



9th November, 2021

To,
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National Financial Regulatory Authority
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**Subject: - Joint Representation on Consultation Paper – September, 2021
on Statutory Audit and Auditing Standards for Micro, Small and Medium
Companies (MSMCs)**

- 1. Bombay Chartered Accountants' Society**
 - 2. Karnataka State Chartered Accountants Association**
 - 3. Chartered Accountants Association, Ahmedabad**
 - 4. Chartered Accountants Association, Surat**
 - 5. Lucknow Chartered Accountants' Society**
 - 6. The Auditors' Association of Southern India**
 - 7. Association of Chartered Accountants, Chennai**
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OVERARCHING COMMENTS on NFRA Consultation Paper of September 2021

Preliminary Remarks: -

To start from the start, a government agency requires a mandate and jurisdiction to operate to decide what it can do, what it should do and what it should not do. As on date class of companies to which NFRA can regulate does not include MSMC (a new definition invented by NFRA Consultation paper and not in the Companies Act, 2013 or Rules).

On the other hand, NFRA has an unfulfilled mandate of many larger issues coupled with problem of limited resources by its own admission that it needs to accomplish.

Here are some broad stroke and overarching flaws in the content and approach of the Consultation paper (45pages):

- 1) **Exceeds Jurisdiction**-Beyond NFRA Scope and Mandate as per Companies Act, 2013 and Rules framed for NFRA.
- 2) **False Equivalence**-comparing US, EU to India¹.
- 3) **Inaccurate Data or Untested Data relied upon by its own admission** (Presents data of 1.8 Lac companies out of 5.66 Lakhs charging no audit fees²)
The paper itself mentions that this could be data entry error. Which means 30% of the population is not represented. Which simplistically can be extrapolated to say that the percentage of error in the calculations is 30%. That is a huge percentage of error / deviation to take such a far-reaching conclusion and propose a drastic change. This itself indicates that there could be huge errors in the data

¹Para 3.3.3

²Table 1.6



used. The issue to be considered is, why then did the research continue and arrive at wrong and biased conclusions on data which appears to be wrong *prima facie*. The bias is again visible with the data error being blamed on 'lack of accounting professionals' with no reference being made to mistakes made by company management, Company Secretaries in filing, challenges in MCA software, etc

- 4) **Cherry Pick Data-** Selects Rs. 250 Cr net-worth criteria for its view point, which is highest amongst several thresholds such as those for CARO, ICOFR, AS, Ind AS, SMC, OPC and so on. NFRA picks the highest and assigns no reasons for picking that threshold.
- 5) **Improper or biased basis in considering the data point** —The paper itself is showcasing that world over there is much lower threshold as also multiple criteria for considering small companies (not medium sized as NFRA papers states—no reason given for shift from small companies as considered worldwide to medium sized Companies considered in this paper). Even in the multiple criteria which is their world over, even if one is crossed then it is not considered as Small Company. Why net worth criteria considered in the Research whereas the Consultation paper itself is showing that Other developed countries are having criteria like turnover, number of employees, Balance Sheet total, subsidiaries / JVs/ associates of Listed companies, etc and that too to define small companies and not medium companies as is being proposed in this paper —intellectual dishonesty and bias visible so glaringly.

A company with lesser net worth can have large turnover or large Debt and other public interest as is shown in the Annexure of this Report itself—why those facts have not been considered in the research for need for audit —is it not a bias?

From the data given it is very clear that only 3568 companies out of 11, 49,167 companies have net worth more than Rs. 250 Crores — it is clear that the intent is to virtually see that companies are not audited and thus pose a larger risk on the economy. The idea is to ensure that there is no audit for 99.41 % of companies.

- 6) **Not thought through** - There is no analysis of consequence of exemption entities from mandatory statutory audit – say certificates sought under numerous laws make audited financial statement as the basis – eg. MSME act. Banks and NBFCs



seeks audited financials for loans. Such loose and sweeping ideas without analyses of consequences shows NFRA in a poor light and its paper a mere 'conclusion' or even 'conspiracy'.

