



**The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)**



**Rajkot Branch of WICASA
(Monthly E-Newsletter)**

WICASA E - NEWSLETTER FEBRUARY'26

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STUDENTS JOURNAL

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MANAGING COMMITTEE OF THE RAJKOT BRANCH OF WICASA 2025-26



*CA Vipul Dattani
(Chairperson)*



*CA Hiren Raychura
(Nominated Member)*



*Mr. Jay Sheth
(Mentor)*



*Mr. Jenish Jajal
(Vice Chairman)*



*Mr. Pritesh Karia
(Secretary)*



*Mr. Harpal Golaniya
(Treasurer)*



*Mr. Anand Nathwani
(Joint Secretary)*



*Mr. Rishi Radadiya
(Joint Treasurer)*



*Mr. Rajdeep Vyas
(Managing Committee Member)*



*Mr. Krunalgiri Goswami
(Managing Committee Member)*



*Mr. Vatsal Chandara
(Managing Committee Member)*

From The Desk Of WICASA Chairman.



**CA Vipul Dattani
(Chairperson)**

It gives me immense pleasure to connect with all the students through this newsletter for the month of February 2026. The past month has been highly productive and inspiring for WICASA Rajkot, with enthusiastic participation from students and successful organization of various knowledge-oriented programs aimed at enhancing professional competence and awareness among budding Chartered Accountants.

One of the most encouraging aspects of the month was the active participation by students in various academic initiatives organized by WICASA Rajkot. The enthusiasm, curiosity, and commitment shown by the students reflect the strong academic culture and dedication towards professional excellence that continues to grow within the Rajkot CA fraternity.

During the month, WICASA Rajkot organized a GST Conference, which witnessed an overwhelming response from students and professionals. The conference provided valuable insights into practical aspects of GST and helped participants gain a deeper understanding of evolving compliance requirements and practical challenges in GST implementation.

Another significant initiative was the session on Overview and Key Changes in the Union Budget, where experts explained the important amendments and policy changes announced in the Union Budget. Such sessions play a crucial role in helping students remain updated with contemporary developments in taxation and fiscal policy.

We also conducted an NPS Outreach Programme, which aimed to create awareness about the National Pension System and its importance in long-term financial planning. The programme was well received and helped participants understand the significance of structured retirement planning.

Further strengthening our academic initiatives, WICASA Rajkot organized the Income Tax Series for Students on the Income Tax Act, 2025, which provided structured learning and conceptual clarity on important provisions of the Income Tax law. The series was specifically designed to benefit students preparing for professional examinations while simultaneously building practical knowledge.

I am extremely proud to share that Rajkot WICASA has been honoured with the 1st Award by WIRC in the Large Category. This recognition is a testament to the dedication, teamwork, and consistent efforts of the entire WICASA committee, the Rajkot Branch of WIRC, and the enthusiastic participation of our students. This achievement truly belongs to every member who has contributed towards strengthening WICASA Rajkot.

On this occasion, I would like to express my heartfelt gratitude to , CA Jitendra Signlani sir, WICASA Chairman -WIRC and CA Raj Marvaniya sir , Chairman of Rajkot Branch of WIRC of ICAI and All managing Committee members of Branch , for his constant guidance, encouragement, and unwavering support extended to WICASA activities. His leadership has been instrumental in enabling us to organize meaningful programmes for students. I would also like to sincerely thank all the MCM members of Rajkot WICASA, whose collective efforts and dedication made every initiative successful.

As my tenure as Chairman of WICASA Rajkot for the year 2025-26 comes to a close, I take this opportunity to thank all students, faculty members, volunteers, and committee members for their wholehearted support and cooperation throughout the year. Serving WICASA Rajkot has been a matter of great honour and privilege for me.

I extend my best wishes to all CA students for their academic and professional journey ahead, and I convey my sincere good wishes to the incoming committee members for continued success and for taking Rajkot WICASA to even greater heights.

Let us continue to work together with dedication and enthusiasm for the growth and betterment of the student community.

