrates that the future of financial reporting will not be limited to profit and loss alone. It will increasingly include the broader impact of business activities.

9. Corporate Governance and Ethical Responsibilities

Corporate governance refers to the system of rules, practices, and processes through which organisations are directed and controlled.

Good corporate governance promotes transparency, accountability, fairness, and responsible decision-making.

Chartered Accountants contribute to effective corporate governance through their professional knowledge and ethical standards.

Their role includes:

- Ensuring accuracy and transparency in financial reporting.
- Supporting compliance with applicable laws and regulations.
- Strengthening internal control mechanisms.
- Identifying potential conflicts of interest.
- Promoting accountability in financial decisions.
- Maintaining professional independence and integrity.

Ethics is the foundation of the Chartered Accountancy profession.

Technical knowledge alone cannot define a successful Chartered Accountant. Integrity, objectivity, professional competence, confidentiality, and professional behaviour are equally important.

In an environment where stakeholders demand greater transparency, ethical conduct strengthens public confidence in the profession.

10. Challenges Faced by Chartered Accountants in the Modern Era

Although the profession offers numerous opportunities, it also presents several challenges.

a) Continuous Regulatory Changes

Frequent amendments in taxation, company law, and financial reporting standards require professionals to continuously update their knowledge.

b) Technological Adaptation

Keeping pace with emerging technologies requires investment in digital skills, training, and infrastructure.

c) Increasing Client Expectations

Clients now expect faster services, practical solutions, strategic advice, and timely communication.

d) Data Security and Confidentiality

As financial information becomes increasingly digital, protecting sensitive client information is a major responsibility.

e) Professional Competition

The expansion of financial technology, consulting firms, and specialised service providers has increased competition in the professional services industry.

To overcome these challenges, Chartered Accountants must adopt continuous learning, technological awareness, professional discipline, and a client-focused approach.

11. Skills Required for the Chartered Accountant of Tomorrow

The future Chartered Accountant must combine strong technical knowledge with modern business and interpersonal skills.

Some essential skills include:

1. **Technical Expertise:** Strong knowledge of accounting, auditing, taxation, and corporate laws.
2. **Analytical Thinking:** Ability to interpret financial information and identify meaningful insights.
3. **Technological Competence:** Familiarity with accounting software, automation, AI tools, and data analytics.

4. **Communication Skills:** Ability to explain complex financial matters in a simple and understandable manner.
5. **Business Acumen:** Understanding business models, industry trends, and market conditions.
6. **Leadership Qualities:** Ability to guide teams and contribute to organisational decisions.
7. **Ethical Judgement:** Maintaining integrity and professional standards in every assignment.

The combination of these skills will enable Chartered Accountants to remain relevant and valuable in a changing business environment.

12. The Future of the Chartered Accountancy Profession

The future of the CA profession is promising, with opportunities extending far beyond traditional accounting and taxation.

Emerging areas such as forensic accounting, cyber risk advisory, business valuation, insolvency and restructuring, international taxation, sustainability reporting, and technology consulting are creating new avenues for professional growth.

Artificial Intelligence and automation may reduce the time spent on routine accounting activities. However, they will also increase the demand for professionals who can interpret information, exercise judgement, provide strategic guidance, and take responsibility for professional decisions.

The Chartered Accountant of tomorrow will increasingly function as a combination of financial expert, technology-enabled professional, business advisor, and trusted decision-making partner.

Success in this evolving profession will depend on the ability to embrace change while maintaining the core values of integrity, independence, and professional excellence.

13. Conclusion: Beyond Numbers, Towards Business Excellence

The role of Chartered Accountants in modern business has transformed from traditional financial record keeping to comprehensive business leadership and advisory.

Today, they contribute not only to financial accuracy and statutory compliance but also to strategic planning, risk management, digital transformation, corporate governance, and sustainable business development.

As businesses continue to evolve, the demand for knowledgeable, adaptable, and ethically responsible Chartered Accountants will remain significant.

Technology may change the tools used by professionals, regulations may change the way businesses operate, and market conditions may create new challenges. However, the fundamental value of a Chartered Accountant lies in the ability to combine knowledge, judgement, integrity, and insight.

> A Chartered Accountant is no longer just someone who understands the numbers; a Chartered Accountant is someone who understands what the numbers mean for the future of a business.

"The future belongs to Chartered Accountants who go beyond compliance, embrace innovation, and become partners in progress."

03 GST UPDATE

GST Reforms Effective from 1 November 2026

Key Amendments and Their Practical Implications for Businesses



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The Goods and Services Tax (GST) framework in India continues to evolve with a focus on simplifying compliance, improving ease of doing business and reducing working-capital blockages. Pursuant to the

recommendations of the 57th GST Council meeting held on 8 October 2026, the Central Government has notified a series of amendments to the Central Goods and Services Tax Act, 2017 (CGST Act) and the CGST Rules, 2017. Several important changes have come into effect from 1 November 2026, while certain technology-related changes are scheduled for 1 January 2027 and other procedural provisions from 1 April 2027.

1. Greater Flexibility in Post-Supply Discounts

One of the notable amendments relates to the valuation of post-supply discounts under Section 15(3)(b) of the CGST Act. Earlier, a supplier could exclude a discount granted after the supply from the taxable value only where the discount was established through an agreement entered into at or before the time of supply and was specifically linked to the relevant invoices. The recipient was also required to reverse the input tax credit (ITC) attributable to the discount.

With effect from 1 November 2026, the requirement for a prior agreement and specific invoice-wise linkage has been removed. A supplier may now grant eligible post-supply discounts and issue a GST credit note, subject to the conditions under the amended Section 15(3)(b) read with Section 34. The recipient must reverse the ITC attributable to the discount. The amendment is expected to provide flexibility in administering volume discounts, turnover incentives, year-end schemes and other commercial discounts.

For example, a manufacturer may grant an additional turnover-based discount to a distributor at the end of the year based on the distributor's overall performance. The absence of a pre-existing agreement or linkage to each original invoice will no longer, by itself, prevent the discount from being excluded from the taxable value. However, proper documentation, issuance of the prescribed credit note and corresponding ITC reversal remain essential.

2. Wider Eligibility and Faster Processing of GST Refunds

The amendments to Rule 89 of the CGST Rules expand the availability of refunds of accumulated ITC. Refund eligibility has been extended to ITC on capital goods in the case of zero-rated supplies and to ITC on input services and capital goods in cases involving an inverted duty structure, subject to the applicable conditions and prescribed method of computation.

For inverted duty structure refunds, eligible ITC on input services availed on or after 1 November 2026 is included in the refund computation. Eligible ITC on capital goods availed on or after 1 April 2027 will be apportioned over 60 months, subject to the prescribed conditions. Further, the restriction that capped the turnover of zero-rated supply of goods at 1.5 times the value of like goods supplied domestically has been removed.

A significant procedural improvement is the introduction of a system-driven provisional refund mechanism. A provisional refund of 90% of the amount claimed may be sanctioned through the portal within three working days from acknowledgement, based on risk identification and evaluation. The time available for issuing acknowledgement or a deficiency memo has also been reduced from 15 days to 10 days. These measures are intended to improve liquidity, particularly for exporters and businesses operating under an inverted duty structure. Taxpayers should nevertheless ensure that refund applications are accurate, reconciled and supported by complete records.

