

TIRUPUR BRANCH OF SICASA



Monthly News Letter

June 2024

ISSUE NO. 26



The Institute of Chartered Accountants of India
(Setup by an Act of Parliament)



TIRUPUR BRANCH OF SICASA

SICASA OFFICE BEARERS 2024 - 25	
CA. SARAVANA RAJA K	SICASA CHAIRMAN
MR. KAMALAKANNAN K	VICE-CHAIRMAN
MR. VIGNESWAR B VAIDYA	SECRETARY
MS. AISWARYAA M R	TREASURER

Views expressed herein are the opinion of the respective authors and not that of the Tirupur branch of SICASA or the Managing /Newsletter committee.

Your views / suggestions / comments are Welcome. Kindly send your Contributions in the form of articles to tiruicai@gmail.com

Published By

Tirupur Branch of SICASA,
ICAI Bhawan,
46, Pethichettipuram First Street,
Rayapuram, Tirupur - 641 601.
Phone: 0421 434 2732
E.Mail: tirupur@icai.org
Website: www.tirupur-icai.org

Dear Friends,

As we enter a significant month for many of you, I want to extend my heartfelt encouragement and share some important updates and advice.

Your CA exam results will be out soon. It might feel tense, but remember your hard work will pay off. Be proud of your efforts, no matter what. If you do well, celebrate and plan your next steps. If not, see it as a chance to learn and improve. Stay strong, seek advice, and focus on your long-term goals.



We've got some great events planned this month. These Super BA (Business Awareness) events will help you learn, connect, and think creatively. We'd love for you to join us.

During this important time, stay focused on your studies and take breaks to recharge. Keep learning by attending events and staying updated on industry trends. Keeping up high ethical standards is crucial too. Get involved in events and network with others. It can lead to new opportunities.

Our Branch organise the State Level Conferences on 28th & 29th June 2024 to enrich the knowledge and gain the networking and enjoy the session with the motivational speakers, Technical session and your Friends - paper presenters and along the cultural event. We request the students to attend the conference at large and make success.

In conclusion, I believe in your abilities to reach your dreams. With determination and commitment, you can achieve anything. Keep focused, believe in yourself, and embrace your potential.

Thanks and Regards

CA Saravana Raja K,
Chairman,
Tirupur Branch of SICASA

Systematic Investment Plan

What is SIP

SIP, which stands for Systematic Investment Plan, is a disciplined Mutual Fund investment approach that helps in building greater wealth for future by investing a pre-determined sum at regular intervals (weekly, monthly, quarterly, etc.). You can also choose the option of auto-debit by instructing the bank to periodically withdraw the amount and direct the investment towards your chosen mutual fund scheme.

As SIPs are flexible in nature, investors can anytime increase their investment amount and also discontinue their investment.

How does an SIP work?

An SIP works like a recurring investment, where the amount is auto-debited from your bank account and invested in the mutual fund of your choice. Once the amount is deposited, you get a certain number of units of the mutual fund scheme where you have invested. The number of units that you have invested depends upon the Net Asset Value (NAV) of that particular scheme for that particular day.

SIP mutual fund allots you additional units of the scheme with every instalment. As the NAV of the scheme keeps on changing, with the same SIP amount you may buy fewer units when the market is high and more units when the market is low.

So, why is SIP an ideal investment option? There are two underlying processes to understand the work of SIP.

Power of Compounding

The power of compounding in SIP mutual funds is quite a valuable feature. Unlike simple interest, which calculates interest solely on the principal amount, compounding involves reinvesting earnings, leading to exponential growth over time.

Let's understand it by taking an example, let's say, investing Rs 100 for 5 years at 10% interest yields Rs 150 with simple interest but Rs 161 with compounding. Over 20 years, this disparity becomes even more pronounced. By initiating SIP investments early and remaining committed to them, investors can harness the power of compounding to accumulate substantial wealth for their long-term financial objectives.

Compounding in SIP mutual funds offers significant benefits. It helps your money grow faster by earning interest not just on your initial investment but also on the returns you've already gained. This steady growth over time means you can gradually build wealth, making reaching your financial goals faster.

Rupee Cost Averaging

This is another advantage of SIP in which a person buys more units when the market is low and buys fewer units when the market is high. Here is an illustration which explains rupee cost averaging; we consider two situations of investment in mutual funds one through SIP and another through lump sum.