**Warm regards,
CA Vipul Dattani
Chairman - WICASA Rajkot (2025-26)
Rajkot Branch of WIRC of ICAI**

✨ **A Proud Moment**
for
Rajkot Branch! 🏆



 **Heartiest Congratulations to the entire Rajkot Branch family on this outstanding achievement!** 

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WIRC REGIONAL AWARDS

KHIMJI KUNVERJI VIKAMSEY AUDITORIUM



1st Prize
LARGE CATEGORY
BEST BRANCH STUDENTS

RAJKOT BRANCH

CA. Raj Marvaniya
Chairman

CA. Bishan Shah
Branch Nominee

CA. Maulik Bagdai
Vice Chairman

CA. Dhaval Doshi
Secretary

CA. Jayesh Dhaneja
Treasurer

CA. Vipul Dattani
WICASA Chairman

CA. Hiren Raychura
Nominated Member

CA. Badal Sonpal
Committee Member

RAJKOT BRANCH OF WICASA

Mr. Jay Sheth
Mentor

Mr. Jenish Jajal
Vice Chairman

Mr. Pritesh Karia
Secretary

Mr. Anand Nathwani
Joint Secretary

Mr. Harpal Golaniya
Treasurer

Mr. Rishi Radiya
Joint Treasurer

Mr. Rajdeep Vyas
Committee Member

Mr. Krunalgiri Goswami
Committee Member

Mr. Vatsal Chandarana
Committee Member



The Rajkot Branch of WICASA has achieved a remarkable milestone by securing the 🏆 1st Prize in the Large Category – Best Branch Students at the prestigious WIRC Regional Awards organized by the Institute of Chartered Accountants of India. This recognition by the Western India Regional Council celebrates the branch's exceptional dedication toward student development, academic excellence, and dynamic engagement initiatives. 🇮🇳🎯

This proud achievement reflects the visionary leadership and collective efforts of

CA. Raj Marvaniya (Chairman)
CA. Bishan Shah (Branch Nominee),
CA. Maulik Bagdai (Vice Chairman),
CA. Dhaval Doshi (Secretary),
CA. Jayesh Dhaneja (Treasurer),
CA. Vipul Dattani (WICASA Chairman),
CA. Hiren Raychura (Nominated Member), and
CA. Badal Sonpal (Committee Member). 🙌

Special appreciation goes to the energetic WICASA team

Mr. Jay Sheth (Mentor)
Mr. Jenish Jajal (Vice Chairman)
Mr. Pritesh Karia (Secretary),
Mr. Anand Nathwani (Joint Secretary),
Mr. Harpal Golaniya (Treasurer),
Mr. Rishi Radiya (Joint Treasurer),
Mr. Rajdeep Vyas (Committee Member),
Mr. Krunalgiri Goswami (Committee Member),
Mr. Vatsal Chandarana (Committee Member)

For their relentless dedication in shaping impactful student initiatives and activities. 🚀

WORDSMITH 'S INK & INSIGHT





Mr. Yuval Vasani
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A Practical Guide Stock Audit

Introduction

A Stock Audit is a systematic verification of inventory and related records to ensure that stock shown in the books (and reported to banks) actually exists, is correctly valued, and is properly controlled.

In cases where businesses enjoy working capital limits from banks, stock audit assumes greater importance because Drawing Power (DP) is directly linked to the value of stock and receivables.

For students, understanding both stock audit procedures and DP calculation is crucial for careers in audit, banking, finance, and risk management

Objectives of Stock Audit

The main objectives are:

- **To verify existence of stock**
- **To ensure correct valuation**
- **To confirm ownership of inventory**
- **To check accuracy of stock statements submitted to banks**
- **To identify obsolete / slow-moving stock**
- **To detect overstatement, misreporting, or diversion of funds**
- **To determine correct Drawing Power**

Scope of Stock Audit

A stock audit generally covers:

- **Raw materials**
- **Work-in-progress (WIP)**
- **Finished goods**
- **Stores and spares**
- **Stock lying with job-workers**
- **Goods in transit**
- **Trade receivables (for DP purposes)**

Step-by-Step Process of Conducting a Stock Audit

Step 1: Understanding the Business & Credit Arrangement

The auditor should first understand:

- **Nature of business (trading / manufacturing)**
- **Type of inventory**
- **Accounting and inventory system**
- **Sanctioned working capital limit**
- **Margin requirements prescribed by bank**

This helps in evaluating whether stock levels are reasonable and realistic.