3. Simplified GST Registration for Eligible E-Commerce Sellers

A new Rule 14B provides a simplified route for certain suppliers of goods making supplies through an electronic commerce operator (ECO) required to collect tax at source under Section 52. An eligible supplier already registered in a home State may obtain registration in another State or Union

Territory where it has no physical presence by declaring the ECO's warehouse in that State as its principal place of business, subject to prescribed conditions.

The facility is subject to important safeguards. Supplies must be made through the qualifying ECO; the ECO must provide consent for use of its warehouse; and the supplier's monthly output tax liability on supplies to registered persons (other than persons having the same PAN) must not exceed ₹2.5 lakh. Specified categories, including composition taxpayers, ISDs, SEZ units/developers and casual taxable persons, are excluded. The prescribed application, verification, record-maintenance and continuing compliance requirements must be followed.

This change may benefit small online sellers who wish to access customers in other States without establishing their own physical premises there. Businesses should examine eligibility and the commercial arrangements with the ECO before opting for this facility.

4. Changes in Registration Amendments and Cancellation

The revised provisions streamline certain registration-related processes. Changes in registration particulars are generally required to be reported in Form GST REG-14 within 15 days. The amended rules also prescribe timelines for processing applications and responding to notices seeking clarification. In specified cases, failure by the proper officer to act within the prescribed period may result in deemed approval; conversely, failure by the applicant to respond within the stipulated time may result in deemed rejection.

The procedure for taxpayer-requested cancellation has also been revised. An application in Form GST REG-16 is generally required to be filed within 30 days of the event warranting cancellation, subject to the stated exception in the case of the death of a sole proprietor. Pending returns and other prescribed compliance requirements should be reviewed before filing the cancellation application. Businesses discontinuing operations should ensure that stock, capital goods, tax liability and final return obligations are properly addressed.

5. E-Invoicing: Important Change from 1 January 2027

Though not effective from 1 November 2026, businesses should prepare for the expansion of e-invoicing from 1 January 2027. The amended notification extends the e-invoicing framework to specified supplies received from unregistered persons on which the recipient is liable to pay tax under the reverse charge mechanism (RCM), and to imports of services. This will require affected recipients to review their inward-supply processes, accounting systems and integration with the Invoice Registration Portal.

Businesses should identify relevant RCM transactions, assess the applicability of the revised requirement and coordinate with their ERP or accounting-software providers well in advance. The change reinforces the importance of accurate recording and reporting of inward supplies.

6. Other Compliance Developments

The amendments also address the distribution of input tax credit by Input Service Distributors, align certain return-related rules with the corresponding provisions of the CGST Act and introduce procedural safeguards in relation to restrictions on utilisation of the electronic credit ledger. In addition, specified changes have been made to GST rates, exemptions and reverse charge provisions through separate rate notifications. In particular, businesses dealing in specified waste and scrap supplies should review the revised RCM and related TDS provisions applicable from 1 November 2026.

Since these changes are spread across the CGST Act, CGST Rules and separate rate notifications, businesses should not rely solely on a general summary. The applicable rate, taxability and

compliance treatment should be verified for the specific nature of each supply.

Conclusion: What Should Businesses Do?

The November 2026 amendments represent an important step towards a more facilitative GST regime. Relaxation of conditions for post-supply discounts, broader refund eligibility, faster provisional refunds and simplified registration for eligible e-commerce sellers are expected to reduce procedural difficulties and improve cash-flow management. At the same time, the changes require businesses to update their internal controls and compliance processes.

Businesses are advised to (i) review discount policies and credit-note procedures; (ii) ensure corresponding ITC reversals are tracked and documented; (iii) reassess refund eligibility and reconcile electronic credit ledger balances; (iv) evaluate eligibility under the new e-commerce registration option; (v) update registration particulars within prescribed timelines; and (vi) prepare systems for the expanded e-invoicing requirements from January 2027. A timely review with the assistance of tax professionals will help businesses avail the intended benefits while minimising compliance risks.

Key statutory references: Notification No. 03/2026-Central Tax dated 26 October 2026; Sections 153 to 155 of the Finance Act, 2026; Notification No. 05/2026-Central Tax dated 26 October 2026; relevant CGST Rules and applicable Central Tax (Rate) notifications.

04 TECH FOR ACCOUNTANTS · PART 1

Odoo ERP – A Practical Beginner's Guide

Getting Started with Odoo ERP

From Company Creation to Setting Up Customers, Vendors and Products

A step-by-step illustrated guide for beginners | Based on Odoo 19



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1. Understanding ERP and Odoo

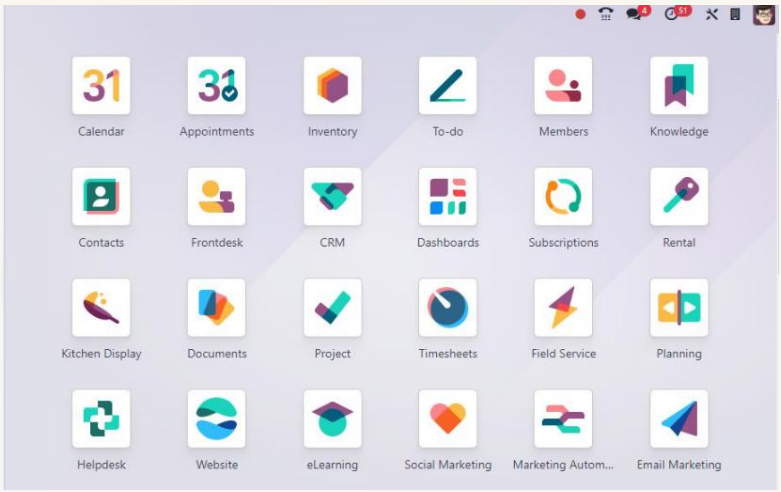
Before learning how to operate Odoo, it is important to understand what ERP means.

Enterprise Resource Planning (ERP) is a software system that integrates different business functions into one common platform. It helps organisations manage their accounting, sales, purchases, inventory, human resources and other operations.

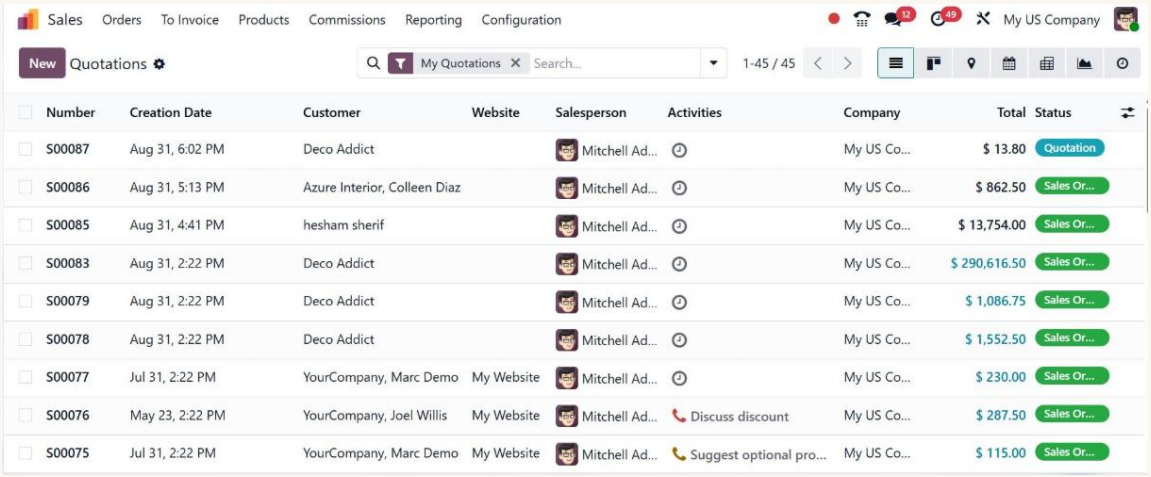
For example, consider a business that purchases goods from suppliers and sells them to customers. Without an integrated system, the purchase department may maintain separate purchase records, the sales department may maintain separate sales records, and the accounts department may enter the same information again for accounting purposes.