- 7) **Application of assumptions instead of Data**- Assumption of audit costs to be Rs. 1.5 Lacs to Rs. 8 Lacs for a SA of companies up to Rs. 50 Cr.
- 8) **Views with conclusion in mind** – keeping the conclusion in mind and then working towards the same with incorrect logic and data.
- 9) **Aspersions** - attributing Non filing of annual forms by companies on quality of accounting professionals³ instead of the Company management or Company Secretaries which are now doing the bulk of filing—bias clearly visible here.
- 10) **Replacing effect as Cause**- Exemptions or increase in threshold is due to baseline Statutory Audit which is the cause that allows for exemptions from Tax Audit and GST Audit⁴ for certain companies. NFRA tries to replace the effect in place of the cause, which shows its lack of understanding of corporate universe.
- 11) **Lack of Innovative Ideas**-There is no new, India centric or innovative ideas suggested. For example, a company which by its own objects limits its activities to non-public interest activities such as borrowing could possibly evolve as a new criterion for several exemptions and not just audits.
- 12) **Confusions & Contradictions**-at one point⁵ it says audit costs result in burden and at another point it says 1.8 lac⁶ out of total active companies had NIL audit fees.
- 13) **Stakeholder Views** - Key stakeholders such as bankers (user of financials), SMC companies (auditees), tax authorities (users of financial information), statutory audits, research in other statutes that require auditor certification (Reserve Bank of India for example or MSME), government tendering (certificates are required for tenders from CAs / Auditors) – are not even considered let alone obtained. But NFRA calls its paper for 'research purpose' and Section 3 as its 'research'.

³Para 3.1.2

⁴Para 3.3

⁵Para 4.2

⁶Table 1.6



With this background let's answer the three questions NFRA Consultation Paper has sought response from:

Question No. 1 - Do you think that Micro, Small and Medium Companies (MSMCs) depending upon some criteria and threshold should be exempted from the mandatory statutory audit under Companies Act, 2013? If not, why not and if yes, what would be the criteria and thresholds for exemption?

Answer to Q.1

NO.

The reasons are

- a. Validity and sanctity of Financial Statements are contributed by independent audit**
- b. An Independent Audit also covers and serves as an oversight for a number of matters, mainly –**
 - a. Accounting aspects (say between capital and revenue, accurate calculation of say Depreciation or accrual aspects or presentation and disclosure in Schedule III and many more).**
 - b. A Statutory Audit also cross checks controls – say segregation duties and access controls, authorisation matrix, susceptibility to fraud and so on.**
 - c. Compliances with various laws and regulations such as GST, TDS, Commercial and Trade laws, labour laws like gratuity and bonus acts and so on.**
- c. Regulated Entities – Say NBFCs. These give specific mandates to its auditors also which is either part of SA or dependent or arising out of SA.**



- d. **Requirements of Other Laws:** Numerous laws require an auditor certificate. For example banks for say delayed overseas payments, or customs or MSME Act to name a few. Banks require ECB certificates. For investments outside India, 400% criteria is certified based on Audited Financials. This list is endless.
- e. **Tenders by Government:** Many government tenders require Chartered Accountant certificate or Auditor certificate during tendering process or even subsequently. When accounts are not audited, the certifier will have to do a audit of the accounts and that could be a burden. Otherwise say for MSME an Auditor can give a certificate on investment in Plant and Machinery based on the audit.
- f. **Bankers:** If an entity seeks a loan either from banks or other lenders, Audited Financials are the starting point. A company that never got itself audited would have to audit the accounts at one time for many years which are unaudited as bankers do not audit accounts.
- g. **Company Life Cycle:** There are numerous events that can happen in company's lifecycle. These are witnessed, authenticated and sanctified by an audit of financial statements. Say purchase of Land or capitalisation of Plant.
- h. **Philosopher, Guide & Gatekeeper:** Often managements of small companies seek out guidance from their auditors to ensure compliance or risks involved in their business decisions as auditors are involved closely with the company through audit of financial statements on a yearly basis often since inception. This is particularly important for SMC entities.

Lastly, and without prejudice,

a) the definition of MSMC adopted / invented by NFRA is arbitrary and inappropriate in respect of the entire subject matter.

b) the way the question is drafted , the bias is indicated ---it goes with the statement ---'...should be exemptedIf not , why not' with a very clear indication of exempting companies from audit in this question



BCAS had sought preliminary views of **Mr Y H Malegam**, a doyen of the CA profession and one of the longest serving member of the Board of RBI as well as chairmen of committees set up by GOI. After each of the answers we have reproduced his comments which are purely his views arising from a long and varied experience:

“The main function of audit is to provide shareholders with reliability for the financial statements. Shareholders of MSMCs may not need such reliability since they may be directly involved in the working of the MSMC or familiar with its working. Therefore, an audit does add value to the shareholders” Further, he adds other issues against exemption of MSMCs from audit: “Most MSMCs avail of credit from banks and NBFCs. In fact, Government takes steps to ensure that maximum credit is made available to MSMCs. The financial statements are also relied upon by direct and indirect tax authorities. They need to be assured that the statements are reliable.”



