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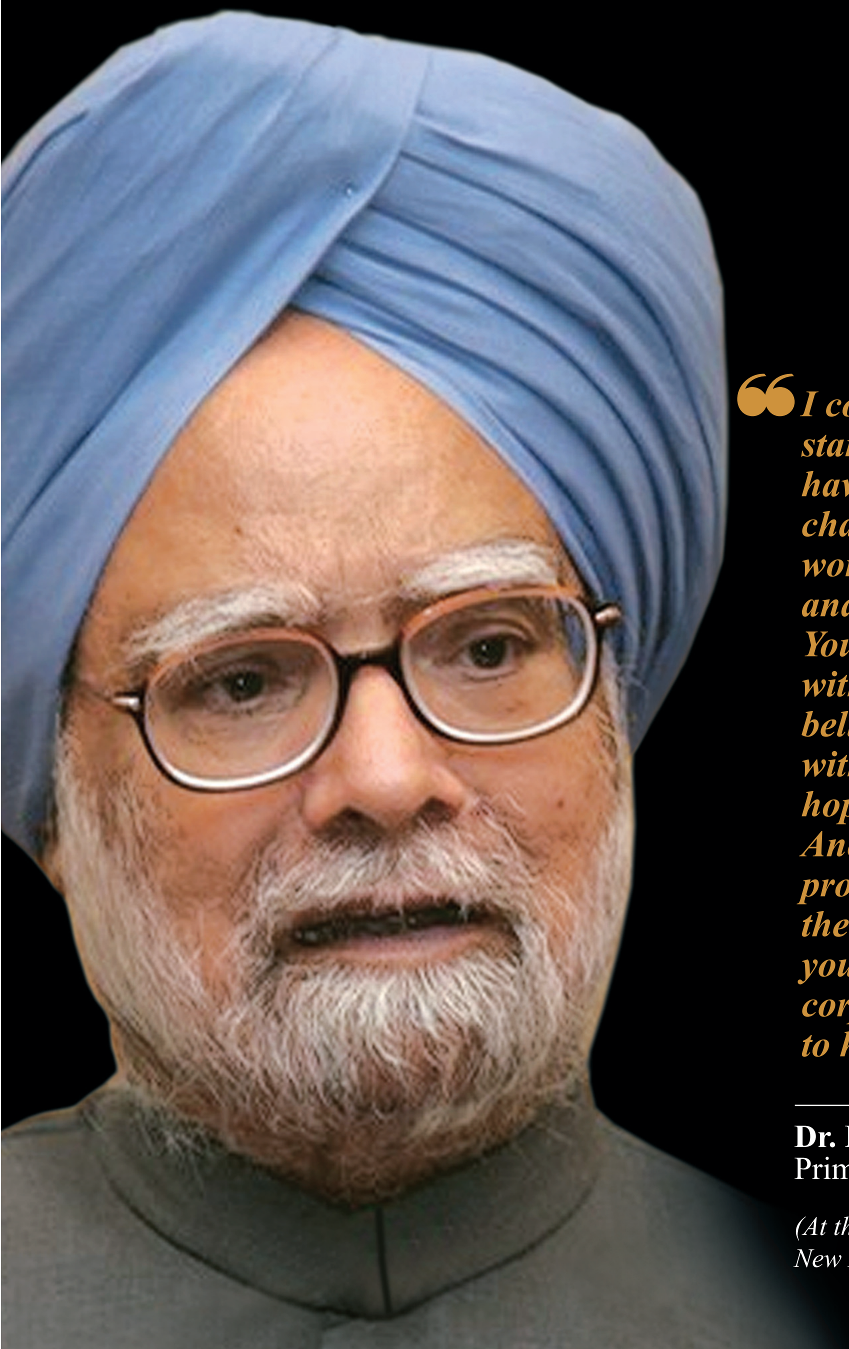
THE CHARTERED ACCOUNTANT JOURNAL

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

SET UP BY AN ACT OF PARLIAMENT



CA DAY

"I compliment you for the high standards of professionalism that you have come to be known for. An Indian chartered accountant is recognised worldwide as being among the best and the brightest in the profession... Your institute has served our country with great distinction. I sincerely believe that we cannot be satisfied with the status quo and I sincerely hope that the best is yet to come. Another 60 years will be still more productive, innovative in the service of the people of our great country… It is your responsibility to ensure that our corporate entities do indeed conform to high governance standards."

Dr. Manmohan Singh
Prime Minister of India

(At the launch of ICAI Diamond Jubilee celebrations in New Delhi on July 1, 2008)

The Legacy of *Integrity, Independence & Excellence* Continues

The Institute of Chartered Accountants of India has hit yet another historic milestone. It has completed the 63rd year of its glorious existence as the defender of a great legacy of professional *integrity, independence and excellence*. It's an occasion of national pride, glory, and, at the same time, introspection. This legacy is our responsibility. To preserve it for posterity is our duty. "*...The prudent heir takes careful inventory of his legacies and gives a faithful accounting to those whom he owes an obligation of trust*," rightfully said the 35th American President John F Kennedy, which is worth taking note of by present day accounting professionals. Today, we should be all the more mindful of our role as a link in a continuous strong chain of the practitioners of excellence, who have exuberantly and ethically served our nation for decades.

Having resolutely upheld a very demanding tradition of excellence to make accountancy profession an integral part of India's success story, the ICAI has indeed come a long way since its inception on 1st July 1949. From a humble beginning with just 1689 members and 257 students, the Institute today proudly boasts of being the second largest accounting body in the world with a mammoth total of about 1,97,000 members and about 10 lakh students whose needs are being catered to through a Central Council, five regional councils, 128 branches and 21 foreign chapters besides a centre of excellence.

The story of ICAI has been a story of professional panache and perseverance, wherein it took all the trials and tribulations in stride to convert challenges into opportunities and emerge victorious. We have more than lived up to the expectations of the founding fathers of the nation, when they granted autonomy to the profession through the Chartered Accountants Act, 1949. The fact that this Act was enacted even before adoption of the Constitution of India, shows the paramount importance that the founders of the nation placed on the profession to act as a torchbearer of the virtues of transparency and integrity. Here, let's recall the speech of Mr. K.C Neogy, the then Minister for Commerce, delivered at the first meeting of the first Council held at New Delhi on 15th August 1949 in which he said that, "*it was appropriate that a great and important profession in the country was launching upon a career of autonomy on Independence Day*" and hoped that the "*Council would maintain a level of professional conduct and professional standards which would bring resounding glory not only to the profession but to the country as well*." Today, we can legitimately claim that we have lived up to his expectations as one of the most vibrant forces of socio-economic growth and the backbone of financial discipline of the nation. The faith that the legislators put in accountancy profession 63 years ago, has, in return, paid rich dividends to the country ever since, and the phenomenon continues to this day.

Over the last 63 years, the CA profession has undergone a paradigm shift. The ICAI's persistent pursuit of perfection, skills and knowledge has placed the Chartered Accountant in an exalted position in the present professional order of the country. Today, the Chartered Accountants are not only the backbone of the Indian financial system but are also an 'institution of public trust' besides being 'conscience keepers of economy'. From traditional bean counters, the Chartered Accountants have now metamorphosed into a multi-dimensional professional, offering complete business solutions as 'information and decision specialists'. The role of a CA has shifted from backroom to boardroom. He is no longer a statistician but a strategist.

With the ever-expanding horizons of the Indian economy, the accountancy profession has always been at the forefront, assuming new roles and responsibilities for nation's growth—fully justifying the CA professional's motto "*pride of service in preference to personal gain*". Today, the CA profession is not only spearheading the government's accounting reforms but is also involved in the policy making processes at various levels of the government.

"*Chartered Accountants: Partners in National Development*"—These words of acknowledgement and recognition used by visionary former President of India Dr. A. P. J. Abdul Kalam for the Chartered Accountant fraternity amply sums up the great role, power and potential of the Accountancy profession in the country.

The ICAI and the accountancy profession have indeed come a long way but still there are miles to go. There are still many challenges to be met, many frontiers to be conquered and histories to be made. Newer and newer opportunities are emerging in the garb of challenges, particularly in domains of 'IFRS', 'e-Commerce', 'environmental accounting' 'BPO/KPO', 'arbitration', 'corporate governance', 'due diligence & valuation', 'ERP Control Design,' 'risk management,' 'consultancy', 'international taxation' and 'mergers and acquisitions,' etc.

The need of the hour is to have multi-disciplinary partnerships and build domain expertise and specialisations, because the days of generalists are getting over. Alvin Toffler has rightly said that "*the illiterate of the 21st century will not be those who cannot read and write, but those who cannot learn, unlearn, and relearn*". Further, the sheer pace of change makes it a big challenge for the profession in the present hi-tech era of knowledge economy, liberalisation, privatisation and globalisation which has put sharper focus on the role of accounting profession. Charles Darwin has rightly said that '*it is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change*'. Other key formidable challenges for the profession are 'ever-increasing expectations of the society and the so perceived utility-expectation gap'.

The ICAI turning 63 is not just an occasion for the professionals to rejoice but also 're-invent it' and renew their resolution to provide enlightened value-added services to the society with a futuristic vision. It's time to become an effective all-time bridge between fiscal administration and business community.

It's high time that Indian accountants inculcated 'big picture perspective,' looked beyond the numbers into a great future, and in the process, turned 'Vision into Value'. Today, more than ever before, the Indian accounting firms need to combine the best of both—'Big Firm Capability and Small Firm Personality'. In spirit, they should be large enough to know all the needs of clients and small enough to know their names when they call." They have to have the knowledge and insights to uncover opportunities and a commitment to see them through.

Today's CAs should leave for future generations such a legacy of excellence, which is greater than what they inherited.

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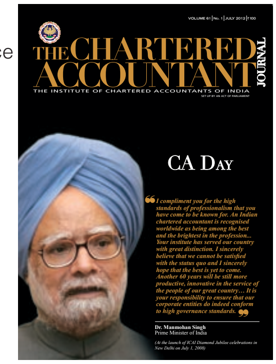

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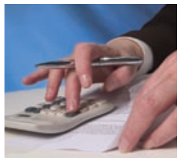

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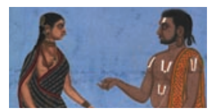

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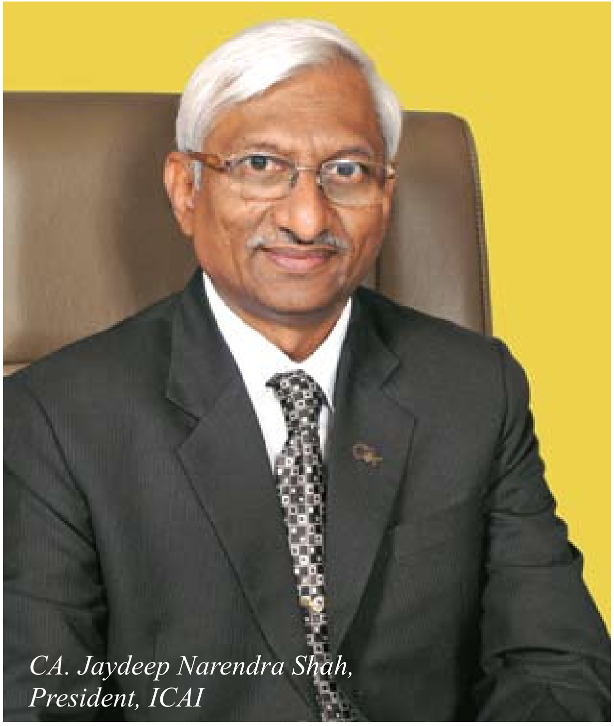

CA. Jaydeep Narendra Shah,
President, ICAI

Dear friends,

Let me wish all members of the accounting fraternity a very happy Chartered Accountants Day – 1st July. I am sure, to all of us, this *Day* brings along the memories of tireless and indefatigable efforts of our forefathers who put in a lot of work with strong perseverance that include work done through various platforms, including organisations, commissions, committees and groups in the interest of the profession.

Veteran freedom fighter and former Union Home Minister Shri Govind Ballabh Pant had proclaimed about Indian accounting practitioners much earlier than the formation of our alma mater, i.e. ICAI, in March 1936: *...there is no dispute...*(accountants trained and educated in India)*…are considered to be efficient enough to examine and certify the correctness of accounts of any firm, however big and, however extensive its business may be, that is the situation in this country*. We should never forget our forefathers who may not be technically part of the Institute's heritage, but, let me confess, it would be difficult to imagine the formation of the Institute had they not been there and worked harder using and innovating upon the accounting skills despite the non-availability of education in the stream. I must express my gratitude towards them. We must all be proud of them because of who our profession stands tall today.

Much later, Shri G. P. Kapadia, our first President, wrote in August 1972: *...the Institute has been able to carve out for itself a unique place not only in the professional set up in the country but also in relation to the recognition by foreign accountancy bodies.* He was also referring to the contribution made not only by his contemporaries but also by his predecessors. Then, Shri Kapadia expressed an expectation from the profession of his time and the coming generation of accountants: *In discharging the duties and while performing the various functions, the paramount consideration which should weigh with the members of the profession is that they are not merely performing particular duties to earn emoluments, but that they have to discharge a wider function and their obligation—a moral one—is to function in such a way that they are above suspicion and, as members of the learned and honourable profession, they provide service to the community being accountable to the authorities and also to the legislature of the country which has bestowed autonomy on the profession.*

Let me assure the noble soul of our first President and confess to the long intellectual heritage of our profession, that we have been adhering to stricter ethics in the best interests of our nation while working harder to support, empower and update the accounting requirements of various government offices, ministries, and other public, autonomous and private institutions and organisations of India as well as those from other nations that need and desire help from us.

We too have the same regard for our profession while completely agreeing to Shri Kapadia in letter and spirit: *I salute my Institute—I adore my profession*.

*****

International Initiatives

CAPA Meetings in Beijing: I, along with the ICAI Vice-President CA. Subodh Kumar Agrawal, went to Beijing, China, recently to represent the Institute at the Board, Annual General and other Committee meetings of CAPA, which were hosted by the Chinese Institute of Certified Public Accountants (CICPA). The participation has helped us in projecting our perspective abroad and keeping watch over international activities and practices. We will also use the knowledge gained through discussions and decisions as a reference point in our discussions with various stakeholders.

Muscat Visit: Recently, I, along with the ICAI Vice-President CA. Subodh Kumar Agrawal visited Muscat, Oman, to attend the Seminar on *Economic Growth & Need for Sustainability - Role of Financial Management*, successfully organised by our Muscat Chapter. On the sidelines, we also had a dialogue with the representatives of College for Banking Studies, Oman.

IFAC Board Meeting in Stockholm: My Central Council colleague and past-President CA. G. Ramaswamy recently went to Stockholm to participate in the IFAC Board meeting, which was hosted by the FAR (Foreningen for Auktoriserade Revisorer), the Institute for the accountancy profession in Sweden. Matters related to development, adoption and implementation of international standards and guidance, promotion of value of professional accountants, etc., were discussed and dwelled upon in the meeting.

IAESB Meeting in New York: ICAI Vice-President CA. Subodh Kumar Agrawal attended the meeting of International Accounting Education Standards Board (IAESB) of International Federation of Accountants (IFAC) held recently in New York, along with the Director of Board of Studies of ICAI, Shri Vijay Kapur. This meeting gave us an opportunity to present our viewpoint on the various issues related to accountancy profession and education.

3rd International Cyber & Economic Crimes Conference in Kuala Lumpur: My Central Council colleague CA. Anuj Goyal recently participated in the 3rd International Cyber & Economic Crimes Conference held in Kuala Lumpur, Malaysia, which included a comprehensive deliberation/discussion led by a panel of leading experts and practitioners from various fields, including compliance, internal audit, risk management, law and finance. The event showcased contemporary trends of best practices and challenges, and latest techniques in anti-money laundering, cyber crime, risks, fraud investigation and forensic accounting.

21st ICCA 2012 Congress in Singapore: My Central Council colleague and Chairman of Committee on Economic, Commercial Laws & WTO CA. Jayant Gokhale, among other ICAI representatives, went to Singapore to put forward our viewpoint at the 21st International Council for Commercial Arbitration (ICCA) Congress. It was inaugurated by the Prime Minister of Singapore, Mr. Lee Hsien Loong. Over 1,000 delegates from across the globe participated in this four-day Congress where over 60 renowned speakers including senior practitioners from 18 countries addressed the gathering.

IFAC SMP Committee Meeting in Las Vegas: ICAI past-President CA. Uttam Prakash Agarwal and my Central Council colleague CA. Pankaj Tyagee recently participated in the meeting of Small and Medium Practices (SMP) Committee of IFAC held in Las Vegas, USA. CA. Agarwal represented the ICAI in the Committee, whereas CA. Tyagee participated as his Technical Advisor. They also attended the Practitioners Symposium and TECH+ Conference during the visit. CA. Agarwal gave a presentation on SME/SMP activities of our Institute.

Initiatives for/with Government Offices and Officials

Signing of ICAI & IICA MoU, and Meeting with Top Management of Banking Sector: I am happy to report that I, on behalf of the Institute, signed an MoU with the Indian Institute of Corporate Affairs (IICA), represented by its Director General and CEO, Dr. Bhaskar Chatterjee recently to undertake activities of mutual interest. The MoU was signed in the august presence of the Hon'ble Union Corporate Affairs Minister Dr. M. Veerappa Moily, besides CMDs and senior management officials of RBI, SBI, PNB, etc. A brainstorming session with bank officials followed with an objective to formulate capacity-building programmes for senior management functionaries of the banking sector and related regulators, while focussing on developments in the field of CSR, IFRS, corporate governance and BASEL-III. During the meeting, Dr. Moily addressed various issues including banking sector serving as engine of prosperity, sustainability within banks, reputational risk and the power of social media. I made a presentation on the corporate governance and transition to IFRS in banking sector, BASEL-III, CSR and our role in this regard.

Workshop on Revised Schedule VI & Joint ICAI-DPE Group: We organised a training workshop on the Revised Schedule VI for the benefit of officials of Department of Public Enterprises recently in New Delhi. The workshop also considered the ways the Schedule VI would affect the financial information required for bringing out public enterprises survey, which both the houses of Parliament carry out every year on the performance of central public-sector enterprises. It was actively participated by about 35 Class I officials from the Department of Public Enterprises (DPE) including its Secretary Shri O.P. Rawat, Joint Secretary Shri A. K. Sinha, Economic Advisor Dr. Sharat Kumar T., Director Shri V. K. Jindal, and Joint Advisor Ms. Rachna Chopra. My Central Council colleague and past-President CA. Amarjit Chopra along with CA. Sanjeev Singhal gave a presentation on the Revised Schedule VI. Deliberations of the workshop were well-appreciated. During the Workshop, a need was felt to constitute a group to give inputs on the format required for public enterprises survey considering the changes prescribed by Revised Schedule VI of Companies Act 1956. Accordingly, a group was constituted comprising members from both ICAI and DPE.

PAN & Issues Related to CPC and TDS Submitted: Considering our earlier submission of TDS and CPC issues to the CBDT and DIT (TDS), ICAI had been requested to arrange to submit the specific issues along with Permanent Account Number (PAN) so that possible solutions might be carved out. An appropriate announcement was hosted on the Institute's website asking members to share their hardships regarding TDS and CPC. Responses thus received were compiled and have been submitted to the authorities. In this regard, more information has been sought by the authorities, which we are in the process of collating from the members concerned so that the same can be provided. This exercise will not only help our members in resolving their issues, but also serve the profession through enablement of tax regulator in identifying and eliminating those difficulties.

Extending Help to Punjab Rural Development Ministry: My Central Council colleague and past-President CA. Amarjit Chopra recently met Shri Surjit Singh Rakhra, Hon'ble Cabinet Minister, Rural Development and Panchayat, Punjab, to discuss how we can assist their department in the matters of public finance and government accounting. Shri Mandeep Singh Sandhu, IAS, Principal Secretary and Shri Balwinder Singh, Director-cum-Special Secretary, Rural Development & Panchayat, Punjab, among others, were also present during the meeting. Shri Rakhra said that the Punjab Government would soon initiate the auditing of the panchayat accounts. A need was felt to train the community of sarpanch, panch and panchayat secretaries in maintaining accounts. He further added that since the Punjab Government has already had a liaison with us, it would be the first State to accept the Centre's recommendation of providing a transparent administration at the village level. Training programme for the officials of Rural Development and Panchayat Department, Punjab, will soon be organised and it will be a step forward in helping the State Government.