Month	NAV	SIP investment (Rs)	No. of units	Average cost per unit (Rs)	Lump sum investment (Rs)	No. of units	Average cost per unit (Rs)
1	15	600	40	12	3,600	240	15
2	10	600	60				
3	12	600	50				
4	12	600	50				
5	15	600	40				
6	10	600	60				
Total		3,600	300				

Over a period of 6 months, the investment through SIP gets more units i.e. 300 with per unit cost at Rs 12. Similarly, with a lump sum investment, one gets only 240 units with per unit cost as high as Rs 15.

Features of SIP

Systematic Investment Plan (SIP) is a flexible investment strategy that allows individuals to invest in Mutual Funds with several advantageous features:

1. Modest investment plan: SIP is an ideal option for those interested in starting an investment with a relatively small amount, in contrast to substantial lumpsum investments. SIP allows you to commence with as little as Rs 500 per month and allows for gradual increases as your income grows.

2. Consistent investment intervals: SIP promotes a disciplined approach to saving and investing by allowing you to choose from various investment intervals such as weekly, monthly or quarterly. This regular investment pattern facilitates rupee cost averaging and assists in building a systematic investment habit.

3. Fixed investment amount: When you start a SIP, the investment amount is fixed. While you can use the 'SIP Top-up' feature to make supplementary contributions, it is important to note that you cannot reduce the SIP amount without discontinuing the existing plan and creating a new one.

4. Investment pause option: SIP mutual fund offers the flexibility to temporarily suspend your investments for one to three months, which can be particularly valuable during financial hardships. The SIP resumes automatically upon the conclusion of the pause period. It is advisable to consult with your Mutual Fund provider to confirm the availability of this pause facility.

5. Adjustable SIP intervals: SIP grants you the convenience of altering your investment intervals between weekly, monthly or quarterly SIPs. You can initiate this change through an online request or by submitting a written request to your respective Mutual Fund provider.

6. No maximum investment limit: While the minimum SIP investment is Rs 500, no stringent upper limit exists. This allows investors to invest any sum they choose through the SIP. It is crucial to maintain the consistency of your SIP investment for the duration of the plan.

7. Cancellation provision: SIP provides the flexibility to terminate the plan at any time. Cancellation can be done online or by providing the SIP cancellation form to the relevant Mutual Fund provider. Additionally, you can remove the Asset Management Company (AMC) as a biller from your bank account to halt SIP payments

Benefits of Investing in SIP

Investing in a Systematic Investment Plan (SIP) is a wise choice with many advantages for those seeking to participate in Mutual Funds in a systematic and organised manner.

1. Disciplined investment: SIP promotes disciplined investing by requiring regular contributions of a fixed amount. This approach encourages individuals to avoid attempting to predict the unpredictable nature of the market. It enables a consistent, reliable habit of saving and investing, a fundamental element in long-term wealth accumulation.

2. Cost efficiency: SIP makes Mutual Fund investment accessible to a broad spectrum of investors owing to its low minimum investment threshold. Moreover, breaking the investment into smaller, regular portions helps in reducing the influence of market fluctuations. Costs associated with investing in Mutual Funds through SIP are also relatively lower than those of alternative methods.

3. Power of compounding: SIP harnesses the power of compounding. Regular contributions over an extended timeframe allow not only the initial investment to grow but also the generated returns. This compounding effect leads to significantly higher returns on investment.

4. Flexibility: SIP mutual fund allows investors to start, pause, increase or decrease their investments, aligning their strategies with evolving financial objectives and circumstances.

5. Diversification: SIP enables access to a diversified portfolio of assets, given that Mutual Funds typically invest in various securities such as stocks, bonds and diverse instruments. This diversification effectively spreads investment risk, reducing vulnerability to market volatility.

When to invest in SIP

Here's when you can start investing in SIP:

Early Age Advantage

Starting to invest in SIPs in your 20s or 30s leverages the power of compounding for long-term growth. You can benefit from ample time to accumulate substantial wealth for future needs.

Mid-Life Start

Initiate SIP in your 40s or 50s to secure a comfortable retirement or meet financial goals. Disciplined investing can yield meaningful results despite needing more time for compounding.

Stable Income

Ensure a steady income source before beginning SIP to commit to contributions comfortably. Assess the financial situation to ensure surplus income after essential expenses for stress-free investing.