An ERP system connects these activities. Information entered in one department can be made available to other relevant departments.

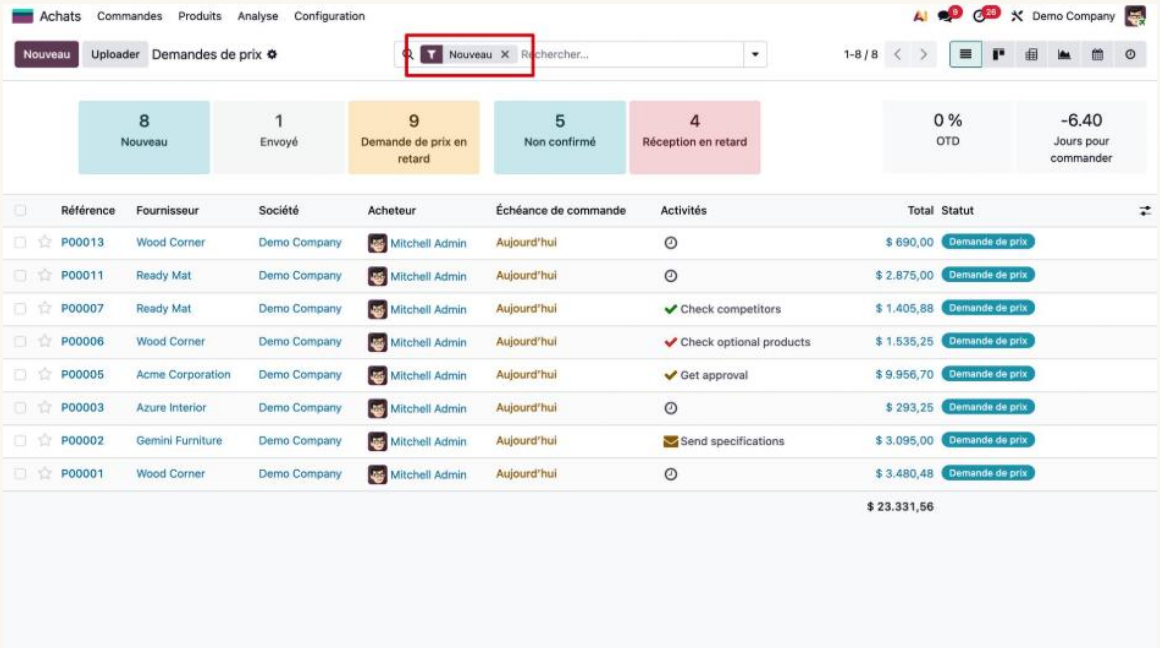
WHAT IS ODOO?



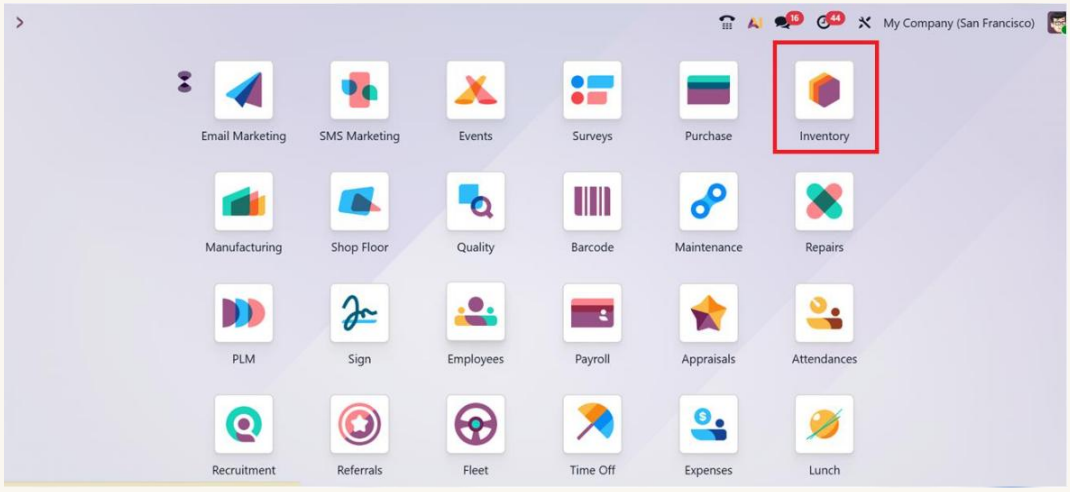
Accounting- Managing invoices, bills, payments and financial reports.



Sales- Managing quotations, orders and customer transactions.



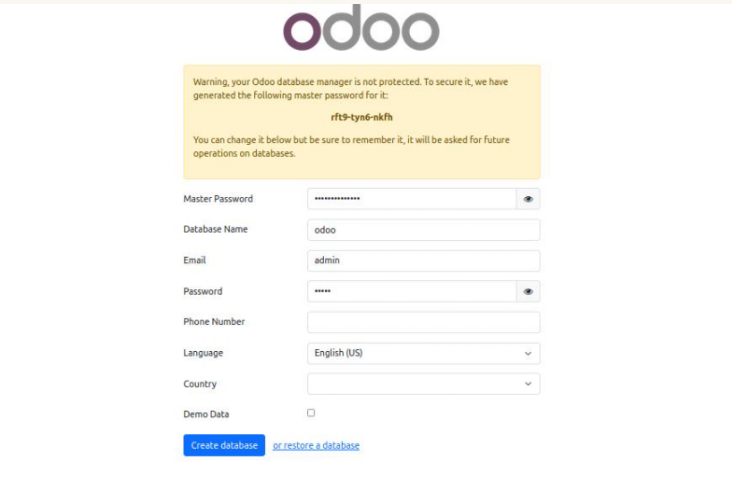
Purchase- Managing suppliers and purchase orders.



Inventory- Managing stock, receipts and deliveries.

The important feature of Odoo is that these applications are interconnected. For instance, a purchase transaction can be linked with inventory and accounting, depending on the configuration

2. Getting Started – Creating an Odoo Database



The first step is to access Odoo and create a database.

◆ Step 1 – Visit the Odoo website

Open www.odoo.com and choose the option to start using Odoo.

◆ Step 2 – Create an account

Enter the required details, such as your name, email address and other registration information.

◆ Step 3 – Create a database

A database is the central storage location where the company's business information is maintained. It contains records relating to customers, vendors, products, invoices, bills, payments and other transactions.