CBDT Requested to Review ITR Forms: Considering changes in the financial reporting requirements for the companies, we have requested the CBDT that, before releasing the preliminary plan of income tax return (ITR) forms for the assessment year 2012-2013 in respect of companies, the CBDT may review the ITR vis-à-vis the requirements of Revised Schedule VI of the Companies Act, 1956.

Consultative Meeting on Advancement in Tax Administration: I am really happy to acknowledge before our stakeholders that we recently organised a successful consultative meeting on advancement in tax administration in Chennai. The meeting was addressed by Dr. Parthasarthi Shome, Director and Chief Executive of the Indian Council for Research on International Economic Relations (ICRIER), among others.

Meeting on FATF with FIU: Subgroup on Financial Action Task Force (FATF) comprising my Central Council colleagues CA. Naveen N D Gupta and CA. Dhinal Shah, among others, recently met the officials of Financial Intelligence Unit (FIU), Ministry of Finance. We were informed that the FATF guidelines in India were in preliminary stages and a lot of awareness needed to be created on money laundering. In this endeavour, we would be soon joining hands with the FIU in organising workshops in all metro cities in the country on money laundering and related aspects. Further, we offered the FIU our open-ended support in all its future endeavours during the meeting.

Initiatives for Profession

Representation on Definition of Accountant in Direct Taxes Code Bill: As the members are aware, widening of the scope of the definition of accountant has been recommended by the Standing Committee in its 49th report on the Direct Taxes Code Bill. As the report is still under consideration of Parliament, we have submitted a representation to the Finance Minister to consider the proficiency of chartered accountants while reconsidering the definition of accountant in the Bill. Chartered accountants possess required expertise to deliver best of the services in the area.

Exposure Draft of Proposed SA 610 (Revised) Hosted for Comments: I am happy that in continuation of our efforts towards convergence of Indian auditing standards with its international counterpart IAASB of IFAC, we have issued for comments an exposure draft of proposed *Standard on Auditing (SA) 610 (Revised), Using the Work of Internal Auditors* corresponding to the *Revised ISA 610* issued by IAASB. Text of the exposure draft is available at http://www.icai.org/post.html?post_id=413. I request my fraternity to send their comments on this Draft positively by 16th August, 2012.

Initiatives for Members

Eligibility for PhD in University System: As the members of profession are aware that for pursuing the Doctorate of Philosophy (PhD) programme, Chartered Accountancy qualification was recognised in the University system long back by the Association of Indian Universities (AIU) vide the letter EV/II (56-A)/83, dated 20th March, 1984: *...graduates having passed their final examination of the Institute of Chartered Accountants of India, New Delhi, be treated to have completed a post graduate degree in Commerce or allied discipline for purpose of registration to Ph.D.* Recently, the Indian Institute of Management (IIM), Shillong, has recognised our members as eligible to pursue their Fellowship Programme, equivalent to PhD. With this, so far 84 universities and 6 IIMs have recognised our qualification as eligibility criterion towards pursuance of the PhD programme. Further, the UGC has recently informed us that the threshold limit of 55% marks in postgraduate examination is not applicable to our members for enrolment to PhD programme. For details, interested members may visit the Institute's website. I am sure members will take advantage of such initiatives of the Institute and empower themselves.

Promoting Ethics: As corporate sector evolves in an environment of enhanced transparency and accountability, the Chartered Accountants are required to work with independence and maintain highest integrity. They need to follow laws and regulations to maintain a very high level of self discipline and work within the code of ethics framework. The Code of Ethics calls for members to maintain a level of self-discipline that goes even beyond the requirements of laws and regulations. To this effect, in a recent initiative, the Ethical Standards Board under the chairmanship of CA. K Raghu, has released a brochure - 'CA. Ethics Plus' to promote Ethical Standards amongst members. I am sure this will certainly benefit the members at large in their professional responsibility rendering mechanism.

GMCS Faculty Development: Towards a better and an effective GMCS course, we recently organised One-Day *Faculty Development Programmes* (FDP) in New Delhi, Kolkata, Kanpur, Mumbai and Chennai. The purpose was to let the faculty confront a perspective of course content so that the delivery to our students could be more effective and productive.

Awareness Programme on Public Finance & Government Accounting: Recently an awareness programme on Rising to the *Challenges in Public Finance & Government Accounting* was organised by the Surat Branch of WIRC of ICAI.

2nd ICAI All Region Conference 2012 in Baroda: I am really happy to inform you that I recently participated in the 2nd ICAI All Region Conference 2012, successfully jointly organised by all five Regions of ICAI recently in Baroda and jointly hosted by Baroda and Nagpur Branches of WIRC. It was attended by the Chairmen of all Regional Councils besides more than 1,000 members from all over the country. Chairmen of technical sessions included the ICAI past-Presidents CA. M. M. Chitale (NACAS Chairman), CA. R. Bhupathy, CA. Kamlesh Vikamsey, CA. B. P. Rao and CA. R. Balakrishna who spoke at length on accounts & audit, direct taxes, indirect taxes and future professional opportunities. I congratulate the organisers as well the hosts for their honest efforts in making this conference a success.

Infrastructure Initiatives

Nashik Branch Auditorium Inaugurated: In continuation to our efforts to develop our infrastructure, I recently inaugurated the auditorium of Nashik Branch of ICAI, where the ICAI Vice-President CA. Subodh Kumar Agrawal, WIRC Chairman CA. Durgesh Kabra and Branch Chairman CA. Sanjeev Shankarlal Mutha, among others, were also present. Now, this Branch has in its approximately 16,000 sq feet area, a fully-equipped state-of-art auditorium with sitting capacity of 240 persons. I also formally started the distribution of study material among students at the Branch.

Foundation Stone Laid for Aurangabad Branch: I recently laid the foundation stone for the Aurangabad Branch building. This ceremony was attended by about 200 members of our profession. During this visit, I was felicitated for assuming the highest office of the

Institute, as a token of their love, where I addressed the gathering of about 300 members of the Institute. There, I also interacted with about 1,800 students and parents at the Mega Carrier Counselling programme.

Durgapur Branch Building Inaugurated: I am happy to inform our stakeholders that, recently, I along with the ICAI Vice-President CA. Subodh Kumar Agrawal inaugurated the first floor of the ICAI Bhawan of Durgapur Branch of EIRC. My Central Council colleagues CA. Abhijit Bandyopadhyay and CA. Sumantra Guha, EIRC Chairman CA. Prasun Kumar Bhattacharyya, and Branch Chairman CA. Vikash Kumar Jain were present among others. SAIL Executive Director Shri T. C. A. S. Prasad was also present on the occasion.

Initiatives for Students

National and International Conventions and Conferences in July: I am happy to inform our students that we will be organising a mega International Conference for them in Nagpur on 13th & 14th July, 2012. It will provide our students a unique opportunity to professionally interact with their overseas counterparts. An All India Students Conference will be organised in Baroda on 6th & 7th July, 2012. National Conventions for CA Students that are scheduled in coming days are in Vasai (30th June and 1st July), Jaipur (9th to 10th July), Kolkata (14th to 15th July) and Indore (21st and 22nd July). I would request all the members to encourage their articled assistants to actively participate in these programmes. These conferences are organised to eventually update our students with contemporary knowledge and shape up their latent talent.

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It is true that we will celebrate our CA Day by recalling the glory of our heritage, but at the same time, let me confess to our fraternity that being in the highest office of our alma mater, I have not forgotten our responsibilities that may or may not come under the purview of our technical expertise.

We are quite aware of the environment that we live in and with. We look forward to go paperless as our *going green* initiative. Of late, I have been observing that human colonies, whether authorised or unauthorised, have been rising meteorically in the form of concrete jungles in and around metro cities of the country. People from small townships and villages are migrating, looking for better prospects to earn, or to survive, to be more precise. Overall population density of metros has increased fast. Population of Delhi alone has increased at an approximate rate of 21%, as per the provisional 2011 Census results. The brunt of this migration has resulted in shorter supply of electricity and water, tighter, dense and noisy traffic, lesser green areas, and so on. We all want our Government to facilitate an uninterrupted supply of water and electricity and give a lighter and better traffic, and a greener space to us. But, on our part, we all will also have to think as to how this could be possible under such circumstances. Let us acknowledge that there is a limit to the production of electricity and supply of water. Rising population will result in lesser open green space.

The permanent solution will be to develop the infrastructure and create more employment opportunities in small townships and villages, at least in proportion to the existing population of the locality. Let us understand that the Government alone cannot do this huge task. The idea of inclusive growth appeals to me a lot. Role of professionals across all disciplines and interest areas will play a key role in this. In a family, see how rigorously we try to educate all and bring everybody to a level. The need for empowerment and development drives us away in terms of our space and relationships. Considering our tradition to consider the whole earth as family, i.e. *vasudhaiva kutumbakam*, let me appeal to all members of our fraternity to come out and do something for the people around them. This is not an act of welfare. This is our responsibility. We as members of the accounting community could present example before other professionals and other capable sections of our society.

I am sure we will soon be able to create a better society and space.

Best wishes

CA. Jaydeep Narendra Shah

President, ICAI

New Delhi, June 22, 2012

MoU with Indian Institute of Corporate Affairs

ICAI President CA. Jaydeep Narendra Shah and IICA Director General and CEO Dr. Bhaskar Chatterjee sign MoU in the august presence of MCA Minister Dr. M. Veerappa Moily and MCA Joint Secretary Shri Manoj Kumar. (June 5, 2012)

Foundation Laying for Aurangabad Branch Building

ICAI President CA. Jaydeep Narendra Shah along with his better half Smt. Harsha Jaydeep Shah offering to the God at foundation laying ceremony; also seen are Central Council member CA. Rajkumar S. Adukia, WIRC Chairman CA. Durgesh Kabra and Branch Chairman CA. Nikhil Govindrao Gramle. (June 6, 2012)

Meeting with Finance Minister of China at CAPA

ICAI President and Vice-President CA. Jaydeep Narendra Shah and CA. Subodh Kumar Agrawal with Finance Minister of China Xie Xuren during CAPA Board meetings hosted by Chinese Institute of Certified Public Accountants. (June 1, 2012)

Meeting with Punjab Cabinet Minister for Rural Development and Panchayat

ICAI past-President & Central Council member CA. Amarjit Chopra met Punjab Rural Development and Panchayat Minister Shri Surjit Singh Rakhra; Director-cum-Special Secretary (Rural Development & Panchayat) Shri Balwinder Singh and Principal Secretary Shri Mandeep Singh Sandhu, among other officials from ICAI & Punjab, were present. (June 1, 2012)

Residential Refresher Course in Gangtok

ICAI Vice-President CA. Subodh Kumar Agrawal shares the dais with Central Council member CA. Ravi Holani and Branch Chairman CA. Santosh Kumar Singh, among others, during the Course organised in Darjeeling and Gangtok and hosted by Varanasi Branch of CIRC. (June 5-7, 2012)

Durgapur Branch First Floor Inauguration

ICAI President CA. Jaydeep Narendra Shah releases souvenir on the occasion of Building inauguration, along with Vice-President CA. Subodh Kumar Agrawal, Central Council members CA. Abhijit Bandyopadhyay and CA. Sumantra Guha, EIRC Chairman Prasun Kumar Bhattacharya and Branch Chairman CA. Vikash Kumar Jain. (May 28, 2012)

2nd ICAI All Region Conference 2012 in Baroda

ICAI President CA. Jaydeep Narendra Shah lights the lamp to inaugurate the Conference while Chief Guest Shri Rameshwar Lal Kabra along with Chairmen of WIRC, SIRC, EIRC, CIRC and NIRC CA. Durgesh Kabra, CA. K. Vishwanath, CA. Prasun Kumar Bhattacharyya, CA, Mukesh Singh Kushwah and CA. Durga Das Agrawal look on. (June 8, 2012)

Memento to CAPA President

ICAI President CA. Jaydeep Narendra Shah presents a memento to the CAPA President Keith Wedlock during the meetings of CAPA Board and Committees while ICAI Vice-President CA. Subodh Kumar Agrawal relishes the moment. (May 31-June 1, 2012)

Felicitation at Balasore Branch

ICAI Vice-President CA. Subodh Kumar Agrawal was felicitated during the CPE Seminar on *Schedule VI of the Companies Act and Issues in Union Budget 2012* at Balasore Branch of EIRC. (May 6, 2012)

26th GASAB Board Meeting at ICAI

C&AG Director General (Commercial) Shri K. P. Sasidharan makes a point during the GASAB Board meeting while the Chief Guest GASAB Chairman (& Deputy C&AG) Shri J. N. Gupta and ICAI President CA. Jaydeep Narendra Shah give a patient hearing. (June 22, 2012)

Nashik Branch Auditorium Inaugurated

ICAI President CA. Jaydeep Narendra Shah inaugurating the auditorium of Nashik Branch of WIRC while Vice-President CA. Subodh Kumar Agrawal, Central Council members CA. Rajkumar S. Adukia and CA. Sanjeev Maheshwari, and WIRC Chairman CA. Durgesh Kabra could be seen rejoicing the moment. (May 23, 2012)

Seminar on Growth & Sustainability in Muscat

ICAI President and Vice-President CA. Jaydeep Narendra Shah and CA. Subodh Kumar Agrawal shared the dais with Muscat Chapter Chairman CA. Kishore Rabi and officials from College of Banking & Financial Studies (Muscat), which sponsored the Seminar on *Economic Growth & Need for Sustainability—Role of Financial Management.* (May 24-25, 2012)

Certificate Course on Indirect Taxes in Pune

ICAI President CA. Jaydeep Narendra Shah discusses during inauguration of Certificate Course on Indirect Taxes in Pune, while Central Council member CA. Shivaji B. Zaware and Branch Chairperson and Vice-Chairperson CA. Sanjay N. Pawar and CA. Rekha V. Dhamankar look on. (May 26, 2012)

ICAI President Felicitated by Chandigarh Branch of NIRC

ICAI President CA. Jaydeep Narendra Shah was felicitated and presented a memento by Branch Chairman CA. Sanjeev Sharma during *National Conference on Empowerment of the Profession through Excellence*, while Central Council members CA. G. Ramaswamy (ICAI past-President), CA. Vinod Jain and CA. Pankaj Tyagee enjoy the moment. (June 9, 2012)

National Workshop on Media & Entertainment in Mumbai

ICAI Central Council member CA. Rajkumar S. Adukia addressing the participants of Workshop while Chief Guest Mr. Javed Jaffery and WIRC Chairman CA. Durgesh Kabra, among others, share the dais. (June 1, 2012)

Vice President of India Shri Hamid Ansari

निदेशक
DIRECTOR

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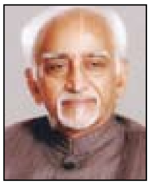

MESSAGE

Hon'ble Vice President of India is glad to know that the Institute of Chartered Accountants of India, New Delhi is celebrating CA Day on July 1 and is publishing a special issue of its Journal 'The Chartered Accountant' on this occasion.

The Vice President of India extends his good wishes to the organizers and the participants and wishes the event all success.

23/5/12

(ASHOK DEWAN)

New Delhi
25th May, 2012

Finance Minister of India Shri Pranab Mukherjee

D. No. 100133 FM/FMP/2012

प्रणव मुखर्जी
PRANAB MUKHERJEE

सत्यमेव जयते

वित्त मंत्री, भारत
FINANCE MINISTER
INDIA

15 JUN 2012

MESSAGE

I am happy to know that The Institute of Chartered Accountants of India is celebrating 'CA Day' on 1st July, 2012 and on this occasion is bringing out a special issue of the journal *'The Chartered Accountant'*.

Chartered Accountants are responsible for carrying out of audit and inspection of books of accounts of the industries of the country with independence, integrity and without material mis-statements.

If they discharge their responsibility with integrity and accuracy, there will be growth in the economy be it service sector, agriculture sector and industrial sector which are factors to the growth of the nation.

I am sure the Chartered Accountants will do their job with honesty as they are trained to safeguard and protect national assets against loss, misappropriation, mismanagement & theft.

On this occasion, I wish all the very best to the organizers and participants.

Pranab Mukherjee

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Minister of Corporate Affairs Dr. M. Veerappa Moily

डा. एम. वीरप्पा मोइली
Dr. M. VEERAPPA MOILY

सत्यमेव जयते

कारपोरेट कार्य मंत्री
भारत सरकार
MINISTER OF CORPORATE AFFAIRS
GOVERNMENT OF INDIA

No.1162/MOM/VIP/2012

Dated the 30th May, 2012

MESSAGE

It gives me immense pleasure to know that the Institute of Chartered Accountants of India is coming out with a special issue of 'The Chartered Accountant Journal' on the occasion of CA Day on July 1, 2012.

The ICAI has been playing a positive and proactive role in creating an enabling environment and facilitating growth. It has been taking various initiatives which provide professional accountants a platform to deliberate issues relating to Governance, Financial Engineering, Regulatory Compliance, Corporate Social Responsibility, and alike given the magnitude of the challenges faced by the professional accountants.

Accountancy Professionals in this age of globalization will have to match global parameters with emphasis on greater accountability and transparency.

I am sure in the years to come ICAI will scale newer heights in its service to the Accounting Profession.

M. Veerappa Moily

(Dr. M. Veerappa Moily)

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Minister of State for Corporate Affairs Shri R. P. N. Singh

आर.पी.एन. सिंह
R.P.N. Singh

राज्य मंत्री
कारपोरेट कार्य
भारत सरकार
नई दिल्ली–110 001
MINISTER OF STATE FOR
CORPORATE AFFAIRS
GOVERNMENT OF INDIA
NEW DELHI-110 001

MESSAGE

My warmest greetings to the Institute of Chartered Accountants of India (ICAI), as it celebrates 'CA DAY' coinciding with its foundation day on July 1st, 2012.

Accountancy Professionals in this age of globalization have been progressively raising their standards to match the global parameters with emphasis on greater accountability and transparency.

It gives me immense pleasure to recognize that over the years ICAI has made a name for itself in the development of accounting discipline and has been catering to the need of modern day accountancy requirement by generating qualified accountants to meet the present as well as the future needs of the Indian Economy.

I compliment the Institute of Chartered Accountants of India for having pioneered the initiatives for creating professional awakening.

I wish the ICAI great success and a promising future.

(R.P.N. SINGH)

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Former Deputy Chairman, Rajya Sabha, CA. K. Rahman Khan

सत्यमेव जयते

K. Rahman Khan F.C.A.
(Former Deputy Chairman, Rajya Sabha)
Member of Parliament
Rajya Sabha

MESSAGE

I am happy to know that the Institute of Chartered Accountants of India is bringing out a special commemorative issue of their journal 'The Chartered Accountant' in July to coincide with the Chartered Accountants Foundation Day.

The Institute of Chartered Accountants of India (ICAI) is a unique professional body, which was set up to regulate the accounting profession and to create human resource in the field of accountancy, auditing and management and to serve the country and support its development soon after the country attained independence. The ICAI has played a very significant role in the overall economic development of the country and in fact it mirrors today India's own growth and development. I am happy to note that the Institute is continuously making important contribution in strengthening the Accounting profession in India. Consequently it has intensified its focus on global best practices in order to raise the profession of accountancy in India to new heights of excellence and has come a long way since its establishment and is now amongst the largest accounting bodies in the World.

My best wishes to the Institute of Chartered Accountants of India in all its future endeavours and wish the Journal all success.

(K. RAHMAN KHAN)

New Delhi
31st May 2012

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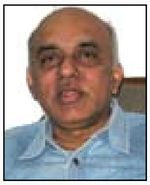
Secretary, Ministry of Corporate Affairs, Shri Naved Masood

नवेद मसूद
सचिव
Naved Masood
Secretary

सत्यमेव जयते

भारत सरकार
कारपोरेट कार्य मंत्रालय
नई दिल्ली
Government of India
Ministry of Corporate Affairs
New Delhi



June 12, 2012

MESSAGE

I am glad to know that the Institute of Chartered Accountants of India (ICAI) is observing 'CA DAY' coinciding with its Foundation Day on July 1, 2012.

I am glad to note, with a high degree of satisfaction, that the Institute will be completing 63 years of its eventful existence on that date. In this era of globalization, the accounting professionals have acquired still greater importance and relevance. ICAI is to be commended for providing a platform to the accounting professionals, academicians and other stakeholders in economic activities for upgrading their knowledge and skills to enhance their utility to the economy and society.

I am confident that the Institute will continue to make its valuable contribution to the growth of our economy and the nation in the years to come. It also gives me pleasure to note that a special issue of Journal "The Chartered Accountants" is being brought out to commemorate the occasion.