Question No. 2 - Do you think there is a requirement for a separate set of auditing standards for MSMCs as it exists for accounting standards? If no, why not and if yes, what should be the basis for the same?

Answer to Q.2

YES,

The idea of MSMC as adopted / invented by NFRA is arbitrary and requires better reasoning to start a discussion around it on anything. Secondly, NFRA is certainly not mandated to undertake this task.

However, overall, there is a need for separate Standards on Auditing, Accounting Standards and even a Companies Act, 2013 for smaller companies. Such criteria needs to be established very carefully and judiciously. This requires a larger debate and involvement. The present paper seems too shallow and lacking adequate data to even proceed in this direction.

Despite being a authority and doing such research, it needs to co-ordinate with ICAI for notifying Standard of auditing of Less Complex Entities.

At International level IAASB has also come out with exposure draft of proposed new Standard for Audit of Less Complex entities.

Mr Y H Malegam: "There is no need for a separate set of auditing standards for MSMCs as many of the standards are not necessary in the audit of MSMCs. What is needed is a recognition by the regulatory authorities that auditing standards should be more in the nature of guidance rather than a matter of mandatory compliance where they do not provide additional assurance. Auditing is more an art than a science and should involve a high degree of judgement rather than a check-list approach which will be self-defeating."



Question No. 3 - The cost of conducting an audit as per the prescribed standards is an important input for the responses to Questions 1 and 2. Do you agree with the approach for estimating standard cost of audit computed by NFRA? If not, which areas/ assumptions need changes?

Answer to Q.3

WE DO NOT AGREE

Cost of conducting an audit as estimated by NFRA paper is rather random and ignores reality. Since the approach is flawed for the reasons sated below, the result do not meet the test of reality and reasonableness both.

Here are our submissions:

- a. Testing Assumptions:** NFRA Standard cost model makes an assumption that audits are undertaken by SMP Chartered Accountant⁷.

	Assumption	Contradictory Facts or Reasons
	SMP CAs	This is not defined by NFRA paper. NFRA paper doesn't bifurcate by data number of audits carried out by such SMP and 'others'in applying its standard costs to about 600,000 companies. There is no data of the location of companies or auditors to either small, mid tier or metro cities.
	GPFS are prepared in accordance with or aligned to Ind AS	Ind AS do not apply to all 600000 companies. By its own admission given in Annexure 2 and 3 the number of listed entities and entities to which Ind AS apply are less than 5% of total companies whose data NFRA has presented.

⁷Annexure 3, Page 37



	Assumption	Contradictory Facts or Reasons

Analysis: The above proved that the very assumptions, given by NFRA is invalid by data and well known facts. Therefore, the very basis of the entire exercise is vitiated or invalidated by itself.

b. Reality:

- i. Let us start from the test of reality which is an unbeatable matter of fact. From what NFRA tries to construe is that audit fees should be a certain amount for them to be compliant with requisite standards. Now if one were to apply **that logic to companies above 250 Cr net-worth, they should come close to NFRA standard. Let’s take the minimum of Average of estimated audit fees as a percentage of PBT - .44%. This or somewhere close to this should be the audit fees to make an audit worthy of being called an audit as per NFRA estimation.**

We thought of taking a real audit fees of prominent PSU - HPCL a global fortune 500 company and Infosys, a top Private Listed company as they would have one of the highest audit fees as a percentage of Total Revenue and PBT considering their stature. These companies are known for their governance of which audit is a part. They are also iconic companies in more ways than one. Let’s study them by applying NFRA logic to their audit fees.

- ii. **HPCL** would have a tight norm on Statutory Audit Fees which is balanced as it is a Navratna and a PSU. In FY 2019-20 HPCL had a total income of Rs. 2,89,255 Cr, Rs. 1572.59 Cr PBT⁸. It paid Rs. 0.72 Cr as Statutory Audit Fees. That comes to 0.00000000025% of Total Income and 0.00000000458% of PBT for Statutory Audit Fees. Looking at the table 1.7 on Pg 38of the NFRA paper which applies estimate to various sizes, it is nowhere close to minimum range of 0.44%. In other words, if

⁸Page 143 of the Annual Report on HPCL Website in respect of Standalone Financial Statements - <https://www.hindustanpetroleum.com/documents/pdf/HPCL%20Annual%20Report%202019-2020.pdf>