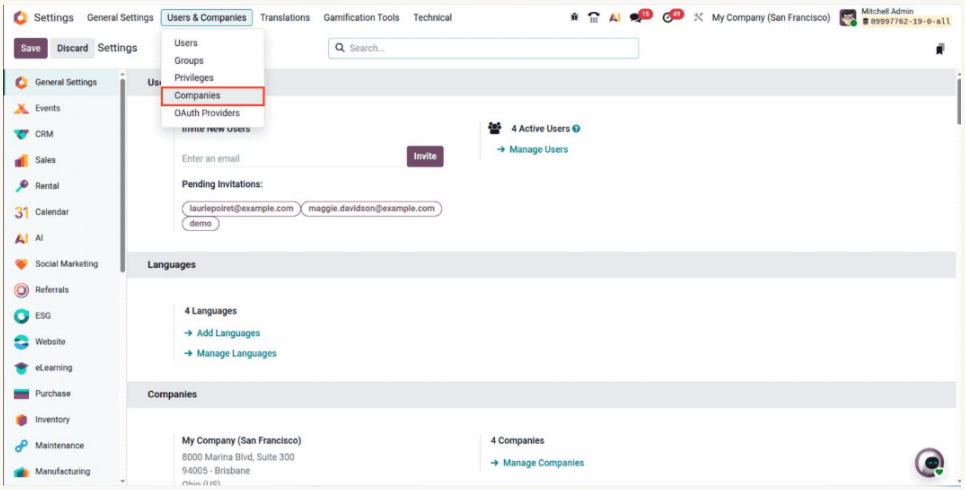
During the setup process, select the country of operation and the required applications.

◆ Step 4 – Select the applications

For a beginner learning basic business and accounting operations, the following applications are a useful starting point:

- Contacts
- Accounting
- Sales
- Purchase
- Inventory

✦ Practical tip: Use a test database while learning. Avoid entering actual business transactions until the accounting and taxation settings have been properly reviewed.



3. Creating and Configuring a Company

Once the database is ready, the next step is to configure the company information.

In Odoo, the initial company details are generally entered during database creation. If you need to add another company to an existing database, follow these steps:

Navigation: Settings → Users & Companies → Companies → New.

STEP-BY-STEP PROCEDURE

1. Open the Settings application.
2. Navigate to Users & Companies.
3. Select Companies.
4. Click the New button.
5. Enter the company details.
6. Upload the company logo, if required.
7. Click Save.

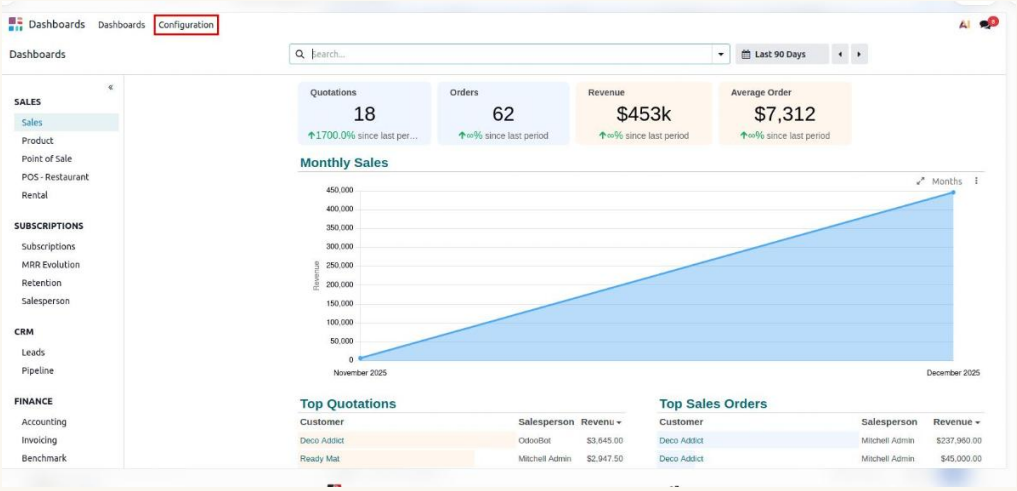
IMPORTANT INFORMATION TO BE ENTERED

Field	Example
Company Name	ABC Traders
Address	Ernakulam, Kerala
Country	India
Currency	INR
PAN	Company's PAN
GSTIN	Applicable GSTIN
Email	Official email
Phone	Contact number
Logo	Company logo

WHY IS COMPANY CREATION IMPORTANT?

The company details are used in business documents such as customer invoices, quotations and other reports. Correct company information is therefore essential for maintaining proper business records.

For Indian companies, PAN, GSTIN, State and address details should be entered and verified carefully.



4. Understanding the Odoo Dashboard

The dashboard is the main screen from which users can access the applications installed in Odoo.

Each application represents a particular business function.

For example:

- Accounting – Financial records and reports.
- Sales – Customer orders and sales transactions.
- Purchase – Supplier orders and purchases.
- Inventory – Stock management.
- Contacts – Customer and vendor information.

When a user opens an application, the relevant menus and functions are displayed.

A BEGINNER SHOULD UNDERSTAND THREE COMMON SCREEN TYPES:

- **Dashboard view:** Displays an overview of activities and important information.
- **List view:** Displays records in rows, such as a list of customers or invoices.
- **Form view:** Displays the detailed information of an individual record, such as a customer profile or product.

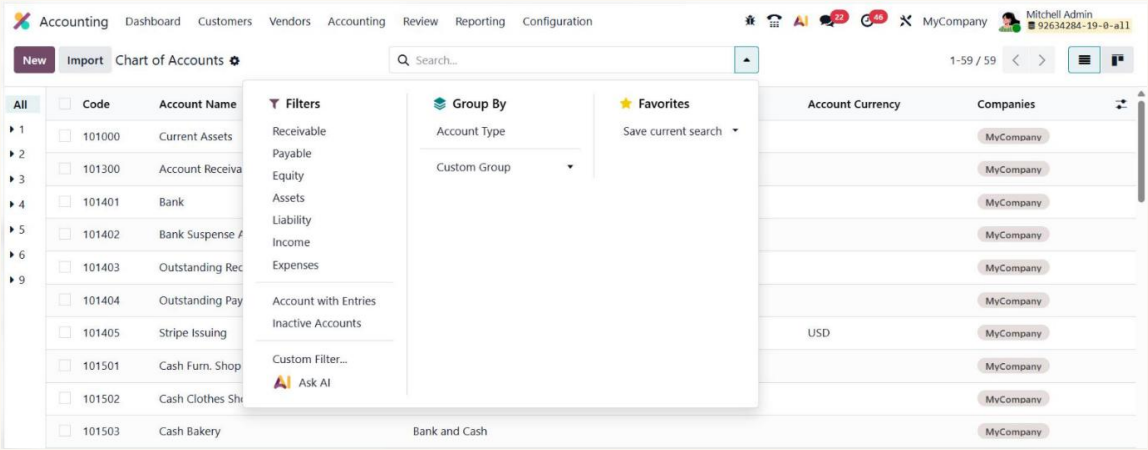
These views are used throughout Odoo.

5. Setting Up Basic Accounting Information

Before recording transactions, it is important to understand the accounting structure in Odoo.

The Accounting application contains several configurations that determine how financial transactions are recorded.

A. Chart of Accounts



The Chart of Accounts (COA) is a list of all accounts used by a business to record its financial transactions.

Accounts are generally classified into five categories:

Category	Examples
Assets	Cash, Bank, Debtors, Fixed Assets
Liabilities	Creditors, Loans, Outstanding Expenses
Income	Sales, Service Income
Expenses	Purchases, Salaries, Rent
Equity	Capital, Reserves

WHERE CAN YOU FIND IT?

Accounting → Configuration → Chart of Accounts.

Odoo provides a standard Chart of Accounts based on the selected fiscal localisation. Users can review and modify the accounts according to the requirements of the business.