Step 2: Review of Internal Controls

Assess controls relating to:

- **Goods receipt and issue**
- **Authorization procedures**
- **Stock recording (manual / ERP)**
- **Periodic stock counts**
- **Segregation of duties**

Weak controls increase risk of stock inflation.

Step 3: Physical Verification of Stock

Physical verification is the heart of stock audit.

Auditor should:

- **Attend stock count on test basis**
- **Perform sample verification**
- **Identify damaged or obsolete stock**
- **Verify stock at multiple locations**
- **Obtain confirmations for stock with third parties**
- **Differences between physical stock and book stock must be reconciled.**

Step 4: Verification of Stock Records

Check:

- **Stock register**
- **Bin cards / godown registers**
- **Purchase and sales records**
- **Cut-off at period end**

Ensure that:

- **Opening stock matches last audited figures**
- **Purchases and issues are correctly recorded**

Step 5: Valuation of Inventory

Inventory should be valued as per AS-2 / Ind AS-2:

- **Valuation at lower of cost or net realizable value (NRV)**
- **Consistent valuation method (FIFO / Weighted Average)**
- **Exclusion of abnormal losses**
- **Provision for obsolete / non-moving stock**

Incorrect valuation directly affects profits and drawing power.

Concept of Drawing Power (DP)

- **What is Drawing Power?**

Drawing Power is the maximum amount a borrower is allowed to draw from the working capital limit, based on the value of eligible current assets after applying margins.

- **Banks finance only a portion of stock and receivables, not 100%.**

. Components Considered for DP Calculation

Typically included:

- **Eligible stock (Raw material, WIP, Finished goods)**
- **Eligible receivables (usually < 90 days old)**

Typically excluded:

- **Obsolete / slow-moving stock**
- **Stock under dispute**
- **Advances to suppliers**
- **Receivables older than prescribed period**
- **Related-party receivables (in some cases)**

Margin Concept in Drawing Power

Banks prescribe margin percentages to protect themselves from risk.

• Example:

- 1. Margin on stock: 25%**
- 2. Margin on receivables: 40%**

This means the bank finances only 75% of stock and 60% of receivables.

Auditor's Role in DP Verification

The stock auditor must ensure:

- Stock quantities are not inflated**
- Valuation is realistic**
- Ineligible items are excluded**
- Margins are correctly applied**
- DP matches actual financial position**

Any overstatement may result in excess bank finance, exposing the bank to risk.

Common Irregularities Found in Stock Audit

- Inflated stock figures**
- Inclusion of obsolete goods**
- Over-aged receivables included in DP**
- Same stock pledged to multiple banks**
- Negative stock balances**
- Artificial journal entries before reporting date**

Importance of Stock Audit & DP Calculation

- **Protects banks from credit risk**
- **Ensures true and fair financial reporting**
- **Enhances financial discipline**
- **Helps students understand real-world finance mechanics**
- **Strengthens internal controls of business**

Conclusion

A stock audit is not limited to physical verification—it is a financial, control, and risk-assessment exercise. The calculation of Drawing Power connects inventory audit directly with bank finance and credit decisions.

For students and aspiring professionals, mastering stock audit and DP calculation is a gateway skill for careers in audit, banking, finance, and corporate advisory.



Ms. Riddhi Ganatra
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Impact of Inflation on Corporate Financial Performance and valuation

"Inflation does not just raise prices it silently reshapes profits liquidity and enterprise value"

1. Introduction

Inflation is a critical macroeconomic variable that significantly influences corporate financial performance and valuation dynamics. In emerging economies such as India, inflation impacts cost structures, liquidity, capital allocation, and market valuation through monetary transmission mechanisms. This paper examines the accounting distortions, working capital pressures, and valuation implications arising from inflationary conditions, while highlighting sectoral sensitivity and strategic financial considerations. Measured through indices such as CPI and WPI, inflation influences purchasing power, interest rates, and investor expectations.

2. Monetary Transmission and Corporate Impact

An increase in inflation typically leads to higher policy rates, raising the cost of borrowing and tightening liquidity. The Reserve Bank of India regulates these levels through repo rate adjustments and open market operations, which directly affect borrowing costs and liquidity conditions within the economy. Consequently, corporate investment decisions are reassessed, leveraged firms experience increased finance costs, and long-term planning becomes more uncertain. Inflation therefore affects not only operational costs but also strategic financial decision-making.