0.44% were to be the fees then, HPCL audit fees should be about Rs. 6.91 Cr and at 4.95% as given on same page HPCL Audit Fees should be Rs. 77.84 Cr.

iii. Let us look at a large listed private company – **Infosys**. In FY 2019-20 it has a total income of Rs. 81,747 Cr, Rs. 20,477 Cr PBT⁹. It paid Rs. 7 Cr as Statutory Audit Fees. That comes to 0.00000000856% of Total Income and 0.000000342% of PBT for Statutory Audit Fees. Looking at NFRA table on Pg. 38 of the Paper, it is nowhere close to minimum range of 0.44%.

iv. We also carried out the test on two mid-sized private companies' viz. Deepak Nitrite Ltd and NOCIL Ltd. In FY 2019-20 both the companies had total income of Rs. 2,237 Cr and Rs. 856 Cr respectively. It paid Rs. 0.33 Cr and Rs. 0.31 Cr respectively as Statutory Audit Fees. That comes to 0.00000001475% and 0.00000003622% of Total Income respectively and 0.0000000467% and 0.0000002034% of PBT respectively for Statutory Audit Fees. Again looking at NFRA table on Pg. 38 of the Paper, it is nowhere close to minimum range of 0.44%.

Analysis: As mentioned in Annexure 3, Pg 33, the NFRA has applied their cost estimation approach to various companies which are audited by SMP CAs. If one extended the same approach to above companies, specifically, statutory audits of these well known and iconic companies the results are absurd and show that audit quality to be inadequate, as per NFRA assumptions. On the other hand, if one were to apply those percentages (4.95% which is in the higher quartile), the results are even more absurd. The point is that the logic of estimated costs applied to averages PBT give totally absurd results in real life situations and are therefore far from reality and fail on the count of reasonableness. This is true for every type of company in every turnover category and being top three in their field even when they are NOT audited by SMP. Thus, this logic of averages gives completely distorted and misleading results that have no value at all.

⁹Page 172 of the Annual Report on Infosys Website in respect of Standalone Financial Statements - <https://www.infosys.com/investors/reports-filings/annual-report/annual/documents/infosys-ar-20.pdf>



The basics of arriving at estimated costs of audits is questionable —was this run through a broad spectrum of auditors encompassing small, mid-sized & large firms of practising CAs —if any research has to be meaningful the underlying data has to be authentic and accurate —hence in this case the whole research and conclusions are wrong

Mr Y H Malegam: "The cost of an audit becomes high when:

- (a) There are not adequate exemptions in accounting standards for MSMCs; and
- (b) There is a mechanical check-list approach to auditing.

At the same time the fact that audit fees are low may not be an indication that the audit is shoddy. It may be due to the fact that audit fees are compensated by other income from the client or its owners by way of tax services etc. and also due to the fact of intense competition among small firms for audit work."



Question No. 4- Do you think the current exemption thresholds for CARO, ICFR and statutory audit applicability need to be standardized and made uniform? If no, why not and if yes, what would be the criteria and thresholds?

Answer to Q.4

YES. In our view

However, this question would be best answered by MCA and others who have formulated CARO and its predecessors MAOCARO. It appears that these added Annexures to Main Audit Report, came from the perspective of bankers and reporting on plausible red flags and therefore giving early warning signals to the users.

ICFR – The auditor needs to obtain reasonable assurance to state whether an adequate internal financial controls system was maintained and whether such internal financial controls system operated effectively in the company in all material respects with respect to the financial reporting only. Hence there is a direct linkage to the financial statements prepared.

Statutory Audit – we have already stated in answers to Q. 1 and 2. Much more data is required as SA provide sanctity to financial statements and keep the chain going during the life cycle of a company. However, if one were to exempt some companies from Statutory audit, we would believe that these companies should put in their object clause restrictions such as – they will not borrow, their turnover will remain within a limit, or that they will not seek registration or benefit under government schemes like MSME Act or won't enter regulated businesses in future and so on. For example, a company that holds an



immovable property and nothing else can perhaps fit this category. However, prior to this, Companies Act, 2013 needs amendment from the perspective of Schedule III, applicable sections, penalties and forms and such other easing off of complex and disproportionately large scheme of regulations. Also, the present scheme is quite settled and reasons given by NFRA do not seem to be enough cause for exemptions.

Mr Y H Malegam: "MSMCs should be required to produce only basic financial statements and accounting standards applicable to MSMCs must reflect this. Accounting standards fall into three broad groups, namely (i) recognition standards; (ii) measurement standards; and (iii) disclosure standards.