Odoo 19.0 documentation+1

B. Journals

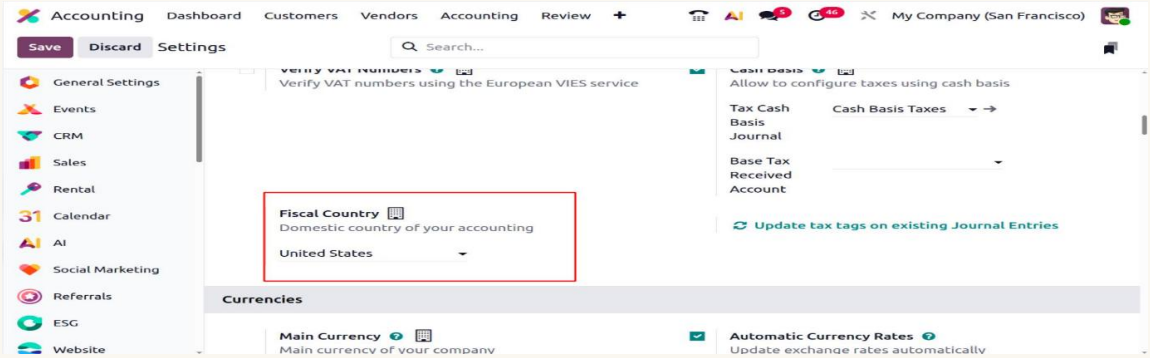
A journal is used to classify accounting transactions according to their nature.

Common journals include:

- Sales Journal – Customer invoices.
- Purchase Journal – Vendor bills.
- Bank Journal – Bank-related transactions.
- Cash Journal – Cash-related transactions.
- Miscellaneous Journal – Other accounting adjustments.

For example, when a customer invoice is recorded, the corresponding accounting transaction is generally reflected in the Sales Journal.

C. Indian Accounting Localisation



Odoo provides an India-specific accounting localisation package. It helps configure accounting and taxation features applicable to Indian businesses.

Depending on the installed applications and integrations, features include:

- GST configuration.
- CGST, SGST and IGST.
- HSN and SAC details.
- TDS and TCS.
- E-invoicing.
- E-way bills.
- GST reporting and integrations.

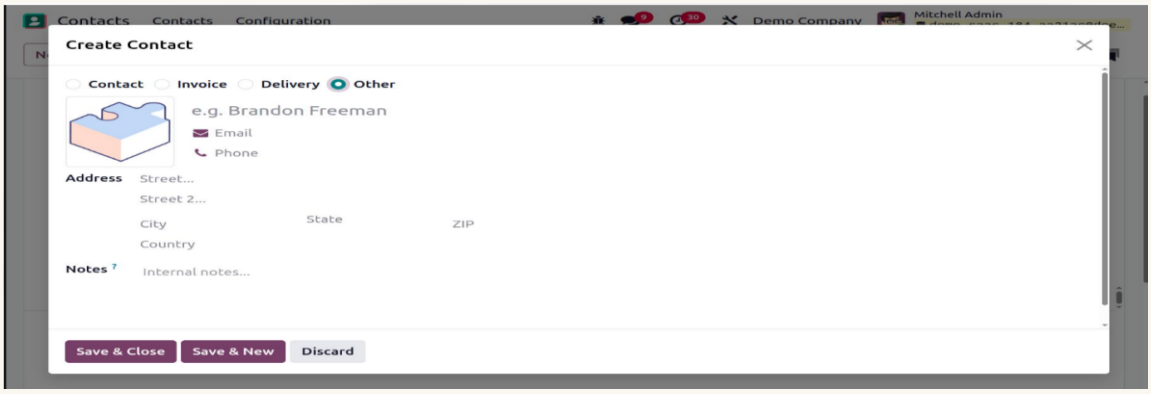
For Indian businesses, the applicable localisation and tax settings should be checked before recording transactions.

Navigation: Accounting → Configuration → Settings.

The availability of certain integrations may depend on additional modules, configuration and service-provider requirements.

The availability of certain integrations may depend on additional modules, configuration and service-provider requirements

6. Creating Customers and Vendors



One of the most important steps in setting up a business in Odoo is creating contact records.

A business generally deals with two types of external parties:

- **Customers:** Individuals or businesses to whom goods or services are sold.
- **Vendors:** Individuals or businesses from whom goods or services are purchased.

Odoo maintains both customers and vendors through a common application called Contacts.

STEP-BY-STEP: CREATING A CUSTOMER

Navigation: Contacts → New.

1. Open the Contacts application.
2. Click New.
3. Select whether the contact is a Person or Company.
4. Enter the customer's name.
5. Enter the address, email and phone number.
6. Enter the Tax ID, wherever applicable.
7. Save the contact.

ILLUSTRATION:

Assume ABC Traders sells furniture to XYZ Enterprises.

The customer information can be entered as follows:

Field	Details
Contact Name	XYZ Enterprises
Contact Type	Company
Address	Kochi, Kerala
Country	India
GSTIN	Customer's GSTIN
Email	Official email address

After saving, XYZ Enterprises will be available for selection while preparing quotations and customer invoices.

STEP-BY-STEP: CREATING A VENDOR

The process is similar to creating a customer.

Navigation: Contacts → New.

1. Open the Contacts application.
2. Click New.
3. Select Company or Person.
4. Enter the vendor's name.
5. Enter the address and contact information.
6. Enter the vendor's GSTIN, wherever applicable.
7. Save the record.

ILLUSTRATION:

ABC Traders purchases furniture from Kerala Distributors.

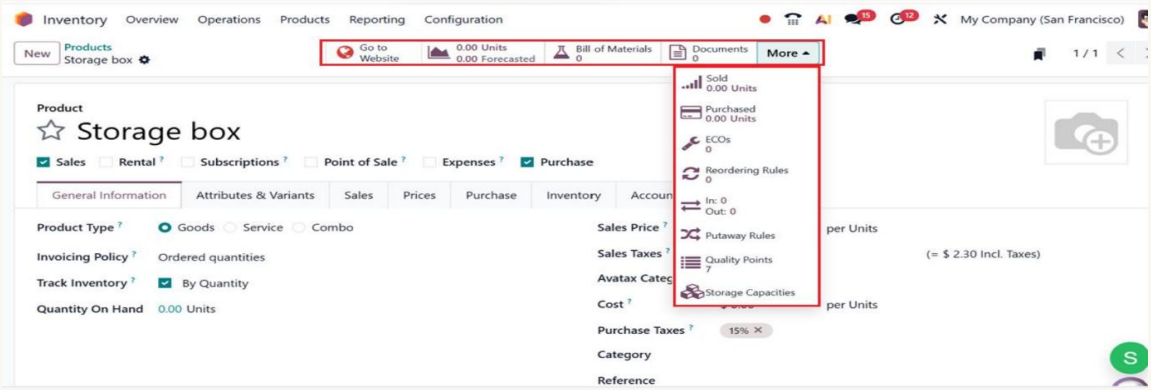
Field	Details
Contact Name	Kerala Distributors
Contact Type	Company
Address	Ernakulam, Kerala
Country	India
GSTIN	Vendor's GSTIN
Email	Official email address

Kerala Distributors can now be selected while preparing purchase orders and vendor bills.

AN IMPORTANT POINT TO REMEMBER

Odoo maintains customers and vendors in the same Contacts application. A contact does not necessarily have to be created twice if the same business acts as both a customer and a vendor. Its role depends on the transactions recorded with that contact.

7. Creating Products and Services



After creating customers and vendors, the next step is to create the products or services dealt with by the business.

A product record contains information that can be reused when recording sales and purchase transactions.