I send my best wishes to the ICAI and the members of the profession on this happy occasion.

(Naved Masood)

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Former Governor of Several States CA. Rameshwar Thakur

Rameshwar Thakur

M.A., LL.B., F.C.A.

Former Governor Orissa, Andhra Pradesh (Addl Charge), Karnataka, Madhya Pradesh and Rajasthan (Addl. Charge) and Former Union Minister of State for Finance (Revenue), Parliamentary Affairs and Rural Development.

सत्यमेव जयते

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28th May, 2012

MESSAGE

I am glad to know that the Institute of Chartered Accountants of India, New Delhi is celebrating CA-DAY on 1st July, 2012. The publication of a special issue of journal "Chartered Accountant" on this occasion is an appreciable step to energize our brilliant young members.

CA-DAY is an event of great joy and an occasion for recollection. It is an occasion when we recall the long struggle put in by our stalwarts led by Shri Gopal Das Kapadia, the doyen of our profession and the first president of the Institute and the historic message left by him and his team. It is also necessary to relook into the strength gained over the decades through the sustained efforts of the team. The brilliant students and members of institute must know that the sustainable economic growth of the country depends upon their efficiency. They will have to progressively raise their standards to match global parameters with emphasis on greater accountability and transparency. I appreciate the efforts of the Institute in this direction. I hope that CA-DAY celebrations will energize the whole team in new dimensions.

My best wishes...

Rameshwar Thakur

(Rameshwar Thakur)

ICAI and CAs have an Important Role to Play in India Story:

Dr. M. Veerappa Moily

Union Minister of Corporate Affairs Dr. Moodbidri Veerappa Moily, known for his penchant for reforms for overall national good, has taken pathbreaking initiatives through his Ministry aimed at socially-oriented corporate development in India. In the present capacity, he has been a 'Friend, Philosopher and Guide' to the accountancy profession in India, supporting various nationally-beneficial causes of the profession. His four-decade old journey from an advocate to one of the leading personalities of Indian polity has been truly illustrious and inspirational. Born on 12th January, 1940 in Marpadi village, Moodbidri, Dakshina Kannada District of Karnataka, Dr. Moily was elected as Member of Parliament from the Chickballapur district by a wide margin in 2009. Earlier, he had been Union Minister of Law and Justice from 2009 to 2011. From 2006 to 2009, he had been Chairman of the Oversight Committee for implementation of 27% reservation for OBCs in central educational institutions. He has also been Chief Minister of Karnataka from 19th November, 1992 to 11th December, 1994 in which capacity he led the implementation of economic reforms in Karnataka. A known literary figure in Kannada and author of several books, he did his B.A. from Government College (now known as University College) and completed his B.L. from University Law College, Bengaluru. Several awards have also been bestowed on him for his services. In an exclusive interview to the Editor of The Chartered Accountant journal and President of Institute of Chartered Accountants of India CA. Jaydeep Narendra Shah, he talked at length about various issues concerning corporate sector in particular and nation in general. Following is the interview:

1. Your journey from an advocate, to a noted literary figure, to a leading personality in Indian polity has been really illustrious. How do you look at your career in public life?

A. When I entered politics way back in 1972, I did not have any dream, nor did I think I would occupy some of the top positions. Having been attracted towards Indira Gandhi's leadership, my intention was to work towards the land reform bill and to break away from politics once the bill was implemented. Though the mission was accomplished in 1978 and I wanted to go back to my profession to work as an advocate in the High Court and Supreme Court. But, serving people is something special, and a person like me cannot take a break from that. As such, I am continuing to serve the society and shouldering whatever responsibilities given to me. I have accomplished much for the society but much more remains to be done. Although, I do often simultaneously pursue my literary instincts and writing, but that hobby is also aimed at serving the society. After accomplishing legal reforms, I was offered the corporate affairs. Now I have a huge task in front of me of bringing in corporate reforms. There are miles to go before I sleep and miles to go before I sleep.

2. My congratulations to you for so effectively managing the affairs of the Ministry. In the past few months, MCA has taken some path breaking initiatives. Kindly share with us your focus areas.

A. My focus has been to bring in corporate sector reforms supplemented with corporate social responsibility, better corporate governance and fair competition. A number of initiatives have been taken by the Ministry in the past few months in legislative, regulatory, service delivery and capacity-building areas. While undertaking these initiatives, the Ministry is also examining the issues referred in '*Doing Business*' reports of the World Bank and suitably addressing them within the scope of the acts administered.

3. What is the status of Companies Bill 2011? By what time do you think it will finally become an Act?

A. The much-awaited Companies Bill 2011 will soon become an Act and will replace the half-a-century-old Act. Among others, it will make provisions for class action suit, corporate social responsibility and better corporate governance. The government has undertaken comprehensive revision of the Companies Act 1956. The Companies Bill 2011 as approved by the Cabinet on November 2011 has been introduced in the Lok Sabha on 14th December, 2011, and the same has been referred to the Parliamentary Standing Committee on Finance for its examination and report.

4. Corporate Social Responsibility is being considered as a significant issue for the business. How important is the concept of Corporate Social Responsibility for the nation and what initiatives have been taken by the Ministry in this regard?

A. The corporate social responsibility is today a must for both corporate sector and society. The CSR for a company means to embrace responsibility for its actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of its public sphere who are also considered stakeholders. CSR will ultimately benefit the corporate sector in both the long as well as short run. The Companies Bill 2011 also seeks to give a fillip to the cause of Corporate Social Responsibility (CSR) and corporate governance. The Bill makes provision for encouraging ethical corporate behaviour and rewards employees for their integrity. Taking views of corporate India in consideration, the Companies Bill 2011 makes only disclosure of CSR Spending mandatory and not the actual spending. It is a new concept.

5. The Companies Bill 2011 gives a boost to your corporate governance initiative. Please tell us about the proposed National Corporate Governance Policy?

A. The policy aims at strengthening the corporate governance system and administrative standards in the private sector. The draft policy is already on its way. The draft is expected to be submitted within a six-month period. Recently, we had set up a committee under Adi Godrej, who has taken over as the president of industry body CII, to suggest a framework for the "highest quality" of corporate governance in the country. The committee will suggest a comprehensive policy framework to enable corporate governance of the highest quality in all classes of companies without impinging on their internal autonomy to order their affairs in their best judgement. The report is expected within six months. The Companies Bill 2011 also gives a boost to corporate governance. Among other measures, it will make it mandatory for firms to maintain their documents in electronic format. It also introduces the concept of e-governance.

6. Is it right that you are considering making women participation mandatory in corporate governance?

A. We in the Ministry of Corporate Affairs are fully alive to the need to promote participation of women in corporate governance. We are considering making it mandatory to have at least one woman director in the Board of Directors. The Clause 149(1) of the Bill has the provision that every company shall have a Board of Directors consisting of individuals as directors and shall have a minimum of three directors in case of a public company, two directors in case of a private company, and one director in case of a one person company and a maximum of 15 directors. A company, however, may appoint more than 15 directors after passing a special resolution. Such class or classes of companies, as may be prescribed, shall have at least one woman director.

7. Is it also true that the Government is considering increasing the representation of women in Indian companies by 8%?

A. No such increase in percentage is under consideration.

8. Of late, the concept of a National Competition Policy has been in the news. Tell us more about this initiative.

A. With the intent to allow farmers, producers of goods and consumers, the government has conceptualised a national competition policy. This Competition Policy proposes competition audit/assessment of many central and state laws to proceed towards achieving a single national market. Nations that have implemented such competition policies have benefited immensely. The US reduced prices of petroleum products by about 50% due to implementation of competition policies. The Competition Policy will reduce inflation and also improve GDP. Inflation is a demand supply position. We do not have a proper cold storage chain. We do not have one national market. Competition will ensure that these are in place. The GDP can further grow 4-5% by implementing these measures. The competition policy envisages that the anti competitive practices through many different agencies at State or Sub-State level are controlled, by way of review of existing processes and regulation. The policy envisages setting up of competition assessment cells at various Ministries/department and at state levels. Such competition assessment cells will be trained to examine various laws and regulation from competition angle and suggest corrections wherever needed. Through these steps the competition policy will usher-in next wage of reforms reading towards growth and benefits for all.

9. The Bill to amend the Competition Law has been deferred. Now, what will be future course of action?

A. As you may be aware, a Group of Ministers has been formed and I hope that the issues will be discussed in a comprehensive manner. We expect to take the matters forward. Meanwhile CCI is fully functional and is executing its assigned tasks as per the Competition Act.

10. Your Ministry has proposed to give more powers to Serious Fraud Investigation Office. What will be the nature of such additional powers?

A. The Corporate Affairs Ministry has proposed that corporate fraud investigation (SFIO) should be given powers to send letters rogatory in cases where a company has business in other countries. The new Companies Bill also proposes to treat the investigation report of the Serious Fraud Investigation Office (SFIO) at par with that filed by a police officer. The Companies Bill, 2011 provides for amongst others that investigation report of the SFIO be treated as a report filed by a police officer, power to issue letter of requests (letter rogatory) in cases involving companies having business interest outside the country. As you may know, Letter Rogatory is written request by a judge to the judge in another country to take testimony of a witness in that country in connection with the case. The Companies Bill also for the first time includes the "definition of the terms 'fraud' along with its punishment". The decision to give legal and statutory powers to the SFIO by including appropriate provisions in the new Companies Bill is in line with the recommendations of the Vepa Kamesan Committee on strengthening the SFIO.

11. There has been a move to set up a regulatory body for regulating multi-level marketing companies (MLMCs) under the Home Ministry. What are your views on this?

A. The Serious Fraud Investigation Office (SFIO) has suggested to set up a regulatory body for regulating multi-level marketing companies (MLMCs). We have no reservation if such a body is set up within the MHA to check the cases of frauds being indulged in by such MLMCs as is being done in cases of chit funds. The home ministry already regulates the Prize Chits and Money Circulation Schemes (Banning) Act, 1978. Chit funds and MLMs are essentially informal schemes that usually function in multiple layers. In many cases it has been found that the promoters of such schemes dupe people participating in the scheme and pocket the money

The National Corporate Governance policy aims at strengthening the corporate governance system and administrative standards in the private sector. The draft policy is already on its way. The draft is expected to be submitted within a six-month period.

collected. The SFIO also recommended that a database of such schemes should be maintained to keep a check on them.

12. There have been reports of a large number of companies not complying with reporting norms under the Companies Act. What action has been taken on this front?

A. The Ministry of Corporate Affairs has registered 846 cases of prosecution against various companies for non-compliance of reporting norms under the Companies Act in the last three years. For non-compliance of reporting norms, prosecutions have been filed against 366, 228, and 252 companies during financial year 2008-2009, 2009-2010 and 2010-2011 respectively. We are taking steps to ensure diligent corporate financial reporting and have revised the Schedule VI of the Companies Act for more comprehensive disclosure by companies. You may note that a total of 1,215,306 companies, including public and private entities, were registered during 2008-2009, 2009-2010, 2010-2011 and 2011-2012. Of these, 1,096,246 companies were from the private sector and rest 119,060 from the public sector.

13. When is the Government going to implement Indian Accounting Standards converged with IFRS, which is the need of the hour?

A. The issue is under active consideration and we will come to a decision after consultation with all the stakeholders.

14. What kind of corporate culture do you want to see in India? Shouldn't there be greater employee retention in workplaces?

A. I bat for greater employee retention in workplaces in the private sector. I am against hire and fire culture practices in corporate world. This can be achieved by a judicious admixture of pro-labour legislations and corporate best practices. I am for a corporate culture attuned to the universally accepted values of good governance, accountability, transparency, responsibility and responsiveness to stakeholders. Our corporate endeavours have to be consonant with the demands of eco-system and expectations of Indian democracy.

15. What is your opinion about recent UNDP initiative focusing on companies who can provide services to the poor?

A. Given the millions of Indians living below the poverty line – the bottom of the pyramid, the recent UNDP initiative focusing on companies that can provide services to nearly 4 billion people who survive on a dollar a day, and in the process, also create new business opportunities for themselves is of great importance in India's fight against poverty. 'Creating value for all' strategies for doing business with the poor also offer strategies and tools for companies to expand beyond traditional business practices and bring in the poor as partners in growth and wealth creation. The poor have a largely untapped potential for consumption, production, innovation, entrepreneurial activity. We support this initiative.

16. You have been an active supporter and facilitator of National Skill Development Scheme. How will it benefit our nation?

A. The scheme is a brainchild of Prime Minister Dr. Manmohan Singh. The government has plans to make five crore youth in the nation employable through National Skill Development Scheme by 2020. The national skill development scheme, which is a public private partnership programme, aims at promoting skill-development to fulfill the growing need in India for skilled manpower across all sectors and to narrow the existing gap between the demand and supply of skills.

17. What initiatives are being taken for greater investor awareness?

A. We have taken initiatives for creating investor awareness. We are having a series of discussions in five metropolitan cities on investments and governance. We are going to prepare a road map as to how the investment could be boosted, what are the hurdles and how to make business easy in this country. That's what we are going to address.

18. It has been reported that your Ministry is in the process of bringing out a business confidence index? Tell us more about it?

A. Yes we are considering a business confidence index, which would be an indicator of optimism of business managers in the country. Details of the index like sample size, parameters, duration of survey and other issues are being looked into. The index would help measure the business sector's perception based on political and economic situation. This would enable to bring out the right pulse and vibrance in the economy.

19. The Ministry is preparing a roadmap for future implementation of XBRL. What is status on this front?

A. The Ministry of Corporate Affairs has set up a committee to develop the roadmap for future implementation of eXtensible Business Reporting Language (XBRL). This Committee comprises of XBRL experts and representatives from the corporate sector as well as the Institute of Chartered Accountants of India (ICAI). The terms of reference of the Committee include: 'identification of class of companies and various reports to be filed in XBRL in phase-wise manner,' 'development of taxonomies to be used by corporates for their regulatory filings to government agencies,' 'extensions in taxonomies and XBRL assurance framework,' 'training, awareness and capacity building of stakeholders,' and 'framework for consumption & dissemination of XBRL data.' Accordingly, information regarding setting up of the committee and its terms of reference have also been put on the ministry's website: www.mca.gov.in for information of the general public, and for their suggestions and comments. In response to this, a large number of suggestions have been received. The Committee is examining these suggestions for possible incorporation in the roadmap for future implementation of XBRL.

The Ministry of Corporate Affairs has registered 846 cases of prosecution against various companies for non-compliance of reporting norms under the Companies Act in the last three years. For non-compliance of reporting norms, prosecutions have been filed against 366, 228, and 252 companies during financial year 2008-2009, 2009-2010 and 2010-2011 respectively.

20. What is your message to ICAI and its members?

A. The Institute of Chartered Accountants of India, being an excellent regulator, standard setter and educator, has been greatly contributing as a 'Partner in Nation Building'. The accountancy profession has been the backbone of fiscal discipline in the country. The nation has great expectations from the Institute and its members. They have a pivotal role to play in good governance by ensuring transparency, compliance with statutory as well ethical requirements, correctness of accounts and business advice for the benefit of all the stakeholders, including the government and society. You have a crucial role to play in India's growth story. Keep up the good work.

21. You are currently writing a book on the steps to be taken to make India an economic superpower by year 2020. Tell us more about literary feats. Are you able to currently pursue this passion along with the responsibilities which come as a Minister?

A. I am currently authoring an English book called *Unleashing India*. Three parts have already been published-one on agriculture, second on water and third on electricity. This book focuses on human resources and how our country can be the super power after 25 to 30 years, taking advantage of the demographic dividend. I have also authored an epic poem *Sri Ramayana Mahanveshanam* in five volumes containing 42,295 lines in Kannada. It is also being translated into Hindi and being published by Indira Gandhi National Centre for Arts, New Delhi. I have also authored '*Musings on India*' Part 1 & 2 in English containing articles on contemporary issues including public finance. I have also authored the book "*The edge of time*". I have also served as a regular columnist for *The Hindu* and *Deccan Herald* and for *Samyukta Karnataka* (a Kannada newspaper). My other kannada books include '*Kotta*', '*Suligali*' (Typhoon), '*Sagaradeepa*'(Ocean lamp), '*Milana*'(A play), '*Parajitha*' (a play), '*Premavendare*' (a play), and '*Yakshaprashne*,' '*Halu-Jenu Maththe*,' and '*Nadeyali Samara*', (all anthologies of poems). Besides, I am also writing another epic poem on Draupadi and the title is "*Shrimudi Parikranam*". This is how I go on writing, it is an unstoppable journey. ■

CAs should Aim at 'Inclusive Growth' of the Profession and the Nation:
CA. K. Rahman Khan

From a chartered accountant to Deputy Chairman Rajya Sabha, CA. K. Rahman Khan has scaled inspiring heights of success and excellence in both professional and public life. He has recently been renominated to Rajya Sabha. Being a valuable asset to the society at large over the years, he has been a dependable *friend, philosopher and guide* to the accountancy profession in India. In a recent interview, he shared his vision on various issues concerning the accountancy profession with the editor of *The Chartered Accountant* and President of the Institute of Chartered Accountants of India CA. Jaydeep Narendra Shah.

1. You are at an admirable and inspiring height of success in your professional and political career. Whom do you give credit for your success?

Ans. I believe that every life is purposeful, irrespective of the period of your existence. Allah has created human being as the best among His millions of creations. Hence, every human being has a duty to be purposeful and useful to the Almighty and the society he lives in. I am guided by this vision and try to do whatever I can for the society. Values and blessings of my parents, grace of the Almighty and hard work combined with propriety have been the factors behind whatever little success I have achieved. My parents have always cared and nurtured the poor and the needy and these ideals of service to society are something I like to carry on in their memory. Besides, the respected profession of chartered accountancy to which I belong, gave me the strength and confidence to face the challenges at every level.

2. Why did you choose to become a chartered accountant? Has being a chartered accountant helped you in your remarkable success in Indian polity and for the growth of the nation and society?

Ans. As a commerce student, I had two options regarding my career- to pursue Masters in Commerce or do CA course. I opted for CA course mainly because of my father, who wanted me to become a CA. But, it was a difficult choice. Coming from a rural background in late fifties, finding a right company for articleship was a Herculean task. After a lot of running around, I had almost given up, but then the good luck smiled at me and I was offered articleship in one of the most respected CA firms of Bangalore.

I think that for CA student, the training he gets during the articleship is unique. During the years as article, a CA student gets practical hands on training. He/she has the benefit of looking into critically the functioning of different and varied types of establishments. This helps to develop understanding of complex problems facing different types of establishments and understanding the functioning of them. Every time a CA student or a CA undertakes an assignment, either as auditor or consultant or as an advisor, he will have to use his professional skills, analytical abilities to absorb, assimilate and comprehend the subject, which he has to deal thoroughly, then give the optimum solution to the problem and resolve any crisis smoothly.

In my journey from a CA professional to doing social service through politics, my professional skills acquired as a CA student and as chartered accountant, have played a major role in my progress and whatever best I could contribute, for the benefit of the nation, as a legislator and as a Parliamentarian. As a presiding officer both at the state and at the national level, my professional training has helped me in discharging my duties without fear or favour.

3. How do you visualise the Indian accountancy profession?

Ans. The accountancy profession provides the backbone of financial discipline in India. This profession has tremendously aided the economic growth and progress of the country particularly ever since 1949 when The Institute of Chartered Accountants of India was set up under an act of Parliament. The very fact that one of the important legislative steps taken by Independent India to enact the Chartered Accountant Act of 1949, even before the country adopted its Constitution goes to prove that the profession is very important. I believe that the accountancy profession has been and will always be a critical factor in India's economic growth provided it sticks to the spirit, values, excellence and ethics as propounded by founding members of the profession. The institute and the profession will face new challenges, particularly when India is facing a bit of economic slowdown in the short term with its credentials still intact as the emerging economic power. A chartered accountant has a binding obligation towards the stakeholders who repose confidence in him – in his expertise and competence as a professional. My vision for the profession of chartered accountancy is that we as a professional fraternity should look beyond the profession, be more than just bean counters who look into the financial figures. We must integrate our profession, use the vast resources and network we have, to the service of our great nation. Wherever there is growth and development, there is need for financial prudence and fiscal discipline, be it a gram panchayat, NGO organisation, quasi judicial organisation or government organisation. We must put in efforts to be the true *partner in nation-building*. The Motto of the Institute *Ya Esa Suptesu Jagarti* needs to be followed in thought, deed and in true spirit.