3. Accounting, Profitability, and Liquidity Distortions

Under the historical cost framework of financial reporting, inflation may generate "phantom profits". Rising selling prices increase reported revenues, while the cost of goods sold may reflect older inventory costs, resulting in temporarily inflated margins. However, the replacement cost of inventory and assets is substantially higher, leading to nominal profit growth without equivalent real wealth creation. Inflation also expands working capital requirements through higher inventory valuation and receivables, increasing short-term borrowing needs and interest burdens. Thus, accounting profitability may strengthen while actual liquidity weakens.

4. Valuation Implications and Sectoral Sensitivity

Inflation affects corporate valuation through two principal channels: projected cash flows and the discount rate (WACC). Rising inflation generally increases the risk-free rate, which elevates the cost of equity and debt. A higher weighted average cost of capital reduces the present value of future cash flows, potentially compressing enterprise valuation even for growing firms. Pricing Power and Sectoral Impact Sectors with strong pricing power, such as FMCG, energy, and utilities, are better positioned to pass increased costs to consumers and preserve margins. Conversely, industries with limited pricing flexibility, including textiles and small manufacturing units, experience margin compression. Highly leveraged firms face amplified refinancing and interest rate risks during inflationary periods.

. Real-World Case Examples

Example 1: The FMCG Margin Defense. Leading Indian FMCG companies often utilize "bridge packs" or reduced grammage during inflationary spikes. This allows them to maintain a stable price point while offsetting the rising costs of raw materials like palm oil and packaging.

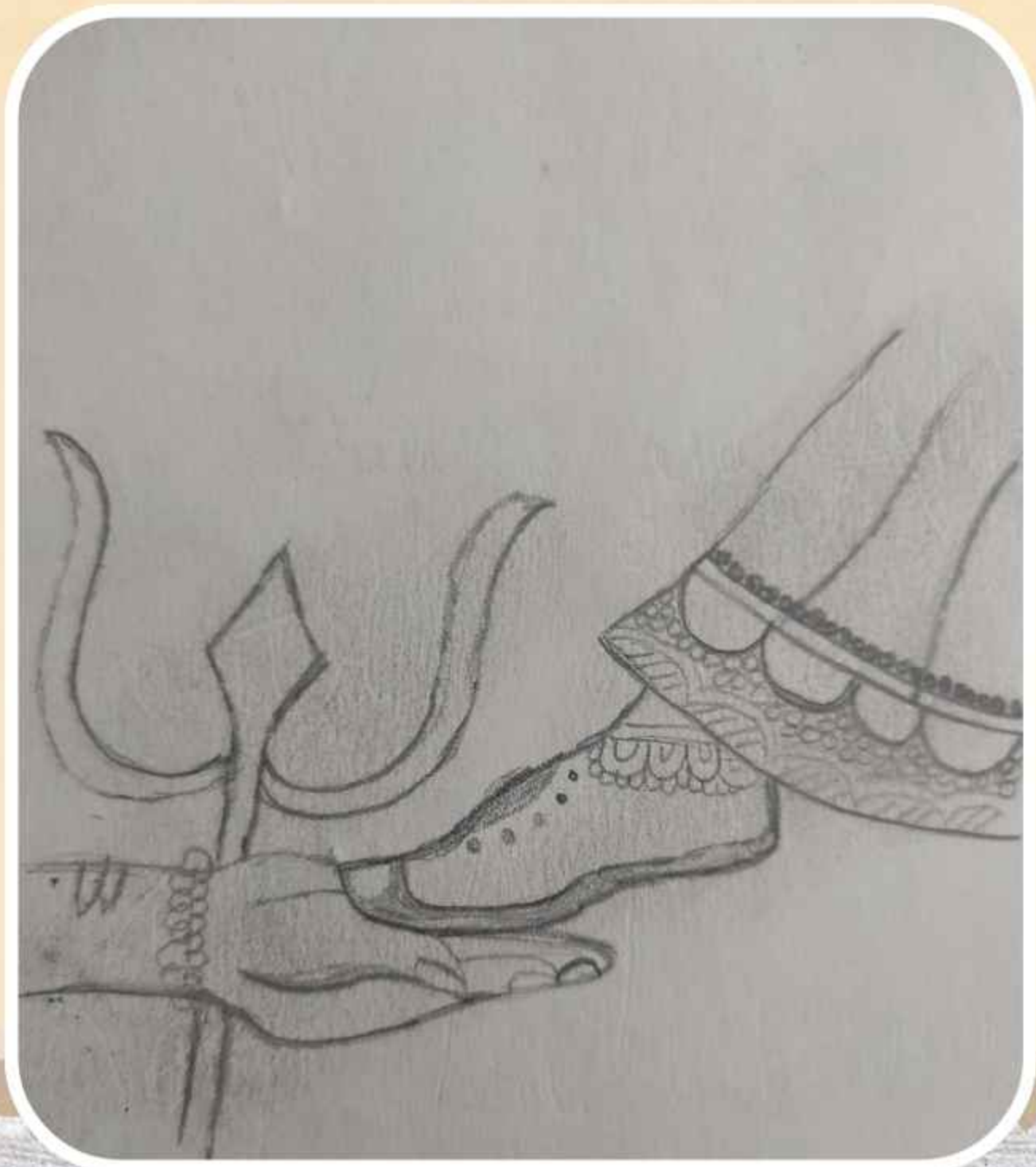
Example 2: Steel and Inventory Lag. A primary steel producer may see a sharp rise in "Nominal Profits" when global steel prices jump due to older inventory costs. However, if their iron ore replenishment costs rise at the same rate, their "Real Wealth" remains flat despite the record-breaking accounting numbers.