Beginning of the Month

Start SIP at the start of the month to promote financial discipline and avoid delaying investments. You can benefit from Rupee Cost Averaging by consistently investing early, potentially reducing overall investment costs.

Special Occasions

Invest in SIP upon receiving lump sum amounts like bonuses or inheritances to put money to work efficiently. Commemorate special occasions like birthdays or anniversaries by initiating SIP for meaningful wealth growth.

Clear Financial Goals

Start SIPs with specific goals such as vacation, home purchase, education funding, or retirement planning. Align SIP contributions with focused and committed savings objectives, ensuring effective wealth accumulation.

Things to Consider Before Starting SIP

Before starting SIP, it is helpful to consider these points:

Financial Goals

Define your investment objectives, whether wealth creation, retirement planning, or education funding, to align your SIPs with specific goals.

Risk Tolerance

Assess your risk tolerance to determine the appropriate asset allocation between equity, debt, and hybrid SIPs.

Investment Horizon

Determine your investment horizon, considering short-term liquidity needs and long-term financial objectives.

Fund Selection

Research and select SIP Mutual Funds based on factors like fund performance, expense ratio, fund manager expertise, and consistency.

Cost Analysis

Evaluate the total cost of SIPs, including fund management fees, exit loads, and taxes, to ensure they align with your budget and investment strategy.

SIP Amount

Determine the optimal amount based on your financial capability, considering income, expenses, and existing investments.

Regular Monitoring

Commit to monitoring SIP performance and portfolio rebalancing as needed to stay on track toward your financial goals.

Conclusion

The entire process of SIP can be beneficial only when a person starts investing early and parks the money in the market for a longer period. One can start low and increase investments in the long run to enjoy the benefits of compounding. SIP calculator helps you to calculate your

returns on your systematic investment. Start investing in your preferred fund through SIP to fulfil your long dreamt financial goals.

- **S.Svastika**

SRO0770819

SRS 4410

If a Chartered Accountant (CA) is found non-compliant with SRS 4410 and is convicted, it generally means the CA failed to adhere to the standards and guidelines established for compilation engagements, leading to potential legal and professional consequences. Here's a brief overview of the implications and potential outcomes:

Implications of Non-Compliance with SRS 4410

1. Professional Misconduct: The CA might be accused of professional misconduct. Non-compliance with SRS 4410 can be seen as failing to perform duties with due care and diligence, violating the ethical standards expected of the profession.

2. Legal Consequences: Conviction can arise if the non-compliance involves fraudulent activities, misrepresentation, or gross negligence leading to significant financial losses for stakeholders. Legal consequences may include fines, penalties, or imprisonment, depending on the severity of the offense and local laws.

3. Disciplinary Action by ICAI: The Institute of Chartered Accountants of India (ICAI) can take disciplinary actions against the CA, which may include:

- Suspension of the CA's license to practice.
- Removal of the CA's name from the register of members.
- Imposition of monetary penalties.
- Publication of the disciplinary action in professional journals or newsletters.

4. Reputation Damage: A conviction can severely damage the CA's professional reputation, making it difficult to regain trust from clients and colleagues. This can lead to loss of business opportunities and challenges in career progression.

Preventive Measures and Best Practices

To avoid non-compliance with SRS 4410 and its severe repercussions, CAs should:

1. Stay Informed: Keep updated with the latest standards and guidelines issued by ICAI and other relevant regulatory bodies.

2. Continuous Professional Development: Engage in regular training and professional development to maintain high standards of practice.

3. Adherence to Guidelines: Strictly adhere to the procedures and requirements outlined in SRS 4410, ensuring proper documentation and accurate presentation of financial information.

4. Ethical Practices: Uphold the highest ethical standards, ensuring transparency, integrity, and accountability in all professional engagements.

5. Quality Control: Implement robust quality control measures within the practice to ensure compliance and to identify and rectify any deviations promptly.

By maintaining compliance with SRS 4410 and other professional standards, CAs can avoid legal issues, uphold their professional reputation, and ensure the reliability and credibility of the financial information they compile.

- **Ayush A Paleja**

SRO0647945

PHOTO GALLERY



ORIENTATION PROGRAMME BATCH NO.55 STARTED FROM 20th MAY



ADV. ITT PROGRAMME BATCH NO. 18 STARTED FROM 21st MAY



STUDY CIRCLE MEETING ON 22nd MAY



HALF DAY SEMINAR ON 25th MAY



WEBCAST ON 30th MAY