"In my journey from a CA professional to doing social service through politics, my professional skills acquired as a CA student and as Chartered Accountant, have played a major role in my progress and whatever best I could contribute, for the benefit of the nation, as a legislator and as a Parliamentarian. As a Presiding officer both at the state and at the national level, my professional training has helped me in discharging my duties without fear or favour."

4. The professional horizon of chartered accountants is expanding fast. What is the scope for chartered accountants at present and in future as a more useful resource for the society?

Ans. The CA fraternity is indeed growing in leaps and bounds, if we ponder over the fact the number of CAs in the Country has grown from few hundreds in the beginning to about 1,95,000 in the last over sixty years. The professional horizon has similarly expanded considerably with services of CAs being required in a number of fields, in addition to its traditional realms of the profession. The CAs are now functioning at every level of various organisations and set-ups, as financial advisors, CEOs, CFOs, consultants, bankers, administrators, arbitrators, etc. They are also involved in the process of policy framing and planning. The very fact that the number of CAs in Industry is growing fast is an indication of the popularity of the professional skills of the chartered accountants.

The future of the CAs is very bright and it is required that the Institute fine-tunes and upgrades the training programmes of the future CAs keeping in view the future challenges, faced by the profession. The profession should prepare itself to play a pro-active and dynamic role in India's growth. The profession should redefine its role as a watchdog of public expenditure and investments. It should come out of its traditional role of client centric approach and emerge as representative of the civil society to maintain financial ethics and propriety in the civil society. The stake-holders, who depend and trust the chartered accountants, are not the only ones who engage them.

5. Corruption has emerged as one of the major concerns for the country in recent times. In what ways do you think chartered accountants can help in detecting and checking corrupt practices?

Ans. Corruption is the bane for any civilised society. It is unfortunate that many scams have come to light in the recent past. The trend must be effectively checked with strong and swift punitive actions. The Government of the day is indeed doing its bit to punish the guilty and discourage corrupt practices. Chartered accountants, as the watchdog of financial propriety and discipline and a facilitator of accountability and transparency, can play a major role in curbing the corruption. In fact, if we chartered accountants perform our duties as per our ethical and other standards, the corrupt practices cannot only be detected early but also can be nipped in the bud. Let's realise the importance of our work and be all the more vigilant today for the good of the nation.

6. What crucial challenges do the Indian chartered accountants face today? How can they meet the same?

Ans. The biggest challenge before our profession is to continue to prove competence to face the challenges from similar emerging professions in the competitive era and retain the trust the profession enjoys in the society. The statutory protection may not remain for ever and it is ultimately our core competence that will help. Hence, the CA profession and the institute will have to prepare to face this challenge, and not to be complacent, about its future. Another challenge is the 'Inclusive Growth' of the entire professional fraternity, particularly with reference to those chartered accountants who are practicing in small towns and mofussil areas and are serving the needs of the small business units located there. ICAI should make special efforts to help such professionals for the larger benefit of the country and society. Yet another challenge is to adapt to the fast-paced changes happening in regulations, procedures and technology.

7. In what ways is the Companies Bill, 2011 going to impact accountancy profession? Will the various related provisions be helpful for the accountancy profession in India?

Ans. The Companies Bill 2011 is an attempt to revisit the Companies Act 1956. The older act needed changes in view of the increasing corporate frauds to make Corporate Governance more transparent, to safeguard the public investment and to increase options and avenues for international business and trade flow. I am sure the Institute has been fully involved in the process from the stage of the expert committee headed by J.J. Irani. The Bill will definitely impact the profession, as it is our professional responsibility to convey to all stakeholders, whether the accounts and financial affairs of the company are true and fair. The Bill has defined the duties of the Auditor and the Auditing standards. Much stress has been given in this bill regarding the Auditing and Accounting standards to be followed by the company and the auditor. I think that the Bill has given greater emphasis on the independence of the auditor. The Companies Bill 2011 was approved by the Cabinet on November 2011 and introduced in the Lok Sabha on December 14, 2011. It has now been referred to the Parliamentary Standing Committee on Finance and I hope it will be passed by the Parliament soon.

8. How will the pathbreaking latest developments like convergence of Indian accounting standards with IFRSs and emergence of XBRL as global uniform reporting language help India and its CA profession?

Ans. The convergence is revolutionary and India, with its vast resource of chartered accountants, can emerge as one of the global leaders in accountancy profession, if it seizes this opportunity of convergence with its trademark excellence. The convergence of accounting and auditing standards with global standards is a compulsion in the era of globalisation. As more and more Indian companies are expanding their international operations, acquiring companies outside India, the auditing and accounting standards should be uniform. This will help our corporate sector to increase their international presence. It is good that the ICAI has issued all the Indian accounting standards converged with IFRSs and I hope these are implemented sooner than later. Similarly, the eXtensible Business Reporting Language (XBRL) is also going to greatly help Indian accountancy profession go global. Seeing the global trend, the Ministry of Corporate Affairs has already mandated filing of returns by certain category of companies in XBRL mode while regulators like RBI and SEBI are soon going to follow suit. The new XBRL taxonomy based on the revised Schedule VI has also been approved by the Council recently to facilitate XBRL filing in the current year. The need of the hour is to quickly develop the related expertise. Ministry of Corporate Affairs and the ICAI have a crucial role to play in this regard.

9. With demands for greater transparency, the double-entry accounting system in Government departments is the need of the hour? How can the Indian CAs help achieve the same?

Ans. Indian accountancy profession, with its members serving or involved at various levels of governance across the country, can play a pioneering role in incorporating double-entry accounting system in government department. The Government accounting procedures are outdated and not transparent. They are based on *single entry* system and do not reflect the assets and liabilities of a department. The *double entry* accounting methodology will ensure transparency and accountability. In an era of Right to Information, the Single Entry accounting methodology will not provide the correct information of the expenditure. The government has already accepted in principle, for the conversion, but the pace of conversion is very slow. The Institute, in association with the Comptroller and Auditor General (CAG) of India, should launch an awareness programme to the public about the advantage of Double Entry method of accounting and its benefits.

10. Don't you think that it is remarkable that despite fears, no more Satyam-like episode has happened in the country? Is it because of hyper-active and well coordinated efforts of all the agencies concerned, including ICAI?

Ans. Yes, indeed it gives us respite to note that, despite worst fears, no more Satyam has surfaced in the country. It was of course due to timely, hyper-active and well-coordinated efforts of various regulators including ICAI, Ministry of Corporate Affairs and other agencies concerned. But there is no room for slackness. The corporate governance systems, structures and procedures need to be tightened up and chartered accountants can play a leading role in this drive.

11. Many still believe that Satyam fraud has jolted the trust bestowed on auditing profession by society. Don't you think its time to move on after taking lessons from this episode?

Ans. First of all, there should be no doubt that the Satyam episode was more a failure of Corporate Governance and systems. The law of the land is taking its course to punish the guilty and as such, it is indeed time to move on after taking lessons from this episode. I also noted with satisfaction the actions taken by the ICAI in this regard. I am happy to note that the ICAI has taken swift steps and decisions to help ensure that Satyam-like episodes do not recur.

"The future of the CAs is very bright and it is required that the Institute fine-tunes and upgrades the training programmes of the future CAs keeping in view the future challenges, faced by the profession. The profession should prepare itself to play a pro-active and dynamic role in India's growth. The profession should redefine its role as a watchdog of public expenditure and investments."

Though it was mainly a corporate governance failure, I am of the view that the accountancy profession cannot escape its responsibility and accountability. It was the responsibility of the auditors, to report the failure of governance and the systems. Though the auditor may have very little role as far as governance is concerned, but he is responsible for the failure of the system and procedures. The feeling of the society that the trust bestowed on the auditing profession by the society has been betrayed, was justified. The institute must continue taking stringent actions against the erring members, who fail to observe the professional ethics.

12. How will you assess the performance of ICAI as a regulator, standard setter, educator and as a partner in nation building?

Ans. The Institute of Chartered Accountants of India is probably the only body which combines itself to the role of an educator, standard setter qualifier and as a regulator. The Institute in over sixty years of its existence has discharged all these roles in an exemplary manner. With the growing number of students, chartered accountants and the challenges the profession is facing and will be facing, some vested interests are casting aspersions about its effective role as a regulator. As such, the ICAI needs to be ever watchful and vigilant as a regulator and facilitator of nation-building.

13. What is your view on the proposal to have a NACAS like government body for auditing and assurance standards? Is there any need for the same when this function has been one of the core areas of competence for ICAI?

Ans. The role hitherto played by the ICAI as advisor to the Central Government on formulation and laying down of accounting and auditing policies and standards for adoption by companies or their auditors, has been entrusted to the NACAS. It is true that this function has been the core area of competence for ICAI. There is a feeling outside the profession that there is a need for a body consisting of all experts and all stakeholders to define the accounting and auditing standards and laying down auditing and accounting policies and standards. I am happy that all recommendations of NACAS, which are to be submitted to Central Government is only after consulting the ICAI.

"The Institute of Chartered Accountants of India (ICAI) is probably only body which combines itself the role of an educator, standard setter qualifier and as a regulator. The Institute in over sixty years of its existence has discharged all these roles in an exemplary manner. With the growing number of students, Chartered Accountants and the challenges the profession is facing and will be facing, some vested interests are casting aspersions about its effective role as a regulator. As such, the ICAI needs to be ever watchful and vigilant as a regulator and facilitator of nation-building."

14. Despite you leading the drive for Islamic banking in India, the concept is still a non-starter in India. What is the latest on this front, particularly on the issue of having institutional mechanism for Islamic banking?

Ans. Islamic banking is an alternative banking system. It is based on participative system of banking, wherein the investor or depositor, the borrower and the bank, participate in the venture and share the profit or loss of the venture. The mutual funds, venture capital, leasing activities are part of the Islamic banking activities. Most of the Western countries have permitted the establishment of Islamic Bank. Efforts are on to convince the Government, and the RBI to set up an institutional mechanism to take the benefit of emerging Islamic banking market.

15. What would you like to say to the chartered accountants as your final words?

Ans. The CA fraternity should always keep in mind that it belongs to a great profession, which has been entrusted by the society, the Government and the investing public with the responsibility to be the guardian of their interest. Let us justify that trust and let the motto of the Institute be our guide. Be faithful to the profession and follow the professional ethics and enhance the image of the profession. Our members should adjust themselves to the 'market-driven demand' instead of relying on 'regulation-driven demand' without in any way compromising professional ethics and integrity. Always remember that the excellence has been the chosen way of life for accountancy profession. ■

Road Ahead for the Profession

Padma Shree awardee and the ICAI past-President CA. Manoharan presents future perspective of accountancy profession in the present article. He describes the opportunities and challenges for the profession. Knowledge in the new areas of consultancy work along with attendance in workshops and training programs can help accounting professionals prepare them for professional assignments. Scope for accounting professionals to grow, expand and excel in India is tremendous. Business entrepreneurs require professional firms towards the professional establishment as well as its expansion. The author recommends, if only Indian firms can address their challenges with right attitude, they can accomplish their goals competitively. Read on…

CA. T. N. Manoharan

(The author is a Padma Shree awardee and a past-President of the Institute. He may be contacted at tnmanoharan@gmail.com.)

Introduction

Indian accounting firms are mostly in the nature of small and medium firms and, hardly, there are 300 firms that can boast of a constitution comprising 10 or more than 10 partners, if that can be the benchmark to categorise them as big firms. Many of these firms have grown only when the family members of the existing partners have qualified as chartered accountants but the trend is changing where non-family members constitute a firm and grow as an entity to compete with the multinational accounting firms. Although size has no correlation to quality, in the emerging scenario, size would be of relevance to scale up to the growing economic needs and globalised competitive market. Therefore, Indian professionals need to measure up to the expectations of the service seekers both in the Indian context as well as in the international arena.

Opportunities

Besides the traditional areas of practice, accounting professionals in India have tremendous opportunities in the field of consultancy services. A chartered accountant can contribute in terms of business plan advisory, finance and capital advisory services enabling the client to pick and choose the funding options available in the market. The wide range of services that flows in the consultancy field include services relating to project appraisal and funding by way of private equity or other means, IPO, valuation, due diligence, merger and acquisitions, risk assessment, debt syndication, restructuring of business, ERP implementation, internal audit, system audit, knowledge process outsourcing (KPO) and wealth management. Knowledge in these areas would bring immense opportunities and there is no dearth of work for a professional who has skill set to venture into these areas.

Challenges

Indian professional firms are facing many challenges in view of globalisation and unprecedented growth in the economy. These challenges demand reorientation in the approach and attitude of the professionals in public practice. The emerging areas of opportunities indicated above call for different skill sets, knowledge and delivery mechanism. There is one significant difference between the consultancy field and the traditional areas of practice encompassing statutory audit, tax audit, etc., is the fact that the competitive environment in the latter is confined within the profession being an exclusive domain whereas in the former it is widespread. A chartered accountant embarking on rendering consultancy services has to compete with multinational entities, corporate bodies and other professionals in the management consultancy field.

In order to ensure quality and timely delivery of services and to be in the reckoning, Indian professional firms have to reorient themselves to provide for acquisition of skill sets by partners and associates; they need to create verticals paving way for specialisation within the firm; they must not only keep adding new talent but continuously endeavour to retain such talent within the firm; they need to aim at geographical spread and reach out to cater to the needs of the clients having regional or national presence; they ought to invest in infrastructure; they should also be prudent and proficient in billing the value for their services without underselling them; and, above all, they need to cherish and uphold values and ethics.

Knowledge and Skill Sets

In the current and emerging scenario, knowledge is power. Across the globe, we find that knowledge-driven economies are growing faster. Therefore, every Indian professional would do well to constantly update his knowledge and consciously acquire the skill sets required for effectively applying such knowledge. Soft skills such as communication skills, negotiation skills, presentation skills and linguistic skills would be of immense strength to a professional for the delivery of his knowledge-oriented services. Appropriate support can be drawn from technological skills and managerial skills by periodical and proper orientation and training.

Participating or assisting in the execution of work by other professionals or mentor firms will help to provide the confidence required to handle assignments independently. Templates of reporting and documents drafted would serve as a model in the initial implementation of work without any need to reinvent the wheel. Mid-size firms can even afford to organise periodical in-house training programs for partners and the senior staff.

Knowledge in the new areas of consultancy work may be acquired by studying the relevant literature and accessing information through web. Attending workshops and training programs focusing on specific topics would be useful. Participating or assisting in the execution of work by other professionals or mentor firms will help to provide the confidence required to handle assignments independently. Templates of reporting and documents drafted would serve as a model in the initial implementation of work without any need to reinvent the wheel. Mid-size firms can even afford to organise periodical in-house training programs for partners and the senior staff. Small and medium firms can even organise joint training programs as it would pave way for exchange of thoughts/ideas, sharing of expenditure and bring in the best talent as resource persons resulting in enormous synergy. Individual empowerment by undergoing specialised post qualification courses; online courses can also be explored. Knowledge of business and various sectors is very essential to gain basic competence to advice properly. Every professional who has the competence in the consultancy field should groom and train others to build multiple teams within the organisation and replicate solution methodologies in different locations.

Positioning of Divisions

Indian professional firms should be in a position to create divisions demarcating the areas of operation into different verticals. For example, a chartered accountancy firm can segregate the areas of practice into audit and assurance division; tax and allied services division; and consultancy division. Even if there are three partners, each one should attempt to specialise so as to head and lead one of these divisions. In the emerging scenario, specialisation is the order of the day. A specialist in audit, another one in tax and yet another professional having proficiency in consultancy can come under one roof to constitute a strong professional firm and render multifarious services to the client. With the emergence of limited liability partnership and the scope for having multidisciplinary partnership firms involving professionals from accounting and legal field in the near future, there is enormous scope to expand and grow and also to build multi layer teams in each vertical created within the firm.

Human Resource Development

India can be proud of having the demographic advantage in the global arena. In the Indian context, it is no longer the problem of unemployment but it is the problem of un-employability. Even for the educated youth with whatever qualification, these days, orientation and training seems inevitable. Many of them are raw products coming out of the institutions and universities; some are semi-finished and only a few are well developed competent ones. Therefore, good amount of time needs to be invested in grooming, nurturing, training them with orientation programs at the inception as well as at periodical intervals.

Attracting new talent in the profession to join a small or a medium size firm appears to be a tough task. Every Indian professional firm should have a plan of succession so that such firms continue to exist and grow. A professional firm should identify talent and offer due recognition, salary and status so as to attract and also take steps to retain young professionals in the firm to grow and stabilise with job satisfaction. Retention is possible only by providing wider exposure; opportunity to handle work of greater magnitude and also providing right ambience resulting in a sense of belonging. A firm needs to provide the social status for every professional associated with it and it should also take care of fulfilling or facilitating the fulfillment of his social needs such as housing, conveyance, etc.

Once the reliability and compatibility is established after mutually collaborating for a few years, merger can be contemplated by converting the firms within the network in other locations as a branch. By this approach, a small and medium firm can evolve itself into a bigger firm by developing branches in many centers. No doubt, this is easy to say but challenging to accomplish.

Geographical spread

Another challenge faced by an Indian professional firm is to execute any work across the region/country. Similarly, getting assignment of certain works would depend on the extent of geographical presence of such firm in as many locations as possible. This situation demands that every such firm should identify professionals/firms in different geographical locations and develop an understanding for mutual reference and sharing of resources, particularly human resources, for execution of works. Initially, this could be by affiliation or merely an association for convenience but gradually it can take shape as a formalised net work arrangement. Once the reliability and compatibility is established after mutually collaborating for a few years, merger can be contemplated by converting the firms within the network in other locations as a branch. By this approach, a small and medium firm can evolve itself into a bigger firm by developing branches in many centers. No doubt, this is easy to say but challenging to accomplish. But, if there is a sustained approach, systematic planning and undiminished enthusiasm, this can be gradually but certainly made to happen.

Infrastructure

Generally, infrastructure takes a back seat and it is a non-priority item for many Indian professional firms. This mindset should drastically undergo a change. Every firm should aspire to have stability in the place of operation and allocate a percentage of earnings every year for acquiring adequate space besides procuring modern gadgets and tools. Further, every firm should spend in installing and documenting systems, procedures and controls to secure and enhance operational efficiency. Knowledge database should be developed leading to industry wise specialisation and also in select areas like transfer pricing. In the light of various reforms and legislations in the offing, such as convergence with IFRS, XBRL implementation, Direct Tax Code, Goods and Services Tax legislation and a new Company Law, appropriate investment in software solutions and tools, books and periodicals, equipments of latest technology assumes greater significance.

Billing Standards

It can be said without fear of contradiction that many Indian professional firms are unable to recruit young

A professional who renders services backed by knowledge, values and competence always does the billing for commensurate value with absolute confidence unmindful of losing the client. He not only demands greater value for services, but also commands respect and credibility. In the long run, such a professional experiences that quality in serving and billing begets qualitative client irrespective of the cost of services.

professionals in adequate numbers and thereafter retain them on a long term basis for two reasons. One is the inability to pay near to market salary and secondly, not being able to guarantee partnership and provide lucrative practice with variety of work exposure in view of the limited areas and scales of operation. While the second one can be addressed by tackling the challenges identified above, the first one can be handled only by empowering the firm with phenomenal cash inflow which in turn depends primarily on systematic, periodical billing for the appropriate value of the services rendered and methodical follow up for collection without ending up at any point of time with liquidity crunch. Under selling of services undoubtedly cripples the growth potential of a small and medium professional firm.

Components of the service rendered, in many cases, are not properly identified and added on to the billing. Invariably, it is the practice of annual billing or common fee package for multifarious services that leads to under-selling of services. Many do not even consider the man-hours spent as one of the important ingredients for billing. Of course, in deserving cases, rendering of services for a low cost or free of charge may be justified but that policy or approach should be an exception and not the rule. A professional who renders services backed by knowledge, values and competence always does the billing for commensurate value with absolute confidence unmindful of losing the client. He not only demands greater value for services, but also commands respect and credibility. In the long run, such a professional experiences that quality in serving and billing begets qualitative client irrespective of the cost of services.

Quality and Values

Most important challenge to any small and medium firm is to ensure quality in anything it does and to adhere to the ethical norms laid down for the profession. The first one can be ensured by building competent teams in the organisation and the later by imbibing values and appreciating that growth should not be at the cost of ethics. Even when we can comfortably execute the work by ourselves, we need to train a few youngsters and assist them to develop to our stature. They in turn should groom and build next generation and this is how a perpetual institution can be built and perennial succession can be secured. Even if the trained individual leaves the firm, which event can happen to any firm now and then, one should not feel bad as attrition is part of growth trajectory in any field and this is one such way we can repay our gratitude to the profession and the society.