Example 3: Infrastructure and WACC. An infrastructure firm with high debt to equity ratios sees its valuation drop significantly when the RBI raises repo rates. Even if the firm's revenue is indexed to inflation, the increase in the discount rate (WACC) often outweighs the revenue gains, leading to lower enterprise value.



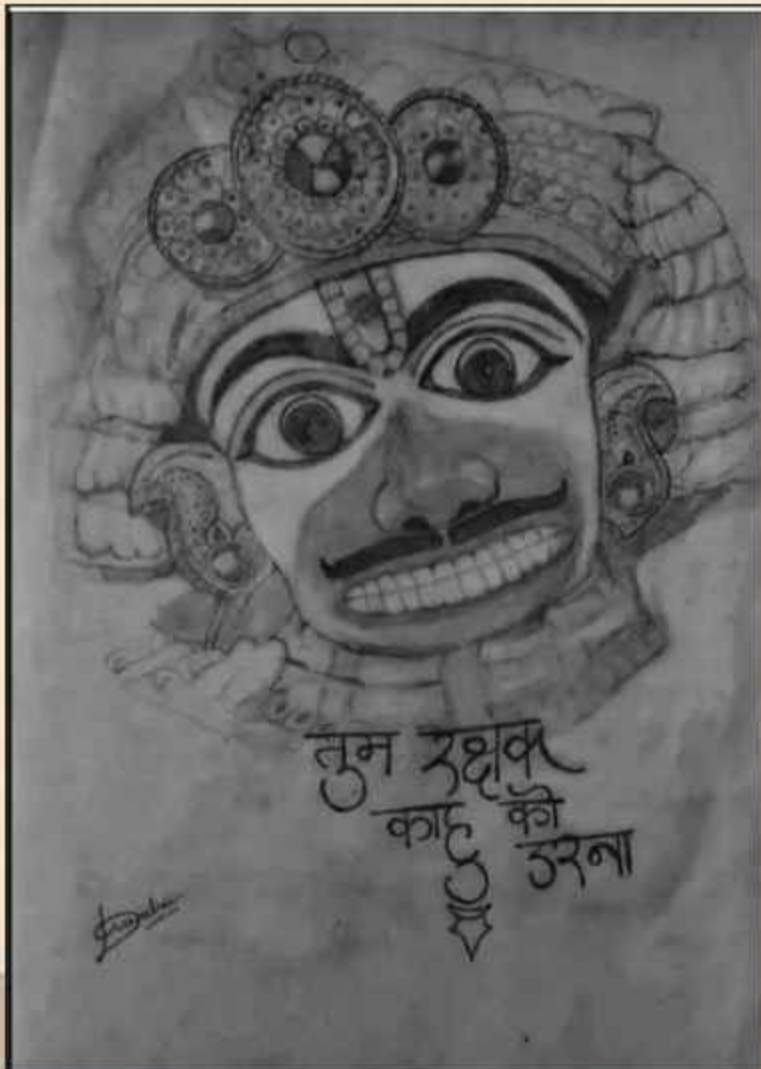


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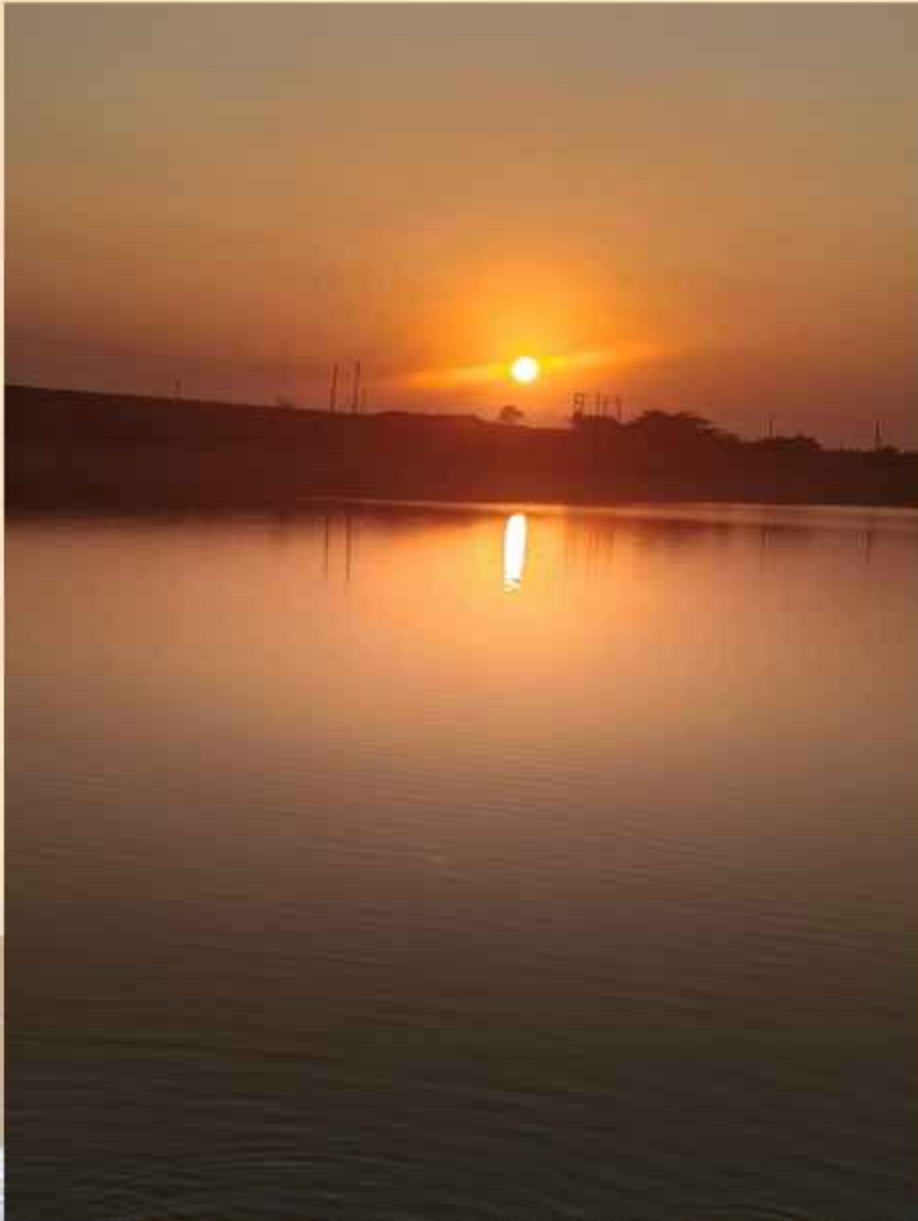


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