Navigation: Sales → Products → Products → New.

Depending on the installed applications, products can also be accessed through Purchase or Inventory.

STEP-BY-STEP PROCEDURE

1. Open the Sales application.
2. Navigate to Products.
3. Click New.
4. Enter the product name.
5. Select the appropriate product type.
6. Enter the sales price and cost.
7. Select the unit of measurement.
8. Configure applicable sales and purchase taxes.
9. Save the product.

EXAMPLE: CREATING A PRODUCT

ABC Traders deals in office furniture. Let us create an Office Chair product.

Field	Details
Product Name	Office Chair
Product Type	Goods
Sales Price	₹3,000
Cost	₹2,000
Unit of Measure	Units
Sales Tax	Applicable GST rate
Purchase Tax	Applicable GST rate

Once the product is saved, it can be selected while preparing sales and purchase documents.

UNDERSTANDING PRODUCT TYPES

Products are broadly classified according to their nature and how they are managed in the system.

- **Goods:** Physical items that can be purchased, sold and, where inventory tracking is enabled, maintained in stock.
- **Services:** Non-physical services such as consultancy, professional fees and maintenance services.

The available product types and inventory behaviour depend on the Odoo version and configuration.

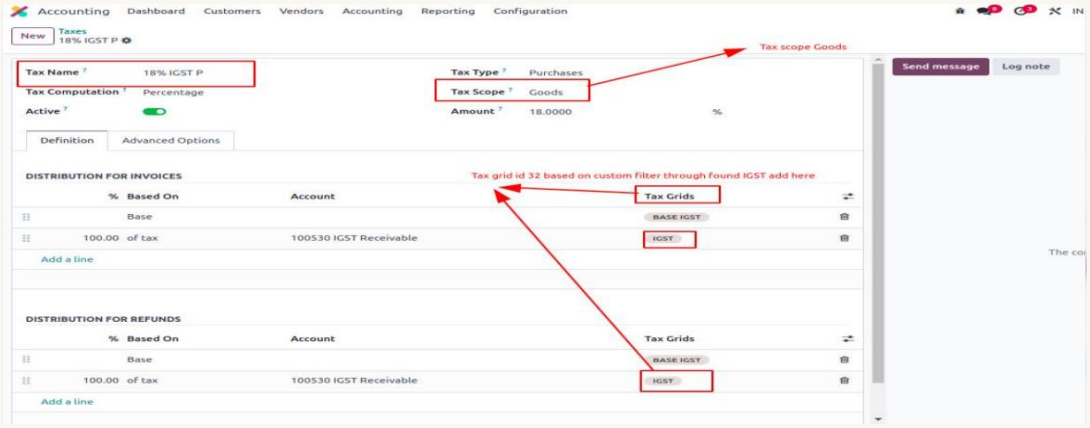
WHAT ARE PRODUCT CATEGORIES?

Product categories help businesses group similar products together.
For example, ABC Traders may create the following categories:

- Office Furniture.
- Home Furniture.
- Furniture Accessories.

Product categories are useful for organising products and configuring accounting and inventory-related settings.

8. Configuring Taxes and GST Information



For businesses operating in India, tax configuration is an important part of the initial setup.

Odoo allows taxes to be configured and linked with products and transactions.

Some important information to be verified includes:

1. Company GSTIN.
2. Customer and vendor GSTINs, wherever applicable.
3. HSN codes for goods.
4. SAC codes for services.
5. Applicable GST rates.
6. CGST and SGST for intra-State supplies.
7. IGST for inter-State supplies.

PRACTICAL ILLUSTRATION

Assume ABC Traders sells an office chair for ₹3,000, excluding GST. The applicable GST rate is assumed to be 18%.

Particulars	Amount
Taxable Value	₹3,000
CGST @ 9%	₹270
SGST @ 9%	₹270
Invoice Value	**₹3,540**

If the transaction is an inter-State supply, IGST would generally apply instead of CGST and SGST, subject to the applicable GST provisions.

✦ **Important:** The tax configuration should be verified with reference to the nature of supply, place of supply and applicable GST law. Do not assume that every transaction will attract the same tax treatment.

9. How Are These Master Records Connected?

At this stage, we have created a company, customers, vendors and products. But how do these records work together?

Consider the following example:

ABC Traders purchases 10 office chairs from Kerala Distributors and subsequently sells 5 chairs to XYZ Enterprises.

The same vendor, customer and product records created earlier can be selected while recording these transactions.

THE RELATIONSHIP BETWEEN MASTER RECORDS AND TRANSACTIONS

ABC Traders- Company database

Vendor- Kerala Distributors

Customer- XYZ Enterprises

Product- Office Chair

Accounting- Chart of Accounts

These records are reused in the relevant business transactions, avoiding repeated entry of the same basic information.

This is the basic concept of master data management in an ERP system.

10. Practical Exercise – Set Up ABC Traders

Now that we have understood the basic features, let us put them into practice.

Assume ABC Traders is a newly established trading business dealing in office furniture. The business wants to use Odoo to manage its accounting, purchases and sales.

Complete the following activities in a test database:

YOUR FIRST ODOO SETUP CHECKLIST

1. Create the ABC Traders company profile
2. Enter company address, PAN and GSTIN details
3. Review the Chart of Accounts
4. Check the accounting journals
5. Create Kerala Distributors as a vendor
6. Create XYZ Enterprises as a customer
7. Create Office Chair as a product
8. Configure applicable GST rates
9. Verify the basic company and accounting settings

11. Conclusion

Odoo ERP provides an integrated platform for managing different business activities. However, before recording transactions, it is important to understand the basic structure of the system.

Creating the company profile, configuring accounting information, maintaining customer and vendor details, and setting up products form the foundation of using Odoo.

Once these initial configurations are completed, businesses can proceed to record their regular transactions through the different applications.

05 FEMA · CURRENT ACCOUNT TRANSACTIONS

FOREIGN EXCHANGE MANAGEMENT ACT (FEMA)



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Under the **Foreign Exchange Management (Current Account Transactions) Rules, 2000** (framed under Section 5 of the FEMA Act, 1999), current account transactions are categorized into **three distinct schedules** based on the level of regulatory restriction. While current account transactions are generally free unless restricted, these three schedules outline what is strictly banned, what needs government clearance, and what requires Reserve Bank of India (RBI) approval.

Overview of the Three Schedules

Schedule	Restriction Level	Approving Authority	Core Purpose
Schedule I	**Prohibited**	None (Strictly Banned)	Prevents outflow of foreign exchange for gambling, illegal activities, and restricted trade
Schedule II	**Prior Government Approval**	Central Government (Respective Ministries)	Regulates cultural tours, international sports sponsorships, and state-level remittances.
Schedule III	**Prior RBI Approval**	Reserve Bank of India (RBI)	Caps remittances beyond specifies monetary limits (such as the USD 250,000 LRS limit).

Schedule I: Prohibited Transactions

Drawal of foreign exchange is completely prohibited for the following purposes:

- **Gambling and Lotteries.** Remittances out of lottery winnings, racing/riding income, or any other hobby.

- **Restricted Subscriptions.** Remittances for the purchase of lottery tickets, banned or proscribed magazines, football pools, and sweepstakes.
- **Export Commission.** Payment of commission on exports made towards equity investment in Joint Ventures or Wholly Owned Subsidiaries abroad of Indian companies.
- **Rupee State Credit Route.** Remittances of dividend by any company to which the requirement of dividend balancing applies, or commission on exports under the Rupee State Credit Route (except commission up to 10% of invoice value of tea and tobacco exports).
- **Callback Services.** Payment related to "Call Back Services" of telephones.
- **NRI Deposits.** Remittance of interest income on funds held in a Non-Resident Special Rupee (Account) Scheme.