Adherence to values is a challenging task these days as many players around us in the system do not attach any significance to this aspect. Aspiration to become rich in the shortest possible time can be the root cause for deviation from established principles and best practices. History tells us that Gautama Buddha deserted all the prosperity and left the palace in search of peace. On the contrary, many in today's world seem to be destroying peace by joining the mad race in search of material pursuits. Prosperity is welcome but not at the cost of peace of mind. Contentment is too great a virtue to be given up. No one is poor if he is contended and the one who lacks it can never be considered rich irrespective of the phenomenal wealth that he may possess. Besides, by sheer hard work, vision and competence one may reach the top but he can stay there only if he posses integrity and not otherwise. No doubt, in the modern world we need to be adoptive to many changes happening around us in infrastructure; communication; technology, so on and so forth. But the one principle which remains fundamental to human life always and never changes is the need to adhere to value system.

Conclusion

There is tremendous scope for the accounting profession in India to grow, expand and excel. Significant percentage of the members of the profession is serving businesses in house by joining employment. Business entrepreneurs, these days, require professional firms to do the hand holding in the establishment of their businesses as well as in the expansion and restructuring plans. They expect professionals to be part of the decision making process instead of merely providing inputs for decision making. If only Indian firms can address the above discussed challenges with vision, zeal and right attitude, they can accomplish their goals competitively, make a mark and bring glory to the profession. ■

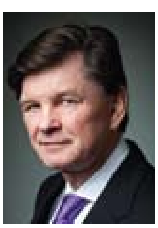
Growing Profile of an Accountant: Global Perspectives

International Federation of Accountants (IFAC) aims to serve the public interest, strengthen the worldwide accountancy profession and contribute to the development of strong international economies by establishing and promoting adherence to high-quality professional standards, furthering the international convergence of such standards and speaking out on public interest issues where the profession's expertise is most relevant. IFAC President Goran Tidström through his organised arguments in (t)his article, presents the IFAC perspective on the role of accountancy profession in the globalised world showcasing the instances from Indian accountancy at various stages of his arguments. Read on…

Few would argue that the modern business world is nearly unrecognisable from the one that existed when The Institute of Chartered Accountants of India was launched in 1949. The 45-rpm record and the Polaroid camera— cutting-edge technology in 1949— have all but disappeared from use today, with music and photography now digitally integrated into a single device — the mobile phone.

In today's business environment, computers and the Internet have connected people around the world, introducing radical change to the global economy. This same technology, however, amplifies and accelerates the impact of mistakes — whether by individual companies or nations — so they can easily become an epidemic, spreading quickly across the planet. Bad news travels fast in a nation like India, where the number of mobile phone subscribers is rapidly approaching one billion.

So we have to ask: Where does the accountancy profession fit into this new world? As we all know, doubts have been raised about the profession's value in this post-financial crisis world. On the other hand, financial and business information—the purview of our profession—has become much more important for sound decision-making and risk management. In light of these circumstances, there are several tasks before us: We must collectively respond to the doubts about the accountancy profession. And, we must also demonstrate that we are part of a global solution that contributes to financial stability and economic growth.



Goran Tidström

(The author is the President of International Federation of Accountants. He may be contacted at waynetravers@ifac.org.)

The doubts about the accountancy profession stem from a financial crisis, that not only entangled the United States but nations far beyond. The crisis deeply affected—with differing intensities—the entire world. Even today, events in Europe are being watched closely in India, as a euro zone crisis likely will have a damaging effect on the rupee. Understandably, in this post-financial crisis world, many professions and industries are now under a microscope. As professional accountants, we should welcome this scrutiny because it prompts us to remember that trust needs to be continuously earned.

Mark Spofforth, the new ICAEW President, put it best last month when he said that trust is such a fundamental ele-ment to a well-run economy and a properly functioning society. To move forward as a profession, we must unflinchingly face tough questions about our contribution to financial and non-financial reporting in a more sustainable world, as well as questions about the value of the audit. So what must we do to renew our commitment to continuous improvement and to become even more valuable and relevant in this new business environment? First, we must participate in a constructive and dynamic dialogue with regional and global policymakers and regulators. We must continue to take a leadership role on public interest issues where the accountancy profession's expertise is most relevant.

Economies at every level benefit when the accountancy profession restates and reinforces its commitment to perpetual improvement, and IFAC will continue to do so. As the global organisation representing accountants, IFAC is uniquely positioned to research and represent the views of the profession with a strong global voice. We also will significantly enhance our focus on public policy and regulation in the coming years.

It is now undeniably clear that business strategy, governance, and sustainability are inexorably linked. We are the reporters of performance and accountability and must meet the serious and demanding need for meaningful reporting models and metrics. We must engage and collaborate with others, and commit to active participation and support to create a clear, consistent, comparable framework that integrates financial and non-financial information. In pursuit of continuous improvement, we also must focus on the future of reporting and contribute to the debate on the development and adoption of IFRSs to meet the needs and expectations of all stakeholder groups. Most importantly, the accounting profession must lead the evolution of sustainability and integrated reporting.

We must embrace all parts of the profession, particularly by actively supporting and promoting accountants in business. This includes better outreach to and collaboration with the more than one million professional accountants worldwide employed in commerce, industry, financial services, the public sector, education and the not-for-profit sector. This diverse group is critical to both sustainability and integrated reporting, as well as to the financial reporting chain, governance, and risk management—areas where we must be major contributors.

IFAC's Professional Accountants in Business Committee (PAIB) is dedicated to serving this constituency and ICAI's Athalanallur Natarajan Ramanis should be recognised for serving on the PAIB Review Task Force and promoting the work of the IFAC PAIB Committee in the Asian region. Additionally, we must promote and better support small and medium practices (SMP), as these practitioners support small- and medium-sized entities (SME) — a critical sector for global economic stability and growth. SMEs are the engines of the economy and the need to support them cannot be understated.

As I travel to conferences worldwide, it is encouraging to see so much time and effort focused on SMPs and SMEs. There is important dialogue occurring about financing, capacity building, and business support services, and ICAI's Committee for Capacity Building of CA Firms and Small & Medium Practitioners (CCBCAF & SMP) maintains a busy schedule of educational programs on a wide range of topics from "Audit Documentation" to "Taxation of Real Estate Transactions."

Emerging and transitional countries need our profession's support to develop into strong national economies and contributors to the global economy. Our Professional Accounting Organization Development Committee (PAODC) is making strides in this area. As a founding member of IFAC, ICAI provides an example for others to follow through its regional leadership role in working with emerging nations as well as its involvement with IFAC, which includes participation on the PAODC. Additionally, ICAI Past Presidents Amarjit Chopra and G. Ramaswamy attended IFAC's recent PAODC meeting as well as the Pan African Federation of Accountants Pre-General Assembly Conference in Tunisia.

So what are the critical tactics required of our profession? First and foremost, we must adopt and implement international standards for auditing, public sector accounting, ethics, and education. As the sole auditing standard-setter for India, ICAI has based its standards on those of the International Auditing and Assurance Standards Board (IAASB). ICAI also uses standards from the International Ethics Standards Board for Accountants (IESBA) and guidelines from the Government Accounting Standards Advisory Board (which uses corresponding International Public Sector Accounting Standards whenever possible) and this should be considered a significant progress.

Accountability and performance must start from within, such as in ICAI's Peer Review mechanism. Peer Review assists in maintaining and enhancing the quality of attestation services by providing guidance to members to improve performance and adherence to all technical standards and regulatory requirements.

We must also encourage the G20, FSB and others to achieve regulatory convergence. While there has been great strides made toward regulatory convergence, there is much more to be achieved. The global financial crisis highlighted the importance of regulatory convergence—for example, the need for globally accepted high-quality standards across a number of areas, including financial reporting, auditing and auditor independence, as well as consistent implementation and enforcement. These areas are important for encouraging global economic stability and IFAC supports the G-20's work to reform the international financial system and reduce informational uncertainty and risk, and thus avoid future financial crises. As a profession, we have keen insight into the development of business and the economy and the interaction between the two, the risks in the financial sector and how it's regulated. Therefore, it is imperative we support the IASB, the FSB and regulators to find the best models for reporting and risk management in the financial service sector.

Finally, we should heed the lessons of the sovereign debt crisis — that inferior accounting and a lack of transparency and reporting of true economic positions and consequences leads to major threats to the growth and stability of economies around the world.

Accordingly, we must ensure there is equal quality in government and public sector reporting as is currently required in the private sector. Inarguably, the sovereign debt crisis has demonstrated that governments need to be more accountable and transparent and we must work tirelessly to achieve that result. Strong financial reporting is in the public interest and has the potential to improve public sector decision-making, hold governments more accountable to their citizens, and enhance global fiscal financial stability and fiscal sustainability. We must take these actions because our world is changing dramatically in an era of globalisation and technology. The pace of change seems to increase exponentially, which only increases the urgency to act. If we are successful in these areas, we will not only sustain our relevance as a profession, we will enhance it. The accountancy profession sits at the nucleus of strategy, sustainability, governance and integrated reporting and no one else can do what we do.

With the right vision and a roadmap for success, we will help build and maintain global economic growth and stability. Our world has changed dramatically over the 63 years, but so has this profession, which will look even more different only a few years from now. ■

CAG and Accountancy Profession

A democratic state has a "Social Contract" with the citizens and functions on behalf of the people. To ensure that this contract is respected, a democracy provides for several institutional mechanisms like the judiciary, vigilance bodies and an independent Supreme Audit Institution (SAI). The Comptroller and Auditor General of India (CAG) and the Indian Audit and Accounts Department (IAAD) functioning under him, constitute the Supreme Audit Institution (SAI) of India. The CAG, a creature of the Constitution of India, has been assigned a prominent role to act as the watch-dog to promote good governance, transparency and accountability in governmental functioning. Dr. Ambedkar describes CAG as a very "important functionary" in the Constitutional scheme of governance. Read on ...

Ajit Patnaik

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CAG's Global Presence

The Comptroller and Auditor General of India has wide experience of conducting international audits and plays a prominent role in the auditing profession, both at the regional level in Asia and at the international level.

The CAG has been an active member of International Organization of Supreme Audit Institutions (INTOSAI), an organisation which has a membership of 188 Supreme Audit Institutions (SAIs). He is a member of the Governing Board of INTOSAI. He chairs INTOSAI's Working Group on Information Technology (IT) Audit. He also chairs INTOSAI's Goal 3 - the Committee on Knowledge Sharing and Knowledge Services, under the INTOSAI Strategic Plan 2005-2010. Recently, the CAG has again taken over as Chairman of 'Asian Organization of Supreme Audit Institutions (ASOSAI)' on February 29, 2012 for the next three years.

The CAG has played a vital role in all the nine (9) research projects undertaken so far by ASOSAI. These are projects on Accountability and Control of Public

Enterprises, Financial Accountability and Management in Government, Audit of Public Works and Projects, Government Revenues - Accountability & Audit, Performance Audit Guidelines, IT Audit Guidelines, Audit Quality Management Systems, Guidelines on conducting Environmental Audit and "Evaluation and Improvement of Internal Audit Systems and Relationship between the Internal Audit Units and SAIs".

The CAG has signed Memorandum of Understandings (MOUs) with SAIs of 15 countries for enhancing audit capacity building and exchange of best practices. These countries are Russia, China, Poland, South Africa, Brazil, Iran, Kuwait, Oman, Venezuela, Bhutan, Maldives, Afghanistan, Cambodia, Vietnam and Mongolia.

The CAG has been appointed external auditor of several bodies of United Nations (UN) from time to time. He was a member of the Board of Auditors of UN for six years from July 1993 to June 1999. He was selected as Chairman of the 'UN Panel of External Auditors' in December 2011. Presently, he has been appointed external auditor of many UN bodies such as World Health Organization (WHO), International Maritime Organization (IMO) in London, International Organization for Migration (IOM), World Food Programme (WFP), World Tourism Organization (WTO) and World Intellectual Property Organization (WIPO).

CAG and Government Accounting in India

Article 150 of the Constitution of India stipulates that "The accounts of the Union and of the States shall be kept in such form as the President may, on the advice of the Comptroller and Auditor General of India, prescribe." Accordingly, with the support of the Government of India, the Government Accounting Standards Advisory Board (GASAB) was constituted by the CAG on 12 August, 2002 for the Union and States. The mission of GASAB is to formulate and recommend Indian Government Accounting Standards (IGASs) with a view to improving standards of Governmental accounting and financial reporting which will enhance the quality of decision-making and public accountability.

Seven Indian Government Accounting Standards (IGASs) have been formulated so far, of which three IGASs on 'Guarantees given by Government: Disclosure requirements', 'Accounting and Classification of Grants-in-aids' and 'Loans and Advances made by Government' have since been notified by the Government for implementation. Four IGASs are under consideration of the Government of India for notification. Exposure draft of one IGAS has been published on GASAB's website for public comments.

Government accounting and its financial reporting in India derives its form and substance largely from the cash based accounting system. The current system has limitations on the dimensions of transparency and user friendliness. The cash based system cannot be used effectively to review and fix accountability for the performance. A transaction is recorded only as the cash is paid or received, irrespective of the time of receipt of value, incurring of a liability etc. The deficiencies in our cash system result in weak stewardship, lack of transparency and an impaired ability to accurately predict the future cost of a current financial commitment.

Report of the Twelfth Finance Commission (2004) recommended the introduction of an accrual-based system of accounting in Government of India. The Government of India has accepted this recommendation in principle and has asked GASAB to suggest reforms in the Government cash accounting system. The accrual basis standards will be issued under the title 'Indian Government Financial Reporting Standards (IGFRS)'.

Two IGFRSs on 'Property, Plant & Equipment' and 'Contingent Liability (other than guarantees) and Contingent Assets: Disclosure Requirements' will become mandatory with effect from the date of notification as such, by the Government of India. Exposure drafts of two IGFRS on 'Revenue from Exchange Transactions' and 'Inventories' have been published on GASAB's website for public comments. IGFRSs are harmonised with International Public Sector Accounting Standards (IPSASs), the global standards for governments, prepared by the International Public Sector Accounting Standards Board of the International Federation of Accountants (IFAC).

Accounting Reforms in Corporate Sector

A reliable, consistent and uniform financial reporting is an important part of good corporate governance worldwide. Different countries have different sets of Accounting Standards to regulate financial reporting by their corporate sector. However, with the advent of globalisation, cross border investment and trading has increased. The investors, therefore, need a uniform globally accepted set of Accounting Standards followed by companies so that comparison across the companies,

The convergence process, however, has proved to be a great challenge for India and other large countries like China, USA and Japan. These countries had to defer the implementation of converged accounting standards.

globally, is facilitated. Many countries including India have responded favorably to these requirements.

The International Accounting Standards Board (IASB) has been recognised as global Accounting Standards setter. International Financial Reporting Standards (IFRSs) formulated by IASB has been adopted by more than 100 countries (including countries of European Unions, Australia, New Zealand, Russia). Many other countries are expected to either adopt IFRSs in toto or converge their own standards with the standards issued by IASB. There was commitment in G-20 summit held (September 2009) in Pittsburgh that G-20 Countries (of which 'India' is also a member country) would converge national Accounting Standards with IFRS by June 2011.

The convergence process, however, has proved to be a great challenge for India and other large countries like China, USA and Japan. These countries had to defer the implementation of converged accounting standards. In recent past, 35 Indian Accounting Standards have been converged with IFRS but the date of implementation of the same is yet to be notified by the Government pending requisite changes in corporate laws, tax laws and other relevant regulations. These standards are called 'Converged Indian Accounting Standards' or 'Ind AS'.

There are certain deviations in 'Ind AS' from IFRS. However, few deviations are unavoidable due to the regulatory and legal framework as well as business practices which are peculiar to economic environment in India. In order to minimise the deviations, there is a need to discuss the deviations with IASB to see if IFRSs could incorporate the Indian concerns and thereby reduce the deviations.

Further, many IFRSs are undergoing revisions and few new IFRSs are under drafting stage, which are expected to become effective in the near future. Hence, the convergence with minimum deviations has to be a continuing process, if aimed to derive full benefits of the convergence.

One important concern towards the convergence is the fact that IFRS uses fair value as a measurement base for valuing most of the items of financial statements. As such, there is need to ensure that there exists a reliable mechanism and infrastructure in India for determining and verifying the fair value of various assets and liabilities with due accuracy. The convergence can, otherwise, bring unwanted subjectivity and volatility to the financial statements.

Arrears of Accounts in PSUs

The preparation of annual accounts is fundamental to good corporate governance and the responsibility for enforcing the same rests with the Company and the States. Non preparation or delayed preparation of accounts is violative of the Companies Act 1956 and fraught with risk of misappropriation of assets of public sector undertakings (PSUs). Further, there is scope for intentional or unintentional errors and omissions in receipts and payments. The chances of detection of such errors, omission or misappropriation, if any, and enforcing accountability on those responsible becomes remote in case of delay in preparation of Accounts.

This serious issue of non-preparation of Annual Accounts by a large number of State PSUs and consequential absence of baseline accountability has been addressed by the CAG of India. He has persistently taken up the issue of huge arrears of accounts with the State Governments and The Ministry of Corporate Affairs, Government of India. Consequently, the Ministry has issued instructions to the State Governments in November 2011 for preparation of the Annual Accounts of these PSEs for the last two most recent years and that the Annual Accounts of all previous years might be prepared backwards in a time bound manner. It is hoped that Management of all companies would grab the concession and make their accounts up to date.

As an institutional arrangement, the Government should provide punitive action for non preparation of the annual accounts even in cases where willful default could not be established. This is particularly necessary because value of timely financial reporting goes far beyond transparency as it is a tool for improving the management of business.

CAG and Auditing in India

Depending upon the objective of audit, CAG's audit could broadly be classified into Performance Audit, Compliance Audit and Financial Audit. Apart from these traditional audits, a number of audits of Information Technology and on Environmental issues have been successfully carried out.

Performance Audit seeks to assess whether a programme, scheme or activity deploys sound means and uses the resources in an economical, efficient and effective manner to achieve its intended socio-economic objectives. A performance Audit would, therefore, ask what should have been done to achieve the objectives; how things could be done better and how to do better things. Compliance audit is often called a transaction audit in which some selected transactions of an entity or themes for a particular financial year (s) are chosen for examination.

Financial Statements are prepared by departmentally run undertakings, statutory corporations, government companies and other autonomous bodies and authorities. Our reports states how far the accounts are "true and fair" i.e. whether the financial statements (accounts) are properly prepared, complete in all respects and are presented with adequate disclosures. In some cases, our financial audit is a "supplementary audit" with the primary auditor usually being a chartered accountant firm. While appointing the chartered accountant firms, independence of the statutory (primary) auditors is ensured by by periodic rotation of the auditors and accountability through supplementary comments on the financial statements and the auditor's report. The CAG also audit and certify the annual accounts of the Central and State Governments.

To take up audit of the computerised systems and e-Governance initiatives, IA&AD officers and staff are extensively trained in auditing information technology (IT) systems. SAI, India has been pointing out not just deficiencies in the software but overall service issues in IT enabled systems. The IT Audit initiate of SAI, India has been awarded with Prime Minister's Award for excellence in public administration in the year 2008.

Number of performance audits on various environmental issues in the past have been done by the CAG. This has been identified as an area of specialised auditing and an international centre is being established by the CAG which shall provide training on environment audit and conduct research on environmental issues and sustainable development.

While appointing the chartered accountant firms, independence of the statutory (primary) auditors is ensured by by periodic rotation of the auditors and accountability through supplementary comments on the financial statements and the auditor's report. The CAG also audit and certify the annual accounts of the Central and State Governments.

Public Private Partnership

The Governments, both at the Centre and in States, are actively promoting Public Private Partnerships (PPPs) in the key infrastructure sectors. An important objective of such partnerships is to provide improved service delivery at optimum cost.

In a PPP, a private player delivers public services for which he gets paid either by the Government through annuity payments or by users (citizens) through payment of user charges/tariff. There is immense risk of the PPPs being misused and exploited, causing significant loss to the government or poor delivery of services to the public. Any comprehensive audit of PPP Projects would therefore require access to the records of private partners for proper verification of their performance in delivery of services and adherence to the contract conditions.