It is difficult to have different recognition standards for MSMCs and other companies but much of the highly academic, technical and sophisticated refinements in the standards may not be made applicable to MSMCs. The measurement standards can be made more basic and most of the disclosure standards can be made non-applicable."



General Observations:

- **Company audit—small medium or big has been there from the Companies Act of 1857 as mentioned in the paper i.e 164 years. What is important to be noted is that if Audit was prescribed way back in 1857, i.e. almost 164 years back, then there is definitely a logic or rationale which would have been mentioned—in our view being a corporate form with limited liability, audit mitigates risk of other stakeholders dealing with company like shareholders, bankers, regulators, creditors, vendors etc. Has the rationale for audits of small companies been looked at by the Researchers by looking back in history—does not appear to be. The analysis in the Consultation paper is so preliminary that it is surprising how a body like NFRA could base its finding on such a preliminary analysis—again shows the bias that the authority did not get a detailed and thorough analysis done—is this type of 'preliminary 'work acceptable by an Authority which otherwise has high expectations of others.**
- **The research paper itself indicates a large number of negative net worth companies & companies below Rs.250Cr Net worth but having large Debt. It's very important that companies with negative net worth as also Companies having Debt are audited as these are important for stakeholders.**
- **Thanks to the audits, the companies do better compliance of Companies Act, Income tax, GST and other laws.**
- **Entrepreneurs form companies as against partnership firms or proprietorship firms, as they would be planning to grow the companies. Has it been examined how the small companies not having audits, when they grow in size and need audits—how would the audit commence specially on assets and liabilities opening balances—whether it is true &**



fair specially when in the past no audit would have been done—the paper wants to give a *Carte Blanche* to the corporates to do whatever they want in accounting by not having audit—is this what Government / Banks / Regulators / Income Tax / GST wants that there's should be no authenticity of data ?

- **Ease of doing business has been abandoned by World Bank. Also, the erstwhile criteria do not contain anything pertaining to audit which would help in improve ratings. Also, not doing an audit would on the contrary lead to challenges in doing business *vis a vis* difficulties in getting loans, less reliability of tax authorities on the Books of the entity. Lower reliance of vendors in doing business with the entity. Hence not getting a audit done would lead to difficulties for the entity instead of 'ease' as is being mentioned**

- **A dipstick survey carried out of companies has pointed out the following in respect of some of the pertinent questions. Here is a summary**
 1. **84.1% respondents said Public Interest should not be the only criteria for Statutory Audits**
 2. **74.6% respondents said that Audit fees were commensurate with scope, efforts and risks of the auditor**
 3. **75.4% respondents said that Statutory audits added value, and 18% said it didn't add any value at all**
 4. **Value adds given by respondents included: Refining Accounting and Reporting in accordance with Standards (79.4%), Compliances (76.2%), and Operating and financial controls & Tax Sanitisation (Direct and Indirect Taxes) tied at 65%. These were the top most value adds given by respondents.**
 5. **90.% respondents said that they would still get accounts audited even if an option as available whereas 6.3% said they won't, if Statutory Audit was optional.**



6. In response to what was most burdensome compliances, out of 9 listed the top three were –1. Numerous Filings under various laws (53.1% voted so) 2. Complex Accounting Standards (51.6% said so) ; 3. Fat excessive penalties (43.8% voted for this). Statutory Audit as burden came last (7.8% said so) and 8th was governance aspects relating to accounting and auditing. Directors report and Annual Report stood at number 7 (14.1% people voted so).
7. Respondents included 60.3% Private Ltd Companies, 12.7% Public or Listed Companies; 17.5% were those who belonged to a group of companies; 4.7% and 4.8% were OPC and Regulated Entities respectively.

 - Para 2.5.2 states as under

'It may be noted that GPFS contain financial information that is useful and relevant to a wide set of external parties such as Regulators, Tax Authorities, Suppliers, Employees and the public at large. However, in recent times, the accounting standard-setting bodies whose standards form the primary bases for preparing GPFS, have consciously decided that the "Primary Users" of GPFS will be only those listed above in this para 2.5.2. What needs emphasis is that both such "Primary Users" and the information needs for the kind of decisions detailed above, are not likely to be found in a preponderant majority of MSMCs. Therefore, both Accounting and Auditing Standards, and the requirement of mandatory statutory audit, as applicable to other (i.e. non MSMCs or large) companies would be both unnecessary and unjustified on cost- benefit considerations.'