Schedule II: Transactions Requiring Central Government Approval

Transactions listed under Schedule II require prior approval from the relevant Ministry of the Government of India (unless made out of an RFC or EEFC account):

- **Cultural Tours.** Remittances for cultural tours require approval from the Ministry of Human Resources Development (Department of Education and Culture).
- **Foreign Print Media Advertising.** Advertisements in foreign print media for purposes other than promotion of tourism, foreign investments, and international bidding (exceeding USD 10,000) by a State Government or its Public Sector Undertakings require approval from the Ministry of Finance.
- **Chartering Vessels.** Remittance of freight of vessel charted by a PSU requires approval from the Ministry of Surface Transport (Chartering Wing).
- **Import via CIF Basis.** Payment of import through ocean transport by a government department or a PSU on a CIF (Cost, Insurance, and Freight) basis requires approval from the Ministry of Surface Transport.
- **Multi-modal Transport.** Remittance of hiring charges of transponders by TV channels or Internet Service Providers requires approval from the Ministry of Information and Broadcasting or the Ministry of Communication and Information Technology.
- **International Sports Events.** Remittance of prize money or sponsorship of sports activities abroad by a person other than International/National/State Level sports bodies, if the amount involved exceeds **USD 100,000**, requires approval from the Ministry of Human Resource Development (Department of Youth Affairs and Sports).
- **P&I Club Membership.** Remittance for membership of P&I (Protection and Indemnity) Club requires approval from the Ministry of Finance (Insurance Division).

Schedule III: Transactions Requiring RBI Approval

Schedule III defines the monetary ceilings above which prior approval from the Reserve Bank of India is mandatory:

- **Individuals (Under LRS).** Resident individuals can freely remit up to **USD 250,000 per financial year** for permissible current account purposes, including private visits (excluding Nepal and Bhutan), gifts, donations, going abroad for employment, emigration, maintenance of close relatives, business travel, medical treatment, and studies abroad. Remittances exceeding USD 250,000 require prior RBI approval, except for medical treatment, emigration, and overseas education where actual costs exceed the limit based on estimates from the foreign hospital, institution, or government.

- **Corporate Donations.** Donations exceeding **1% of foreign exchange earnings** during the previous three financial years or **USD 50,00,000**, whichever is less, for the creation of Chairs in reputed educational institutes, contribution to funds promoted by educational institutes, or contribution to technical institutions/associations in the donor's field of activity.
- **Real Estate Commission.** Commission, per transaction, to agents abroad for sale of residential flats or commercial plots in India exceeding **USD 25,000** or **5% of the inward remittance**, whichever is more.
- **Consultancy Services.** Remittances exceeding **USD 10,000,000** per project for any consultancy services in respect of infrastructure projects and exceeding **USD 10,00,000** per project for other consultancy services procured from outside India.
- **Pre-incorporation Expenses.** Remittances exceeding **5% of investment** brought into India or **USD 100,000**, whichever is higher, by an entity in India by way of reimbursement of pre-incorporation expenses.

06 ACCOUNTING BASICS · PROFESSIONAL OVERVIEW

ACCOUNTING ENTRIES AND THEIR IMPORTANCE IN MAINTAINING FINANCIAL RECORDS

A PROFESSIONAL ACCOUNTING OVERVIEW



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1. Introduction

Accounting is an essential function of every business organisation. It involves recording, classifying, summarising and analysing financial transactions to determine the financial position and performance of an organisation.

Businesses undertake activities such as purchases, sales, receipts, payments and expenses. These transactions must be properly recorded to maintain accurate and reliable financial records. Accounting entries provide the foundation for financial statements, monitoring business activities, decision-making, transparency and statutory compliance.

2. Meaning of Accounting Entries

An accounting entry is the formal recording of a financial transaction in the books of accounts. It identifies the accounts affected and records the corresponding debit and credit amounts.

Under the double-entry system, every transaction affects at least two accounts, and total debits must equal total credits.

Assets = Liabilities + Capital

3. Principles and Rules of Debit and Credit

Accounts are traditionally classified into three categories, each with a specific rule:

Account Type	Accounting Rule	Examples
Personal	Debit the receiver; credit the giver.	Customer, Supplier
Real	Debit what comes in; credit what goes out.	Cash, Furniture, Machinery
Nominal	Debit expenses and losses; credit incomes and gains.	Rent, Salary, Commission

These rules help identify the correct debit and credit accounts when recording transactions.

4. Types of Accounting Entries

Accounting entries differ according to the nature and purpose of a transaction.

A. Simple Entry – One debit account and one credit account.

Example: Office rent of ₹5,000 paid in cash.

Particulars	Debit (₹)	Credit (₹)
Rent A/c Dr.	5,000	–
To Cash A/c	–	5,000
Total	5,000	5,000

B. Compound Entry – Involves more than two accounts.

Example: Salary of ₹10,000 and rent of ₹5,000 paid through bank.

Particulars	Debit (₹)	Credit (₹)
Salary A/c Dr.	10,000	–
Rent A/c Dr.	5,000	–
To Bank A/c	–	15,000
Total	15,000	15,000

C. Opening Entry – Brings forward the closing balances of assets, liabilities and capital at the beginning of a new accounting period.

D. Adjusting Entry – Records outstanding and prepaid expenses, accrued income, depreciation and other period-end adjustments.

E. Closing Entry – Transfers nominal account balances to the relevant Trading and Profit and Loss Accounts.

5. Accounting Entries for Common Business Transactions

Common transactions are recorded in the books of accounts as follows:

No.	Transaction	Debit Account	Credit Account
1	Goods purchased for cash	Purchase A/c	Cash A/c

No.	Transaction	Debit Account	Credit Account
2	Goods sold for cash	Cash A/c	Sales A/c
3	Salary paid	Salary A/c	Cash/Bank A/c
4	Office rent paid	Rent A/c	Cash/Bank A/c
5	Furniture purchased	Furniture A/c	Cash/Bank A/c
6	Cash received from customer	Cash A/c	Customer A/c
7	Payment to supplier	Supplier A/c	Bank A/c

These entries form the basis for ledger accounts, trial balances and financial statements.

6. Accounting Entries with GST Treatment

Goods and Services Tax (GST) is an indirect tax on the supply of goods and services. CGST and SGST generally apply to intra-state transactions, while IGST generally applies to inter-state transactions.

- CGST – Central Goods and Services Tax.
- SGST – State Goods and Services Tax.
- IGST – Integrated Goods and Services Tax.

A. Purchase Invoice with GST

Example: Goods purchased on credit for ₹10,000 with GST at 18%. Assume an intra-state transaction and eligible input tax credit.

Particulars	Amount (₹)
Taxable Value	10,000
CGST @ 9%	900
SGST @ 9%	900
Total Invoice Value	11,800

Journal Entry	Debit (₹)	Credit (₹)
Purchase A/c Dr.	10,000	–
Input CGST A/c Dr.	900	–
Input SGST A/c Dr.	900	–
To Supplier A/c	–	11,800

Being goods purchased on credit with applicable GST and eligible input tax credit.

B. Sales Invoice with GST

Example: Goods sold on credit for ₹15,000 with GST at 18%. Assume an intra-state transaction.