Despite the fact that substantial public resources are being used in the PPP projects, most of the PPP contracts signed so far by various Ministries do not expressly provide for audit by CAG. This has created serious access rights problem in auditing records of private contractors in PPP projects, which needs to be addressed immediately. Limiting the scope of CAG's audit in PPP projects would amount to restricting the scope of oversight by the Parliament over such projects, which is neither desirable nor seems to be intended by the Government. As such Government has to ensure that terms and conditions of model concession agreements of PPPs contain provisions for comprehensive audit by the CAG.

Given the objective, magnitude and importance of these partnerships in infrastructure development in the country, the PPPs ought to remain under the Parliamentary oversight through the CAG audit.

Changing Public Perception on Auditor's Role

Public audit was rule based and was concerned with probity and compliance alone. Recently, increasing demands from stakeholders to know more about performance and results has altered the perception of the role of the Auditors in most countries. The role of public auditors has extended to being a powerful 'trustee of public good' from merely being an auditor of financial transactions. Audit has emerged as a powerful instrument to promote accountability and transparency in the democratic polity of India. ■

Role of Accountancy Profession in Global Economic Recovery

We know that high quality financial reporting standards are essential for transparency and for the efficient functioning of capital markets. Accountancy profession is uniquely placed to aid and facilitate the development of such standards around the world. Emergence of interdependent financial markets explains the momentum gathering behind the move to global accounting standards. Investors need comparable, reliable financial reporting around the world. For global investor protection, we need a global accounting language. Preparers and policymakers are aware of the importance to the integrity and stability of those markets of having comparable and credible financial information. This article comments on the role that accountancy profession can play and has been playing towards the global economic recovery. Read on…

Prabhakar Kalvacherla

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The financial crisis has only served to highlight how difficult it is to rebuild investor confidence when investors are uncertain about the information they have available to them. Investors flee uncertainty and run to quality during bad times. Understanding this premise is essential in order to fully appreciate the significance of work conducted by the IASB and is a key to appreciating the importance of the accounting profession to the sound management of financial markets across the world. Markets depend on investors, and we aim to help investors through the development of a single set of high quality International Financial Reporting Standards.

A great deal of progress has been made towards achieving the aims of IASB in ten years since it was established. For most of its first decade, the IASB's agenda was largely shaped by necessity. The initial effort focused on substantially updating the International Accounting Standards (IASs) inherited from the IASB's predecessor and identified by IOSCO as having the potential to become global accounting standards. Creation of the IASB as a full-time standard-setting body with significant international support and credibility provided the necessary encouragement for the European Union, Australia and New Zealand to require the use of IFRSs from 2005. These first movers' encouraged fast-growing economies particularly in Asia, South America and Africa to begin to recognise the need for global reporting standards in an increasingly global marketplace.

At the same time as the IASB began its work, a series of accounting scandals in the United States meant that US standard-setters were also eying substantial changes to US GAAP. It made perfect sense to coordinate this work and in turn to align US and international financial reporting requirements. So began a decade of work to improve IFRSs and US GAAP and to bring about their convergence. This programme of work has dominated the agendas of both the IASB and the FASB since 2007 and, although most of the projects under the agreement have been completed successfully, work still continues on this important and complicated project.

To deliver a stable platform of standards in time for European adoption of IFRSs in 2005 and then to complete a major portion of a complicated convergence programme with the United States in just over a decade is clearly an enormous achievement. It is even more remarkable when you consider that the latter part of the decade was set against the backdrop of the most serious financial crisis since the 1930s.

Progress

The financial crisis served to increase the urgency of work aimed towards the establishment of global standards. Policymakers around the world have asked for a level playing field in financial reporting and the development of such standards is seen as an essential element of the global regulatory reform agenda.

Repeated G20 communiqués have supported the work of the IASB and called for a rapid transition towards global accounting standards. To date, a significant majority of G20 members require the use of IFRS. In barely a decade we have seen the number of countries requiring or permitting the use of IFRS rise to over 100. Around half of the companies currently in the Fortune 500 index report using IFRS. We have reached a stage of critical mass, having largely overseen the transition of accounting standards from local to international it we are now looking to progress towards the truly global evolution of these standards.

Around half of the companies currently in the Fortune 500 index report using IFRS. We have reached a stage of critical mass, having largely overseen the transition of accounting standards from local to international it we are now looking to progress towards the truly global evolution of these standards.

What about the remaining G20 members? Well, China has already substantially reformed its own financial reporting standards through a continuous convergence process and the differences between those standards and IFRSs are now very small. Furthermore, it is clear from discussions with Chinese authorities that there is a real appetite to complete this work and to complete their transition to IFRSs.

In Japan, since 2009 domestic Japanese companies have had the option to report using full IFRSs. Several large multinational companies have already completed this transition and it is estimated that more than 50 others are making preparations to follow suit. The Japanese authorities are expected to make a decision this year on a mandatory transition to IFRSs, but once the major Japanese companies have completed their transition then you have de facto adoption.

Saudi Arabia, where IFRS is already required for banking and insurance companies, has recently committed to fully embracing IFRS. This is particularly significant for India as it illustrates the swing towards IFRS that is occurring throughout the Middle East, a region of importance for Indian accountants.

Perhaps the most eagerly anticipated decision is whether and how the United States will incorporate IFRSs into its own financial reporting regime. The IASB and the FASB have spent 10 years, since the Norwalk agreement laying the groundwork for this decision through a dedicated and fruitful effort of convergence. We await the result of the SECs deliberations on this most important topic. Whatever the outcome, it is clear that for those markets still experiencing real growth, IFRS has become the de facto financial reporting standard. These emerging markets are attracting vast amounts of inward investment from US fund managers

Perhaps the most eagerly anticipated decision is whether and how the United States will incorporate IFRSs into its own financial reporting regime. The IASB and the FASB have spent 10 years, since the Norwalk agreement laying the groundwork for this decision through a dedicated and fruitful effort of convergence.

looking to spice-up their investment portfolios. This situation is not likely to change in the foreseeable future.

Moving forward, it is likely that emerging markets such as India, China, Brazil and Russia will prove to be the most important drivers of a global recovery rather than the established economies of North America and Europe. In this sense, ensuring the adoption and thorough application of IFRS in these economies is as important a contribution to the global economic recovery that members of the accountancy profession are likely to make.

India

As a case in point, we should ask how the adoption of IFRS could serve to help a nation such as India. Whilst I have outlined the merits of comparable, reliable financial reporting from the perspective of global investors we should also mention the benefits that high quality accounting standards can bring to adopting nations. India is of course an important signatory to the G20 and early on it looked as if it was following a path towards full adoption of the IASB's standards. However, in recent years India has wavered from this course and it is now less clear when this will happen.

The irony of this position is that India is perhaps the best placed of all the emerging market economies to benefit from a national transition to IFRSs. The key role that the world believes India can play both in the development of global standards and in the economic recovery in general is reflected in the makeup of the IFRS Foundation. India is represented at every level, from the Trustees through to the IASB. However, this is no time for complacency, as India still has a great deal to contribute to the development of accounting standards.

Since the 1990's India has grown into one of the worlds key emerging economies. Growth has been accelerated by economic liberalisation and has averaged more than 7% a year since 1997. India's burgeoning middle classes have produced a new generation of young, skilled, English speaking professionals who have helped the country become a major exporter of information technology services and software workers. The country's progress and success has been typified by its powerful services sector, which accounts for more than half of India's output with only one third of its labour force. The Indian economy responded well to the global financial crisis, supported by strong domestic demand.

Bolstered by this success, Indian companies have grown and looked overseas for further opportunities. Conglomerates such as Tata have been highly acquisitive in the last ten years, purchasing high profile brands such as Jaguar Land Rover and Corus Steel.

On the other hand, standards of corporate governance in India initially failed to keep pace with its rapidly expanding economy. It has been widely recognised that the existing regulatory system and GAAP requirements need a revamp to keep up with the requirements of a large and rapidly developing economy and member of the G20.

To address this, India has made a number of policy commitments aimed at reforming its regulatory

Our highly educated, English-speaking workforce are prime candidates to become IFRS experts who can go on to offer IFRS-related services all around the world.

infrastructure. Progress is being made in the implementation of a number of areas of in line with the G20's reform agenda. These include including the adoption of Basel capital adequacy norms, and convergence with international financial reporting standards. Our own institute has done a tremendous job in completing the convergence effort before the earlier deadline of 01 April 2011 by issuing IndAS. However, not much has happened since then and new accounting standards continue to be issued by the IASB, meaning that IndAS are not fully in line with the latest version of IFRS.

We continue to live in somewhat uncertain economic times and despite India's rapid growth, many investors remain risk averse. Press reports recently stated that overseas entities, investing in Indian markets through 'Participatory Notes', are estimated to have pulled out over Rs 1 trillion in less than three months on fears of getting caught in the government's taxation net and its black money trail. It would appear that confidence in the integrity of Indian markets is still an issue. Such events have nothing to do with accounting standards, but having global accounting standards can serve to help by stemming the loss of confidence.

The adoption of IFRS and subsequent use of the standards by Indian companies would facilitate a much greater level of transparency for investors both domestically and abroad. These enhancements are likely to become increasingly pertinent as state industries continue to be deregulated and privatised attracting greater levels of foreign investment to the country. Sound financial sector regulation will support investor and market confidence in the Indian economy and help channel investment for strong and sustainable growth.

The benefits of full adoption would not stop at the borders. It is clear that the world is moving to international accounting norms and India is almost uniquely placed to become THE place to outsource entire IFRS-based finance departments. Our highly educated, English-speaking workforce are prime candidates to become IFRS experts who can go on to offer IFRS-related services all around the world.

However, the advantage enjoyed by Indian professionals will be short lived if the country fails to keep up with the demands of the global economy. Whilst our accountants are acknowledged as some of the best in the world, we must be aware that it faces stiff competition from regional counterparts such as Sri Lanka and Pakistan, both of whom have adopted IFRS and are training their accountants accordingly.

Progress is being made in the implementation of a number of areas of in line with the G20's reform agenda. These include including the adoption of Basel capital adequacy norms, and convergence with international financial reporting standards.

If we want Indian accountants to retain their leading position in the global market and continue to export their expertise, especially to regions such as the Middle East, we must ensure that they are trained to the standards employed by those regions. If our academic institutes are churning out experts in Indian GAAP then the opportunities are more limited.

The success of any given nation can be defined in terms beyond that of monetary wealth and purchasing power or other economic indicators. Of equal importance is the intellectual and cultural impact that individual countries can have on the world through their values, culture, policies and institutions. This concept has been described as "soft-power" and in order to gain it, nations must display competency, commitment and engagement.

This concept holds true for India's involvement in the development of global accounting standards. As a proud member of this institute I can say unequivocally that the standards of India's highly regarded professionals have never been in doubt. However, despite a great deal of engagement from all sides, it seems that India's commitment towards this important work has wavered in recent years. I have no doubt that India will do the right thing, but time is now becoming a more critical element. As movements and organisations develop, their rules naturally become more rigid and structured, making it harder for newcomers to influence and change accepted norms. IFRSs will be no different, and India should be more decisive in its actions to take advantage of the opportunity to influence their development.

Undoubtedly, Indian chartered accountants with their education, experience and acumen, have a lot to contribute to the continued development of the accountancy profession. I'm also confident that in the years to come, under the able guidance of our institute, our members will play a much more prominent role in the global economy. To ensure this we must redouble our efforts to remove the obstacles hindering India's path towards international standards. ■

Competition Law and Role of Chartered Accountants

India saw a paradigm shift in its economic policies in early nineties moving from a command and control economy to a more free market economy. The results are visible in many sectors of the economy besides in acceleration of economic growth. Sustenance of growth momentum, however, calls for more investment and innovation, prompted by vibrant, consumer-friendly and dynamic markets. Keeping these objectives in mind, the Competition Act, 2002 was enacted paving way for the establishment of the Competition Commission of India (CCI), the institutional framework to support healthy and fair competition. This act moved away from the earlier emphasis of curbing monopolies to a more particular and directed approach towards promoting competition and thereby increasing efficiency, innovation and competitiveness. Chartered Accountants, being specialists of accountancy and related areas, are important stakeholders in the sustainable development of Indian economy. The common denominator between CCI and Institute of Chartered Accountants of India (ICAI) is to ensure fairness in business. Broadly, CCI acts as Competition watchdog while ICAI acts as an accounting watchdog.

Ashok Chawla

(The author is Chairman, Competition Commission of India. He can be reached at cci-chairman@nic.in)

The Competition Act provides a formal and legal framework for ensuring competition and preventing abuse of market power and dominance and regulating combinations in the Indian Economy. CCI was made fully functional in May 2009 with the appointment of the Chairperson and six members. Primarily and essentially, the Competition Act aims to eliminate practices having adverse effect on competition; promote and sustain competition; protect interests of consumers and to ensure freedom of trade in markets in India.

Chartered Accountants, being specialists of accountancy and related areas, are important stakeholders in the sustainable development of Indian economy. The winds of changes in the economic arena have also vastly changed the scope of CAs during last two decades. Chartered Accountants contribute to the growth of the nation in numerous areas like accountancy, direct taxes, indirect taxes, company law matters, strategic decision making, international business and taxation, project finance and many more regulatory matters. These are all very critical areas to safeguard fairness in markets and to attain higher economic growth.

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The Competition Act and Chartered Accountants:

The competition law is an economic law. Every information filed in CCI is primarily analysed with financial/economic perspective in addition to legal perspective. The financial and economic analysis includes those job descriptions which are considered as forte of Chartered Accountants. The expertise which Institute of Chartered Accountant of India has been able to inculcate among its members through education, training and continuous updation of their knowledge has been recognised by the Parliament. Section 35[1] of the Competition Act, 2002 specifically allows Chartered Accountants to represent a complainant, defendant or Director general to present a case before the CCI. Besides, Section 36(3) of the Act empowers the Commission to call upon the services of experts from various fields including accountancy to assist the Commission in conduct of any inquiry by it.

Role of Chartered Accountants in enforcement of the Competition Act

Chartered Accountants undergo extensive training besides vigorous written examinations for acquiring necessary professional acumen which deservingly provide them opportunities to wield key positions in the corporate world. The skill and expertise attained by

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CAs is equally required in carrying financial analysis of a case filed in the CCI. Conversely, since the CAs are financial advisers to the corporate world, they can play a major role in developing a Competition Compliance Programme for their company/clients so that the businesses are not only perceived as ethical and but also prevent them from potentially high cost of non-compliance or inadvertent violation of the Competition Act, 2002.

Chartered Accountants and Anti-Competitive Agreements

Chartered Accountants can appear for parties before CCI in cases relating to anti-competitive agreements like cartels; agreement to limit production and/or supply; agreement to allocate markets; agreement to fix price; bid rigging or collusive bidding; conditional purchase/sale (tie-in arrangement); exclusive supply/distribution arrangement; resale price maintenance; and refusal to deal. The analysis involved in determination of effect of these anti-competitive agreements may include price parallelism, determination of production and supply levels, technical development in terms of productivity, investment and profitability, bid analysis. These are the areas where expert inputs of Chartered Accountants will help in bringing forth the averments they want to put for the party they represent.

Chartered Accountants and Abuse of Dominant Position

Chartered Accountants can appear for parties before CCI in cases relating to abuse of dominance position in the markets. Unfair and discriminatory purchase and price levels, predatory pricing, conclusion of contract with supplementary obligations having no connection with the subject of contracts have high accounting overtones and dimensions. Factors that determine the

[1] *Section 35.A [person or an enterprise] or the Director General may either appear in person or authorise one or more chartered accountants or company secretaries or cost accountants or legal practitioners or any of his or its officers to present his or its case before the Commission.*

Explanation.—For the purposes of this section,—
(a) "chartered accountant" means a chartered accountant as defined in clause (b) of sub-section (1) of section 2 of the Chartered Accountants Act, 1949 (38 of 1949) and who has obtained a certificate of practice under sub-section (1) of section 6 of that Act;

dominance are market share, the size and resources of the enterprise; size and importance of competitors; economic power of the enterprise; vertical integration; dependence of consumers on the enterprise; extent of entry and exit barriers in the market; countervailing buying power; market structure and size of the market. Chartered Accountants by virtue of their extensive training have attained expertise in determination of these factors.

Chartered Accountants and Regulation of Combinations

Chartered Accountants can appear for parties before CCI in cases relating to regulation of combinations. Knowledge of CAs are needed for threshold analysis; value of asset determination; value of turnover determination; market share analysis; level of competition analysis; group impact; control impact; failing business costing and impact; weighing benefits of combination against adverse impact of combination. Expertise of Chartered Accountants in analysis of various financial reports of the merging companies and in forecasting their impact on the market may provide fillip to CCI in regulation of mergers & acquisitions.

Chartered Accountants and Competition Compliance Programme

Chartered Accountants, while advising on different compliances that a company has to undertake, should also help in devising a suitable Competition Compliance Programme (CCP) for the company/enterprise as CCP would reduce the risk of contraventions of the Act and its consequences. This will help to promote a culture of compliance and encourage good corporate citizenship. Being in possession of real economic information of various companies, they can facilitate bringing any anti-competitive conduct of an enterprise to the notice of the Commission in the overall interest of the society.

Chartered Accountants in their advisory role can advise their clients that non-compliance of competition law can be very costly. The law vests the Competition Commission of India with adequate powers of investigation. The chances of conviction are, therefore, high for non-compliant enterprises. The consequent cost to such enterprise could be very high not only in terms of heavy penalty but also damage to reputation that has been built at very high cost over the years. The quantum of penalty can go up to 10% of the average of the turnover for the last three preceding financial years for entering into anti-competitive agreements and abuse of dominance. In the case of a cartel, there are provisions for imposing on each member of the cartel a monetary penalty of up to three times of its profit for each year of the continuance of such cartel or ten per cent of its turnover for each year of the continuance of such cartel, whichever is higher. Powers have also been vested with the Commission to order division of the dominant enterprise for abuse of dominance. Besides, in case a violation, determined by the Commission in such cases, affected parties can approach the Competition Appellate Tribunal (COMPAT) for compensation, which can be a further drain of resources in competition law infringement cases.

The use of transparent financial accounting information in supervision of Chartered Accountants enhances the effectiveness of the governance process which in turn prevents anti-competitive practices. Chartered Accountants can undertake competition audit of their clients for early detection of contravention for the Competition Act.

In today's economic scenario, the role and responsibilities of Chartered Accountants have grown manifold beyond the narrow boundaries of accounts and audit. It is now imperative for Chartered Accountants to be well versed in Competition Law so as to maintain their professionalism in meeting the challenges of times and to contribute to the enterprise and to the economic environment of the country.

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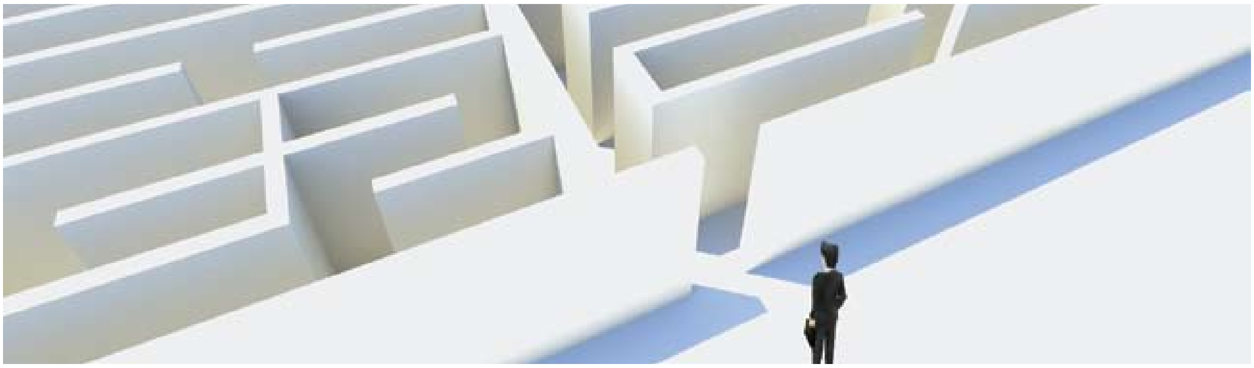
Conclusion

In today's economic scenario, the role and responsibilities of Chartered Accountants have grown manifold beyond the narrow boundaries of accounts and audit. It is now imperative for Chartered Accountants to be well versed in Competition Law so as to maintain their professionalism in meeting the challenges of times and to contribute to the enterprise and to the economic environment of the country. ■

Accountancy Profession – Challenges and Opportunities



The Accountancy profession in India has grown tremendously in terms of capability and capacity. It has met the challenges of a high growth economy, the opening up of the country and competition due to globalisation. Accounting professionals have acted as true business partners in the corporate sector, discharged their fiduciary obligations as Auditors and also contributed to policy making. The future holds many more challenges and opportunities than the past. As India globalises further and becomes a larger part of the global economy, complexity will increase as also the demands on the profession. But the rapidity of the change and the greater inter-dependence between countries is creating more systemic risks, of a kind that we have never experienced before. No country seems to be immune from such risks. Read on…

CA. T.V. Mohandas Pai

(The author is Chairman, Aarin Capital. He can be reached at mohan.pai@manipalglobal.com)

The future challenges have to be seen in the backdrop of major economic changes of the last four years including the global financial crisis, the drying up of liquidity and implosion of the financial system in the USA. The European Union is facing a crisis of unprecedented dimension, with talk of even the break-up of the monetary union. There are real prospects of some countries in the EU becoming bankrupt! We have come to realise that there is no corporate or may be, even a country which is "too big to fail".