Response:

This is a completely wrong statement as information needs of not only "primary users "but also other users are likely to be found in GPFS of



MSMCs. Also, application of accounting standards & auditing standards adds lot of value, be it any entity as is proven worldwide. To brush it aside only saying costs is immature to say the least. Like that lots of other things including other compliances can be brushed aside. This is completely wrong and no evidence as to cost benefit considerations has been brought out—any one can say anything without evidence —no value should be attached to it

- **Para 2.5.3.3 reads as under—**

'The providers as well as users of financial information incurs costs in generating and consuming the financial information supplied. The benefits of the financial information provided should justify the costs incurred by both the provider and users. Cost is considered to be a pervasive constraint in the financial information that can be provided through GPFS. Cost is, therefore, a critical aspect to consider for justifying the nature, complexity and extent of financial information that is required to be provided by the GPFS.'

Response —Cost can't be the only factor to be considered for preparation of financial statements. The benefits that the audited financial statements give to lenders / tax authorities / vendors / etc is not considered apart from the fiscal discipline it brings as also potential of fund raise etc —very shallow observations without factual back up

Para 3.2 Limited Users of GPFSs of MSMCs reads as under –

'As depicted in Table 1.2 in Annexure 2, 94.57% of MSMCs which have made filings for FY 2018-19 are Private Limited Companies or One Person Companies. A large majority of Companies has very low or NIL Indebtedness, which indicates low risk to the larger public interest.



There is likely to be a very limited number of users of GPFs of these Companies. The Primary Users of GPFs of these companies would be Owners or Shareholders of these Private Limited Companies, who are unlikely to depend upon GPFs for much of the financial information they need. Lenders, if any, such as banks have special requirements that are not within the purview of GPFs.'

Response:

This is a completely untrue statements —there are a number of users of GPFs of Private companies like bankers, private lenders, Tax authorities, creditors, shareholders and many other stakeholders.

One person Companies which are very few have been added in words just to have a negative bias against need of audit

Is this conclusion correct? Whether banks are not covered by 2.5.2 (b)

This is completely wrong statement' and Bankers rely a lot on GPFs for their Credit analysis —again shows the biased, wrong & preconceived statements

- Para 4.2 reads as -**

'Exempting small companies from mandatory audit would result in furthering ease of doing business for MSMCs and reducing the compliance burden and costs on such enterprises. The audit requirement threshold exemption in tax laws of India also clearly point out the need for doing away with audit of MSMCs depending upon certain thresholds. Exemptions are also already available in CARO and ICFR Reporting depending upon certain thresholds as mentioned in Para 3.3.2. The same thought can be leveraged for overall approach towards statutory audits. Further, the criteria and basis for threshold exemptions for statutory audit, CARO and ICFR reporting can be considered for being streamlined.'

Response:



The fact that a person forms a company as compared to any other entity like Proprietorship or partnership firm indicates that he a) wants limited liability b) intends to grow the company with outside support like bankers, Investors etc etc.

The person starting the company knows pretty well that compliances and its cost will be more in a corporate form and forms a company knowing fully well about it.

Also this criteria is not there in "Ease of doing business " and in fact World Bank itself stopped this "ease ..." when it itself was found to be corrupt in arriving at the conclusions.

The thresholds in Tax laws are predominantly for non-corporate entities and its comparison to corporate entities is not in right direction

Comments on Data used in Annexures:

- 1. Prima facie this data appears to be wrong. How 2018-19 percentage of annual filings are only about 52% till 30-6-21. In our prima facie view this data has not been collated properly. Also did NFRA check this with MCA as to what is the reasons for such low filings, what is being done , etc ?**
- 2. For listed Companies data also the issue is did NFRA check up with SEBI / Stock exchanges why the balance listed companies had not filed the returns? In our view the data which the NFRA has worked on appears to be incomplete and hence leading to wrong conclusions.**
- 3. There can't be 2 lakh+ companies having nil turnover. Also companies having other types of income eg Rental , Dividend , Interest , capitals gains could be reflecting it in other income —these companies are active companies and may not have Turnover but other Income / expenses.**
- 4. Though the networth is lower than 250Cr, see the huge turnover in many ranges in the data annexure—if turnover is high, wouldn't it warrant a Audit as in other parts of the world? The fact that this data of large turnover was available and even then it is ignored in this so Called**



Research based Consultation paper, though used in other countries of the world, shows the intellectual dishonesty and bias of the researchers.

Thanking you,

Yours sincerely,

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