Particulars	Amount (₹)
Taxable Value	15,000
CGST @ 9%	1,350

Particulars	Amount (₹)
SGST @ 9%	1,350
Total Invoice Value	17,700

Journal Entry	Debit (₹)	Credit (₹)
Customer A/c Dr.	17,700	–
To Sales A/c	–	15,000
To Output CGST A/c	–	1,350
To Output SGST A/c	–	1,350

Being goods sold on credit with applicable GST. Input tax credit is recognised only when the prescribed GST conditions are satisfied.

7. Practical Accounting Procedures

Supporting documents should be examined before recording a transaction. The main procedures are:

Procedure	Work Performed
Document collection	Collecting invoices, receipts and payment vouchers.
Verification	Checking dates, amounts and party details.
Identification	Identifying accounts affected by the transaction.
Debit and credit analysis	Determining the correct accounting treatment.
GST verification	Checking taxable values, GST rates and tax types.
Recording	Entering transactions in accounting software or Excel.
Ledger verification	Checking postings and ledger balances.
Final review	Checking accuracy and completeness.

Following these procedures improves the reliability of accounting records and reduces errors.

8. Importance of Accounting Entries

Importance	Explanation
Accurate records	Systematic recording of financial transactions.
Income and expense tracking	Identifies purchases, sales, income and expenses.
Financial statements	Provides information for preparing financial statements.
Error identification	Helps detect duplicate, missing and incorrect entries.
Audit support	Provides evidence for checking and verification.
Tax compliance	Supports GST calculations and statutory reporting.
Decision-making	Helps management assess performance and control expenses.

9. Legal and Accounting Framework

A. Section 128 of the Companies Act, 2013: Requires companies to maintain proper books of account that provide a true and fair view of their financial position and explain their transactions.

B. Accounting Standards: Provide guidelines for recording, measuring and presenting financial information, supporting consistency and comparability.

C. Double-Entry System: Ensures equal debit and credit effects for each transaction and supports the accuracy of accounting records.

10. Common Errors in Accounting Entries

Errors may occur because of incorrect information or improper accounting treatment. Common examples include:

Common Error	Explanation
Wrong account selection	Recording a transaction in an incorrect ledger.
Incorrect amount	Entering an amount different from the invoice or voucher.
Duplicate entry	Recording the same transaction more than once.
Incorrect debit or credit	Applying the wrong accounting treatment.
Missing entry	Failing to record a financial transaction.
Incorrect GST treatment	Applying the wrong GST rate, type or amount.
Incorrect date	Recording a transaction in the wrong accounting period.

Careful verification of invoices, vouchers, bank statements and supporting documents helps prevent these errors.

11. Role of Accounting Professionals

Accounting professionals help maintain accurate financial records and support accounting and auditing activities. Their major responsibilities include:

- Verifying purchase and sales invoices.
- Identifying appropriate debit and credit accounts.
- Preparing and recording journal entries.
- Checking input CGST, SGST and IGST.
- Maintaining records using Microsoft Excel and accounting software.
- Verifying supplier and customer accounts and ledger balances.
- Checking trial balances and organising documents for audit verification.

For example, when a purchase invoice is received, the accounting professional verifies the supplier's name, invoice number, date, taxable value and GST amount. The appropriate accounting entry is then prepared and recorded in the books of accounts.

These activities support accuracy, transparency and proper maintenance of financial information.

12. Conclusion

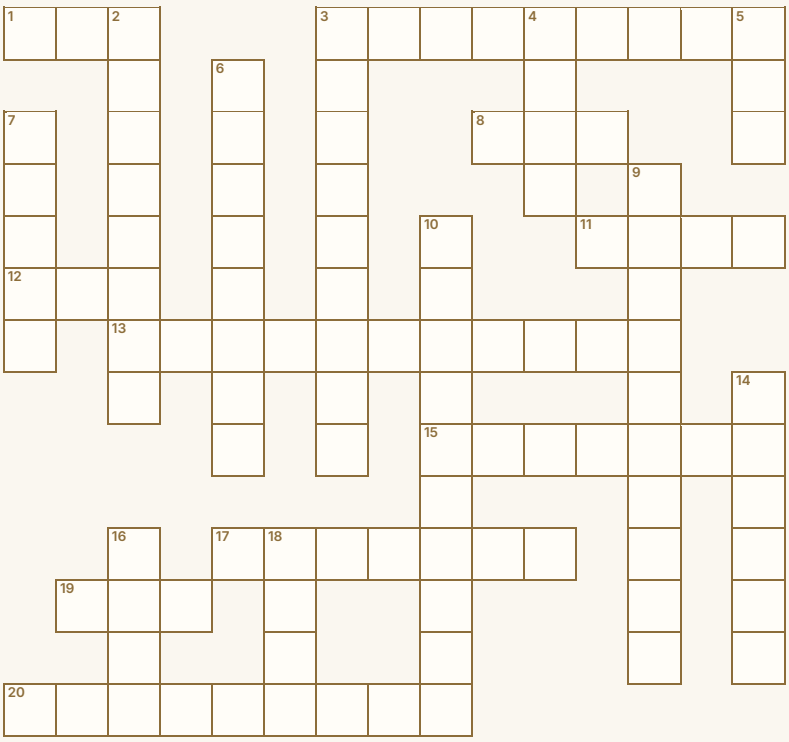
Accounting entries form the foundation of the accounting system and are essential for maintaining accurate, systematic and reliable financial records. Proper recording enables organisations to monitor transactions, track income and expenses, prepare financial statements, support audits and comply with applicable tax regulations.

A clear understanding of debit and credit principles, journal entries, ledger posting and GST treatment is necessary for effective accounting practices. Therefore, accounting entries play a vital role in ensuring transparency, accountability, accuracy and sound financial management.

BRAIN BREAK · TEST YOUR READING OF THIS ISSUE

The Sudeeksha Crossword

Every answer is hidden somewhere in this issue. Solution on the back cover.



Across

1 Codes for services to be verified in Odoo's tax setup (abbr.) (3)

3 A virtue that cannot be enforced, says From the Desk (9)

8 Codes for goods to be verified in Odoo's tax setup (abbr.) (3)

11 Tribunal whose Mumbai bench passed the Videocon order (abbr.) (4)

12 The recipient must reverse this for a post-supply discount (abbr.) (3)

13 The concept on which the CA profession is based (From the Desk) (11)

15 Customer document generated using company details in Odoo (7)

17 In Odoo, this classifies accounting transactions according to their nature (7)

19 Odoo is one; integrates business functions on one platform (abbr.) (3)

20 Under new Rule 14B, an ECO's ___ can be declared as the principal place of business (9)

Down

2 Odoo application that holds both customers and vendors (8)

3 One who signs to answer for another's debt(9)

4 Tax that generally applies to inter-State supplies (4)

5 Environmental, Social and Governance, in short (3)

6 What the NCLT declared the former Videocon promoter on 5 November 2026 (8)

7 Risk-based ___ planning is part of modern practice (5)

9 Professional ___ — something technology cannot replace in an audit (10)

10 Document a supplier must issue to exclude a post-supply discount from value (6,4)

14 90% of this may now be sanctioned provisionally through the GST portal (6)

16 India's sustainability report for applicable listed entities (abbr.) (4)

18 ERP software featured in this issue's beginner's guide (4)

SUDEEKSHA

THANK YOU FOR READING

NITIN N & CO.

Chartered Accountants



We welcome your feedback and contributions for future issues of Sudeeksha.

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