Closer home, the lack of consensus and political will on fiscal as well as policy matters seems to rob the optimism prevalent in the economy, just as we thought that we had met the challenges of the crisis.

Double dip recession in some countries and significant fluctuations in foreign currency markets are examples of things to come and we realise that management of significant unpredictability will be part of our lives as we go forward.

Business Challenges and Professional Opportunities

As we traverse through this uncertain and unpredictable economic environment we have the ability to reshape the future, blessed as we are with a young population, growing consumption and higher savings. I have enumerated challenges on account of globalisation and those on domestic front separately, along with the opportunities they present.

Global Expansion of Indian Corporates

Indian businesses are no longer insulated, inward looking or slow moving but are vibrant, highly optimistic and willing to explore the unchartered territory in the highly competitive international markets. The experience of over one and half decades, from early 90s till 2007, has given Corporate India the confidence to grow business beyond its boundaries. However, we have also seen a number of examples of reckless expansion in unrelated areas, funding such expansion through debt or convertible instruments and its disastrous after effects.

Proactive Risk Management

Such an environment calls for proactive risk management. We can add significant value to business through quality risk assessment and management. We are well qualified to do this because of our training and deep understanding of finance. The very existence of an organisation could be threatened if risks are not identified and addressed in time. No one likes to sell the cash cow to retire a debt raised for an unattractive project but many companies have had to do this in the recent past to survive. Such experiences could have been avoided through some amount of conservatism, prudence and better risk management. In fact risk management tops Board agendas all over the world, shocked as corporates are of the impact of the financial crisis.

Management of Foreign Currency Risks

Managing the downside impact of volatile foreign currency fluctuations is also a critical part of risk management. During the crisis resulting from the financial meltdown, we heard a lot of cases relating to companies entering into the foreign exchange derivative market without basic understanding, in anticipation of a wind fall gain. While there is always a temptation to make finance function a "profit centre" in good times, such temptations lead to a very aggressive risk management. Finance should not become a profit centre as the core activity of finance is enterprise risk management not earning marginal profits. Boards and

Effective performance measurement as well as maintenance of sound internal controls of increasingly complex operations around the globe requires significant investment in skilled resources and IT systems of an organisation. With inorganic growth of Indian companies in different geographies the challenge of managing disparate information systems is acute. Finance professionals can really add value in the transition period as well as during new systems implementation phase enabling companies to meet stringent reporting timelines.

Professionals need to desist from adventurism in volatile markets.

International Taxation and Compliance

Rapid international expansion also brings challenges related to international taxation, compliance with local regulations, raising funds at optimum cost in international markets and compliance with securities laws of different jurisdiction.

Global Indian entities are always exploring ways to optimise the "consolidated" effective tax rate. To achieve this, finance professionals need to have a very good understanding of ever increasing number of Double Taxation Avoidance Treaties (DTAA), comprehensive knowledge of transfer pricing principles and basic understanding of tax laws and foreign currency regulations of other countries where Indian businesses operate. The recent past has seen many countries put in place policies to prevent treaty shopping and other abuses which needs to be factored in.

Robust Information Systems

Effective performance measurement as well as maintenance of sound internal controls of increasingly complex operations around the globe requires significant investment in skilled resources and IT systems of an organisation. With inorganic growth of Indian companies in different geographies the challenge of managing disparate information systems is acute. Finance professionals can really add value in the transition period as well as during new systems implementation phase enabling companies to meet stringent reporting timelines. This requires significant experience in project management and it is indeed a very satisfying and rewarding professional experience.

Harmonisation of Accounting Standards

Lack of adequate harmonisation of accounting standards across various countries in which Indian corporates operate has made the task of preparing financial statements highly complex. Some large corporates have voluntarily adopted IFRS to provide investors better clarity but the adoption level needs to improve. Globalisation of Indian organisations warrants early adoption of IFRS, which will help us benchmark our financial statements with the rest of the world. This transparency will help us attract additional foreign investment and create more opportunities for finance professionals.

This is an area where the ICAI should see well into the future and push for implementation of Ind AS converged with IFRS to ensure that Indian corporates take a lead and lower their cost of capital. As India globalises further we need to become a leader, participate in standard setting and adopt tougher standards faster than the rest to create the capability to globally dominate the profession. It does not pay to be a follower any more.

The profession too should introspect deeply in this area. Accounting and Auditing is at the heart of the profession and is its core competence. This implies that we should bite the bullet and reorient ourselves to global standards early in the race so that the entire globe becomes our market and we earn a name for the quality of our knowledge and capability as leaders in standard setting and adoption. Diluting standards to meet exigencies and appeasing certain interests does not add to our professional standing.

India as a Preferred Destination for Foreign Investors

The Indian consumption story, liberalisation of policies, opening up of new sectors, and abundant talent pool has resulted in a significant increase in the amount of FDI from $4 billion in 2001-02 to $47 billion in 2011-12. The compulsions of vote politics and some resultant delays policy front may have stemmed the flow of investments but I am very optimistic that in the medium to longer term, India will continue to be a preferred destination for investments. This will continue to generate significant opportunities for professionals both in the corporate world and for firms who (a) have relevant experience, (b) have kept abreast of new developments and (c) keep seeking new opportunities.

India is ranked as one of the hotbeds for entrepreneurs and as per the latest information venture capital and private equity firms invested about US dollar 9.5 billion in 2010. Like the FDI, PE investment will also go up in the coming years. Entrepreneurs need the advice and assistance of trusted finance professionals in formation and structuring of their entity, compliance with various regulations, creating a cost-effective finance function, tax effective structuring of employee compensation, raising funds and doing the business the right way, etc.

Challenges Faced by Entrepreneurs

India is ranked as one of the *hotbeds* for entrepreneurs and as per the latest information venture capital and private equity firms invested about $9.5 billion in 2010. Like the FDI, PE investment will also go up in the coming years. Entrepreneurs need the advice and assistance of trusted finance professionals in formation and structuring of their entity, compliance with various regulations, creating a cost-effective finance function, tax effective structuring of employee compensation, raising funds and doing the business the right way, etc. This helps them focus on business growth and rewarding their investors handsomely, with an assurance that that they are in safe hands.

It is important that finance profession identifies such niche opportunities and efficiently satisfies the unique requirements of entrepreneurs. Our profession would have to understand the pain points of this sector and offer suitable solutions. A "one size fits all" approach would not really help. On the other hand, the finance professionals can also benefit from the positive rub-off effect of their association with entrepreneurs who by nature are passionate, have the desire to solve problems and are hungry for success.

M&A and Capital Markets

The primary markets have been subdued for a fairly long period due to negative sentiments prevailing in the economy/secondary markets. It is said that most of the innovative ideas, new business models, etc. take birth in very adverse business environment. Once the cloud of uncertainly passes, we will once again see significant activity in M&A and capital markets space. It is important to plan now and to be prepared as those who are ahead in this race will benefit the most when markets open up.

Margin Pressure and Ethical Behaviour

With a slowdown in global economy, lower consumer

With trade barriers breaking down and talent rapidly moving across sectors and geographies, it is imperative that professional firms upgrade their skill set, hire talent and intellectually engage such talent to provide them very good professional growth opportunity. Specialisation in any of these areas and/or tie up with firms offering complimentary services would result in significantly higher remuneration, which in turn, would help in attracting and retaining talent.

spending, higher input as well higher debt servicing costs we are witnessing a significant squeeze in margins. Under these circumstances, there is always a pressure to show better operating performance from all quarters. Finance professionals should not succumb to undue pressures and compromise on professional integrity as we are the custodians of interest of all stakeholders. We can't lose sight of the long term objectives of the business in favour of perceived short term benefits. It is important to stand up for values and ethical issues and not compromise at all.

Regulators all over are now having a policy of zero tolerance to shortfalls in ethics and compliance. Certain events have hurt the image of our profession globally and in India, caused by a cavalier attitude to ethics. Though there have been isolated instances, the repercussions have been widespread. Such events call for swift and punitive action from the ICAI and members of the profession to protect the integrity of the profession.

The Road Ahead and Need for Inclusive Growth

Growing complexity of Indian businesses has also made the task of accounting firms very complex. Even though a large number of Indian companies are reporting higher and higher international revenue the Indian accounting profession, generally, is finding it hard to satisfy the ever growing needs of Indian corporate sector. As such, Indian firms have to invest hugely in capability building, IT infrastructure, outreach, grow in size and depth and above all learn to navigate in the new milieu.

Globally there has been a massive consolidation with oligopolies developing in the profession with a reduction of choice and increase in costs for corporates. This has also increased systemic risks, as any large firm failing to follow standards, or having an unethical attitude for whatever reason exposes the entire system to greater risk. It is, therefore, essential for Regulators to ponder over the unhealthy consolidation, pursuit of higher revenues and other ills and take steps to broad-base the profession and ensure that a wide array of service providers grow globally.

All the areas listed above offer a huge opportunity for finance professionals and to achieve that potential we need to get out of our comfort zone, venture out of traditional areas, familiarise ourselves with all aspects of modern day business. This can offer a win-win solution for professionals as well as organisations.

With trade barriers breaking down and talent rapidly moving across sectors and geographies, it is imperative that professional firms upgrade their skill set, hire talent and intellectually engage such talent to provide them very good professional growth opportunity. Specialisation in any of these areas and/or tie up with firms offering complimentary services would result in significantly higher remuneration, which in turn, would help in attracting and retaining talent.

Bulk of the newly qualified chartered accountants are joining industry or the very large firms instead of smaller firms or starting their own practice. This free market dynamic is a true reflection of what the young generation wants and what their career aspirations are. At the same time, it also poses the serious question of the relevance of existing small/mid-size firms who lack expertise and exposure. This has resulted in a large pool of talented and capable Chartered Accountants being left out of the net and not being able to exploit this truly challenging opportunity. We will have to seriously address this issue of inclusive growth. Collaboration, networking, mergers, consolidation, and partnerships, are means available to create an interdependent world and a larger number of service providers.

The ICAI, along with senior professionals in industry and practice, will have to think of ways and means to help and mentor fellow professionals to meet new challenges effectively. Chartered Accountancy course is known for its meritocracy and rigour and it has produced very capable leaders over the years.

I am confident that with the collective will of all of us we can further enhance India's image as a true source of high calibre accounting and finance talent. We can also create a model that can eventually be replicated in all high growth economies and by exploiting such an opportunity, may be, one day create many an accounting firms that increases the tally of the big global firms. ■

SAFA and Challenges to Accounting Profession in the Region

The author is the President of SAFA, which gives him an authority to speak about the organisation. He draws a brief fundamental picture of the Federation in terms of its mission, objectives, membership and structure. Then, he moves on to discuss the business of this Federation *vis-à-vis* the world. Eventually, in this authoritative paper, he, with his vast professional experience in accountancy, discusses the challenges that exist before the profession, particularly for the Federation, in the light of issues like governance, ethics, risk management, integrated reporting and so on. Read on…

Mr. Muhammad Rafi

(The author is the President of South Asian Federation of Accountants (SAFA). He may be contacted at mrafi@icmap.com.pk.)

History

South Asian Federation of Accountants (SAFA) was formed in the year 1984 at the initiative of professional accounting bodies of the South Asian region, which has a bond of culture and homogeneity of professional environment.

Mission

SAFA as a forum of professional accountancy bodies is committed to positioning, maintaining and developing the accountancy profession in South Asian Association for Regional Cooperation (SAARC) region and ensuring its continued eminence in the world of accountancy; in the public interest and towards broad economic development of the region.

Membership

At present, ten professional accounting bodies from six South Asian countries, viz. Bangladesh, India, Nepal, Maldives, Pakistan and Sri Lanka, representing more than 2,30,000 professional accountants are the members of SAFA:

Full Members

- Institute of Chartered Accountants of Bangladesh
- Institute of Cost and Management Accountants of Bangladesh
- The Institute of Chartered Accounts of India
- Institute of Cost Accountants of India
- Institute of Chartered Accountants of Nepal
- Institute of Chartered Accountants of Pakistan
- Institute of Cost and Management Accountants of Pakistan
- Institute of Chartered Accountants of Sri Lanka
- Institute of Certified Management Accountants of Sri Lanka

Associate Member

- Institute of Certified Public Accountants of Maldives

Objectives

SAFA focuses on strengthening of the accounting profession and subserve in the interest of the broad economic development of SAARC region. Its chief objectives are:

1. To understand the profession in the regional context and continuously work towards its development in keeping with global trends;
2. To participate and play the leadership role on the International forums;
3. To promote harmonise accountancy profession in SAARC Region and in keeping with global development;
4. To play promotional role for the countries within its jurisdiction, where the accountancy profession does not exist or is not sufficiently developed;
5. To promote and set professional standards;
6. To act as interface between international bodies and member-bodies;
7. To promote and develop state-of-the-art research compact; and,
8. To carry out such other activities as are considered incidental or ancillary to the above or considered expedient in furtherance of the development of Accountancy in the SAARC Region.

Structure

SAFA Assembly

SAFA Assembly comprises a President, a Vice-president, a Permanent Secretary and heads of the member bodies or authorised representative of the member body.

SAFA Board

SAFA Board comprises a President, a Vice-President, a Permanent Secretary and one member from each member body. Term for a Board member is of three years. Each Board member is accompanied by a technical advisor in the meetings of the SAFA Board. The Board meets at least four times during a year.

SAFA Committees

SAFA accomplishes its objectives through the Committees which usually meet on a quarterly basis. Term for committee members is of three years. Currently, following committees are in place:

- Improvement in Transparency, Accountability & Governance Committee
- Accounting and Auditing Standards Committee
- Professional Ethics and Independence Committee
- Education, Training and CPD Committee
- Governmental and Public Enterprises Accounting Committee
- Harmonisation of Fiscal and Tariff Regimes in SAFA Committee
- Quality Control Committee
- Professional Accountants in Business Committee
- Small and Medium Practitioners' Committee

SAFA & World

SAFA is an apex body of the South Asian Association for Regional Cooperation (SAARC) that provides a platform for cooperation and regional development through the respective Governments. With a prime focus on serving the public interest in the regional economic development, SAFA has developed a strategy whereby its activities are aligned with the SAARC's areas of regional cooperation. Its various committees are fully geared to contribute towards SAARC's areas of cooperation.

SAFA is also a recognised Regional Accountancy Grouping of the IFAC. It is well-knitted in the international accounting community and its representatives regularly attend the meetings of IFAC Council and International Accounting Standards to share knowledge and developments in the accounting profession. Moreover, its member bodies are represented at the IFAC Board, International Auditing and Assurance Standards Board (IAASB), International Accounting Education Standards Board (IAESB), International Public Sector Accounting Standards Board (IPSASB), Professional Accountants in Business (PAIB) Committee and Small & Medium Practices (SMP) Committee. To share the experiences of South Asian

With a prime focus on serving the public interest in the regional economic development, SAFA has developed a strategy whereby its activities are aligned with the SAARC's areas of regional cooperation. Its various committees are fully geared to contribute towards SAARC's areas of cooperation.

and European regions and also to promote the SMPs and to strengthen small and medium enterprises (SMEs) in the regions, SAFA has entered into an MoU with the European Federation of Accountants and Auditors for SMEs (EFAA). To boost its work towards financial & sustainable reporting, it has also signed an MoU with the Global Reporting Initiatives (GRI).

Contribution of SAFA to Knowledge Base of SAARC Countries

Since its formation in 1984, the SAFA has made significant contribution to knowledge base of the SAARC countries by publishing various research papers:

1. Study of Education and Training Requirements for Accountancy in South Asia.
2. Status of Technical Standards followed by Member Bodies.
3. Comparative Study of Taxation in Member Countries.
4. Computer Education, Education through SAFA Countries.
5. Efficiency and Performance of Public Sector Enterprises.
6. Continuing Educational and Professional Development in SAFA Region.
7. Comparative Syllabi & Other Requirement of Cost & Management Accounting Bodies of South Asian Countries.
8. Project appraisal in SAFA Countries,
9. Comparative study of Auditing Practices in SAARC Region.
10. Legislation in respect to Monopolies SAFA & WTO-GATS Strategy Paper.
11. Best Practices on Corporate Governance for South Asian Countries.
12. Code of Ethics for Professional Accountants in SAFA Countries.
13. Study of Research in SAFA Member Bodies.
14. A Study on VAT in SAFA Countries.
15. Guidelines for the conduct of meetings via Teleconference/Videoconference.
16. Study on SAFA Countries Accounting Standards *vis-à-vis* International Accounting Standards and Comparative Analysis of Accounting Standards Setting Process.
17. Study on SAFA countries Auditing Standards and Auditing Practice Statements *vis-à-vis* International Standards on Auditing & International Audit Practice Statements.
18. Comparative Study on Quality Control Review Framework in force in SAFA Member Bodies.
19. Exposure Draft on SAFA Accounting & Financial Reporting Standards for Small & Medium Sized Enterprises (SMEs).
20. Exposure Draft on SAFA Standards for Not-for-profit Organisations including Non-Governmental Organisations.
21. Study on Accrual Based Accounting for Government and Public Sector Entities in SAARC Countries and Guidelines of Network amongst the firms registered with the Member Body of SAFA.

SAFA and Challenges to Accounting Profession in the Region

Competency of Professional Accountants: The foremost challenge before the accountancy profession in the South Asian region is to enhance the competency of professional accountants of the region. To address this challenge, SAFA endeavours to raise the education standard by adopting innovative methodology and modern techniques. For this purpose, it has set up a Committee on Education, Training and Continuing Professional Development which apart from education reviews the training needs of students. This committee reviews the comparative position of syllabi of SAFA member bodies with an aim of mutual recognition across the region. The Committee also suggests the ways and means for continuing development of professional accountants and keeps them abreast of the latest developments in the profession. SAFA believes that competent professional accountants can play a vital role for the success of business organisations in their respective countries and sustainable development across the region which is very important to raise the quality of life at par with the developed part of the world.

Promotion of SMPs: Small and medium enterprises (SMEs) are the backbone of the South Asian economies where population growth is outpacing the development. Despite positive economic outlook, South Asian countries still fall in the lower middle income or low income groups. For such thickly populated and low per capita income countries, SMEs generate immediate employment opportunities providing a sigh of relief to the poor. However, the professional accounting needs of the SMEs can only be met through established small and medium practices (SMPs). To support and strengthen the SMEs, promotion of SMPs is extremely important for the professional accounting bodies of this region. In order to meet this challenge, SAFA has constituted the Small and Medium Practices Committee to address the SMPs and SMEs issues. The Committee is focusing to bring in accounting standards for the SMEs with a view to increasing their productivity and profitability.

For further strengthening of SMPs in the region, SAFA is also entering into partnerships with leading accountancy groupings of the developed world. One recent example is that of European Federation of Accountants and Auditors for SMEs (EFAA) with whom SAFA has signed an MoU and arranged a couple of joint programmes for sharing the knowledge base and experiences.

Assisting South Asian Governments in Implementation of Accrual Accounting: One very important challenge facing SAFA is the introduction of accrual accounting in the Government offices of South Asian countries. Timely and accurate reporting has become essential for the Governments due to rising demand of transparency and accountability by the general public. There is an ever increasing need for Governments to reflect assets and liabilities while presenting the financial statements. Accrual accounting besides supporting decision making with timely performance analysis also provides a mechanism for control over irregularities and eradication of corruption. For South Asian countries, where majority of population is living below the poverty line and where non-documentation of the whole economy has adversely effected the tax collection, efficient financial management and accounting system would address the issues of revenue generation and poverty alleviation.

Responding to this challenge, SAFA has set up a Committee on Governmental Accounting which comprises of financial management experts and experienced professional accountants from all the SAFA member bodies. The Committee is currently studying the existing accounting systems of governments of South Asian countries, identifying the problem areas and highlighting the major constraints of cash-based accounting. Upon completion of its research study, the Committee would make recommendations for implementation of accrual-based accounting and propose way forward for efficient financial management system in the governments.

Governance and Risk Management & Control: Like other third world countries, governance and risk management and control are some of the key challenges for the public and private sectors of South Asian countries. Accounting communities of the SAFA by virtue of their knowledge and expertise are in the best position to serve the public interest in this regard and help in deploying effective governance structures and implement risk management and control systems in the public and private sectors entities. SAFA's full-fledged committee on Improvement in transparency, accountability and governance in the South Asian countries is addressing these challenges in a timely manner.

Maintaining High Standards of Professional Ethics: Another challenge to SAFA is to inculcate the professional accountants to maintain high standard of ethics as they are required to support the ethical standards in the organisations they work for. To foster the Code of Ethics right from the early stages of careers of professional accountants, the SAFA plans to motivate the member bodies to reinforce their curricula on the code of ethics and arrange awareness programs right at the students' level.

Integrated Reporting: In today's modern world, financial reporting is being overtaken by the integrated reporting. With fast changing information needs of different stakeholders, the business organisations are also expected to become more receptive to the changing reporting requirements. Consequently, professional accountants of the SAFA, who until now were emphasising on the financial reporting only, are also required to reposition themselves and review their approach towards business reporting. SAFA encourages the member bodies for developing a new business reporting model that could highlight every area of operations and enable different stakeholders including customers, suppliers, regulators, employees, senior management, Board and stockholders to assess the overall performance of the business organisation and gather a clear understanding of organisation's future outlook. ■

Future of Accountancy Profession in Sri Lanka and Scope for Indian Chartered Accountants

"The future strategy relating to our profession has to be calibrated with the global profession. However, in these strategies, it is imperative that our local and regional realities and nuances are adequately addressed. The way forward would be for the regional grouping, for example, CAPA, SAFA and ASIAN to participate in the due review process of standards jointly. Such joint ventures are likely to evoke better responses as against isolated representation made by the member bodies. The Indian accountants also can play a significant role in engaging in regional collaborations to develop standards and best practices which are sufficient and appropriate to our own region," so writes the author. Read on…

Mr. Sujeewa Rajapakse

(The author is President, The Institute of Chartered Accountants of Sri Lanka. He can be reached at sujeewa@bdo.lk)

The history of accounting is as old as civilisation, and accounting is undoubtedly among the most important professions in economic and cultural development. As civilisation began around villages and developed into empires, accountants invented record keeping systems and kept running inventories of trade and distribution payments. The current world of business and accounting is based on the computer and the information revolution which has been progressing for nearly fifty years and is continuing into the 21st century.

The modern accountant does not merely have to cope with organisational change but is required to possess skills that are traditionally not known to the accounting profession. Accountants in the management team today do not have to only cope with technological transformation and accounting practices, but also keep abreast of the latest theories and developments in global accounting and managerial practices.

With the economy, in the midst of a turnaround, accountants are under tremendous pressure to make sure that operating costs are leveraged and cash flows are maximised. Additionally, they are expected to have their finger on the pulse of the information in order to predict operating performance with precision. These challenges are further compounded by the expanded regulatory compliance responsibilities and financial reporting requirements. Under performance pressures from shareholders and boards, CEOs are, in turn, raising the bar for accountants. They are tasking them with helping to meet today's challenging - yet, to some extent, conflicting - expectations for aggressive growth, while at the same time managing risks and costs. Therefore, the role of an accountant is becoming more and more challenging, since the job description keeps changing.

The future direction of our profession should be recognised and interpreted against the economic, social, technological and diversified development all over the world. Our members should view these developments with utmost seriousness and specially focus on our role as professional accountants. It is no longer personnel management but human resources management; not simply knowledge of Microsoft Word and Excel, but being familiar with computerised financial packages and fully integrated e-solutions; negotiations are not simply with parties within the country but across borders.

The accounting profession has never been called upon to deal with so many challenges as it is confronting today. A seemingly endless flow of high profile accountancy scandals has found its way into newspaper headlines over the past decade eroding the public confidence in the profession. The challenge that is facing the profession is clear and the future depends on how well it can face and overcome the challenges in respect of governance and ethics that confront it.

In considering the future, an important consideration is whether the present financial reporting model could continue to sustain in the future. In recent years, significant efforts have been made to improve financial reporting. Sri Lanka has decided to converge with International Financial Reporting Standards and the new framework of Accounting Standards is effective from 1st January 2012. The Institute of Chartered Accountants of Sri Lanka will keep a track on continuous developments of financial reporting worldwide and apply necessary adjustments to the local system in order to keep pace with the international challenges.

Has the financial reporting value chain become stronger? Has it become more or less relevant? What further steps are necessary in the future to make financial reporting more effective? The beneficial effects of financial reporting process over the last few years include, improvements to regulations governing financial reporting, increased oversight, management taking ownership of the financial reporting process and improved internal control over financial reporting systems supported by improved technology for preparing such reports.

However, there are areas of concern that should be addressed in the future. One such area is the need to comply with more than one set of financial reporting standards. Another is that although business transactions have become more complicated overtime, the use of fair value within IFRS has gathered momentum. However, the resultant complexity and confusion within the financial reports, is an issue to be continuously monitored in the future. Further, the current debate regarding how financial reporting standards should be written and whether they should be principles based or rules based will continue to stalk the profession.

Accountancy profession has no option but to accelerate the process of harmonisation in the future. If the gaps continue, investors both individual and corporate would not be able to compare the financial results of different companies internationally as well as nationally in making investment decisions. The cross border investments will increase in the future and only a few analysts will be able to follow shares in international markets if the gaps continue. The Government of the country would save time and money if international standards are adopted and if these were used internally. Further the government of the country could attempt to control the activities of

The Internet will have a major impact on financial reporting by developing a culture of real time reporting. The accountants will no longer be carrying huge log books as their palm top will provide every sense of understanding and knowledge at a single fingertip. A shift to real time reporting would have a significant impact on the auditing profession. Financial reporting on the Internet will raise new challenges that would have to be resolved.

foreign multinational companies in their own country.

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Sri Lanka has commenced the deliberations on establishing limited liability partnerships. The United States and the United Kingdom are already ahead in permitting professional accounting practices to operate under the conditions of limited liability by forming limited liability partnerships. The risk of liability can be managed by permitting and introducing liability caps, where a claim is limited to a number of times of the fee. The progressive discussions on establishing limited liability partnerships will also influence the accounting profession in time to come.

The uncertainty as to the auditor's liability to third parties with whom he has no expressed contract will continue into the future. Unfortunately in spite of volumes of case law, reflecting centuries of judicial wrangling, intelligible criteria have not been laid down in this regard. Should the auditor continue to address the audit report only to shareholders, ignoring other stakeholders? After all, if these interest groups are ignored, could the auditor succeed in furthering 'public interest' — the overriding objective of the accountancy profession?

Environmental matters affecting businesses are wide ranging and in the future more and more areas will be added to the list. They have now extended beyond matters concerning population and environment, to matters concerning sustainability and social responsibility. These changes would influence financial reporting also by requiring the accountant to have a clue on fines, penalties, environmental and social related costs, etc. The going concern status of the companies that are in breach of licenses or regulations imposed by the government will also affect financial reporting. These matters will be of increasing significance to auditors to present his opinion on true and fair status of the financial reports. Companies and their auditors can no longer afford to ignore the environmental matters because the implications of doing so are very serious.

The future audits will have multidisciplinary teams, with specialist skills in risk and business processes. Some engagement teams even at present include industry specialists representing engineering, banking, information technology, economics and others. Therefore, the nature of the audit planning, documentation and execution will have to be modified based on the timely requirements. Further, the accountancy profession will have to cope with the fast growing new financial products such as Islamic finance.

Transparency, independence, ethical behaviour and integrity, etc., are modern day terms frequently used and abused, nonetheless they carry a deep and relevant meaning in our profession and are timeless values that like no other, will determine the future of the profession and its members. Therefore, the focus on ethics and corporate governance will immensely increase in the future which will automatically influence the financial reporting and auditing.

The recent financial crises that encompassed the world brought to surface brutally the importance of ethics in the make-up of a professional and governance in the make-up of a business entity. The future of accountancy profession will, in my view, depend on a few but fundamental core values which the profession must seek to hold sacred and timeless, during the best and worst times. To capsulate, this would be to ensure that public trust and public confidence is maintained consistently and at uncompromising levels, whether an accountant serves in the profession or industry and regardless of whatever designation he/she might carry. Transparency, independence, ethical behaviour and integrity, etc., are modern day terms frequently used and abused, nonetheless they carry a deep and relevant meaning in our profession and are timeless values that like no other, will determine the future of the profession and its members. Therefore, the focus on ethics and corporate governance will immensely increase in the future which will automatically influence the financial reporting and auditing.

Stakeholder dialogue is an excellent process used by many organisations around the world to understand the expectations of key stakeholders, and to prioritise and develop plans that meet those expectations. One of our challenges will be to identify our key stakeholders and engage them in effective dialogue, and more importantly delivering on their expectations. The Institute has stepped in to lead this through its strategic plan and has allocated sufficient resources to ensure the successful achievement of its objectives.

There is a growing need to improve the financial reporting architecture of the provincial councils, municipals and other local government entities. Financial management of these institutions is not in the hands of the professional accountants. The government should take swift action to employ professional accountants to introduce and monitor financial controls of these entities.

The future strategy relating to our profession has to be calibrated with the global profession. However, in these strategies, it is imperative that our local and regional realities and nuances are adequately addressed. The way forward would be for the regional grouping, for example, CAPA, SAFA and ASIAN to participate in the due review process of standards jointly. Such joint ventures are likely to evoke better responses as against isolated representation made by the member bodies. The Indian accountants also can play a significant role in engaging in regional collaborations to develop standards and best practices which are sufficient and appropriate to our own region.

I suppose that we have a responsibility to identify and establish standards, pronouncements and best practices which are relevant to each local context and more specifically to regional context. Therefore, we should effectively engage in sharing our views and thoughts on different accounting and auditing standards and pronouncements issued by international authorities and bring the regional specific matters to the attention of international authorities. Further, the challenges which have been addressed in this article are not unique and specific to Sri Lankan context, whereas Indian chartered accountants also may have to have different weights on different challenges. Therefore, Indian chartered accountants also should consider the extent and impact of these challenges and make necessary arrangements to face them in the future.

India and Sri Lanka have been associating closely in different ways over the past few decades. We have been sharing the resources and information in carrying out necessary technical and research activities and dissemination of knowledge among the chartered accountants of the two countries. I hope that we can continue and enhance the existing relationship by sharing the expertise and knowledge.

India and Sri Lanka have been associating closely in different ways over the past few decades. We have been sharing the resources and information in carrying out necessary technical and research activities and dissemination of knowledge among the chartered accountants of the two countries. I hope that we can continue and enhance the existing relationship by sharing the expertise and knowledge. We can organise seminars, workshops, awareness programmes, training programmes collaboratively in India and Sri Lanka with the objective of developing the human capital base of the two countries.

Representing the accounting profession of Sri Lanka, the Institute of Chartered Accountants of Sri Lanka has been able to identify and evaluate the challenges that it will face in the future. Those challenges have been well addressed in CA Sri Lanka's strategic plan in order to find solutions to critical matters that may confront in the time to come. The plan focuses on the importance of recruiting the high caliber employees who can drive the future challenges of the institute, upgrading the examination syllabi regularly to be on par with international benchmarks, disseminating latest knowledge on technical developments around the world, keeping the members abreast of the technological advancements and motivating the membership to prioritise continuous professional development. The future direction on these lines will take the profession to a higher plateau, which will enable us to cater to public interest requirements more effectively.

In conclusion, it can be said that the accountancy profession is destined to have tremendous opportunities in the future by the very fact that it has a critical role to play if we are to alleviate poverty and achieve sustainable economic development. These opportunities will clearly be amidst unpredictable changes and various challenges. The profession will survive not only by staying relevant and market oriented, but also by not losing sight of its core purpose as custodians of transparency, integrity and ethics in financial reporting as well as in other roles. If the right choices are made, the profession will be recognised both nationally and globally, for its influential role in creating wealth and prosperity, and contributing towards fair financial reporting and thereby earning justifiable public confidence. ■

The Future of Accounting – A Canadian Perspective

Prince Phillip once said that change is a challenge and an opportunity, not a threat. That's the view Canada's chartered accountants have taken as they work through a period of unprecedented change in the profession. It's a change that offers tremendous opportunities for Canadian CAs and for internationally trained accountants seeking to become Canadian CAs. In early 2011, CICA took an important step to help increase access to the CA profession in Canada, signing a Memorandum of Understanding (MoU) with the Institute of Chartered Accountants of India (ICAI). The MpU recognises the similarity of accounting education for CAs in both Canada and India and will reduce the admission requirements for qualified CAs from India by making them eligible to become Canadian CAs upon passing the Canadian Uniform Evaluation (UFE) and meeting the profession's experience requirements. Read on …

Kevin Dancey

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Global Business Environment

Two major forces are driving change.

First, the rapidly evolving nature of the global business environment itself: This includes trade policies that support greater economic integration, the accelerating rise of multi-national businesses, and converging auditing and accounting standards established by international bodies. All are redefining the accounting profession and driving a need for multi-country recognition and greater mobility for accounting professionals.

In addition, financial events around the globe have clearly demonstrated that the world's countries and their capital markets are increasingly interdependent.

Regulators, policy makers, and standard setters in Europe, the United States and elsewhere are considering changes to improve confidence in the financial system. One focus is audit quality.

To ensure Canada has a voice in the discussions, the Canadian Public Accountability Board and the Canadian Institute of Chartered Accountants (CICA) have launched the *Enhancing Audit Quality* initiative. Perspectives gained through consultation will provide a clearer picture of Canadian stakeholder views on international audit reform proposals that will be shared with standards setters, regulators and policy makers in Canada and abroad.

Yes, globalisation imposes vast new challenges on the accounting industry. But, it also presents tremendous new opportunities for those in the industry who embrace the continuous, accelerating forces of globalisation.

International Standards

While Canada is highly regarded for the quality of its accounting standards and the independent, objective and transparent structure we use to develop standards and guidance, we have moved to International Financial Reporting Standards (IFRSs) for publicly accountable enterprises.

This is a reflection of the fact that Canada's public companies compete in global capital markets. Adopting a single set of international accounting standards improves the comparability of financial reporting for investors and improves access to capital for Canadian businesses.

Beyond IFRS, all across the accounting landscape, globalisation is a driving force.

For example, Canada has also joined more than 100 countries worldwide that have adopted International Standards on Auditing (ISAs) for the audits of financial statements. These new standards are clear, understandable and capable of consistent application in conducting high-quality audits.

Maintaining an Influential Voice

Canadians have been actively involved in the development of international standards since discussions were first initiated in 1963. Canadians continue to hold positions of international prominence -- and Canada intends to continue to play an active role in influencing the international standard-setting agenda.

The challenge going forward is to remain pro-active. Ours is a respected voice and there is a long list of opportunities for participation. This includes including providing assistance with the technical agenda, advancing the research agenda, getting involved in issue identification and priority setting, and responding to requests for comment on new and changing standards. It is important that these international standards be appropriate for Canadian market needs.

But managing the changes brought on by globalisation – and capitalising on their opportunities – requires that Canada's accountants speak with a strong, unified voice, particularly as more and more countries adopt international standards and demand a seat at the decision-making table.

To facilitate this, the Canadian Institute of Chartered Accountants (CICA) has joined with Certified Management Accountants and the certified general accounting bodies in the provinces of Quebec and Alberta, in a commitment to explore the merits and feasibility of uniting their national and provincial organisations across Canada under a new designation – Chartered Professional Accountant (CPA).

Accounting in Canada has been operating within a structure that has remained largely the same for decades. And despite the forces for change buffeting the profession from all sides both domestically and internationally -- and the examples of emerging global strategic alliances among accounting organisations -- these structures remain largely intact.

While there has been some convergence across a number of practice areas, the accounting profession in Canada today continues to be largely fragmented. Multiple designations operate within a complex and costly system of numerous legislative and regulatory frameworks. In total, across Canada there are 40 different accounting entities responsible for regulating members, students and accounting firms. The reality is that shared provincial-federal jurisdiction in Canada adds complexity to professional regulation and oversight.

Uniting the Canadian accounting profession under the Chartered Professional Accountant designation

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The second major force driving change in Canada's accounting profession is demographics. As with the Canadian population generally, the average age of the CA profession is rising and many of our "boomer" members are at or nearing retirement age. The profession's talent pool is on the verge of losing its most experienced members.

(CPA) would establish a strong voice both at home and abroad – one that is independent, influential and respected, effectively representing the profession, businesses and the public interest in Canada through a coherent, single voice.

We firmly believe the designation will evolve into an internationally recognised business credential. It's clearly time for a change. Globalisation has merely increased the need.

Changing Demographics

The second major force driving change in Canada's accounting profession is demographics.

As with the Canadian population generally, the average age of the CA profession is rising and many of our "boomer" members are at or nearing retirement age. The profession's talent pool is on the verge of losing its most experienced members.

This situation is not isolated to the accounting profession in Canada.

The generations behind the "baby boomers" are much smaller and this, combined with a below-replacement birth rate, leaves Canada facing a shortage of skilled workers.

The Canadian Chamber of Commerce says Canada's overall skilled labour shortage is becoming desperate and threatens the country's global economic competitiveness. In a February 2012 report, the Chamber said that as Canada's population ages, the demand for specialised skills will increase, exacerbating the growing shortage of highly skilled labour and threatening Canada's ability to keep up in a global, knowledge-based economy. In fact, the Chamber said, the skilled labour shortage is the top of 10 barriers to increasing Canada's international competitiveness.

The Conference Board in Canada, estimates that there will be a shortfall of 3 million skilled workers in Canada by the year 2020 and a survey by Canada's Federation of Independent Business says that one out of 20 jobs remains unfilled because of an inability to find suitably skilled labour across the workforce.

These sobering statistics led the Canadian Chamber of Commerce to call for professional associations, business and government to work together more closely to meet this challenge by attracting potential workers from a range of sources including, significantly, immigrants.

Canada's Chartered Accountants had already been playing a leading role in helping internationally trained accountants become Canadian CAs. In 2011, CICA launched a website for the profession to help internationally trained accountants understand the process of becoming a Canadian chartered accountant. The website was created with the input of qualification experts from provincial institutes across the country and was funded by the foreign credential review program of Human Resources and Skills Development Canada.

The site, www.BecomeaCAinCanada.ca, clarifies the requirements for internationally trained applicants, provides a harmonised online application process and answers many questions faced by internationally trained professionals in Canada and abroad. It includes a growing collection of materials for internationally trained professionals, links to government websites and a downloadable application form that can be submitted to the provincial institute/ordre where an applicant wishes to become a member.

Canada's Chartered Accountants now are into the second wave of initiatives aimed at helping internationally trained accountants become CAs by making the process clearer and easier. The federal government is contributing $1.4 million over the next three years to the Canadian Institute of Chartered Accountants (CICA) to assist with this phase.

The basis for these initiatives was a series of focus groups that CICA conducted across Canada with internationally trained accountants who had become Canadian CAs. The goal was to better understand their information needs. The resulting website also provides valuable information for employers of internationally trained accountants, as well as to individuals wishing to know more about becoming a Canadian CA.

Since activation, the site has received more than 25,000 visits – almost 10% of them from India and the remainder from accountants all over the world.

This initial work represents an important step forward but things are not yet where they need to be. Initiatives currently being worked on in conjunction with the provincial institutes will help the profession get to the right outcome.

The planned initiatives include an online assessment of credentials of an internationally trained accountant against the CA Profession's qualification requirements, and several new bridging programs.

MOU with ICAI

In early 2011, CICA took an important step to help increase access to the CA profession in Canada, signing a Memorandum of Understanding (MOU) with the Institute of Chartered Accountants of India (ICAI). The MOU was signed by the CICA on behalf of the provincial institutes/Ordre of chartered accountants and the Institute of Chartered Accountants of Bermuda, which has long been affiliated with the CICA.

The MOU recognises the similarity of accounting education for CAs in both Canada and India and will reduce the admission requirements for qualified CAs from India by making them eligible to become Canadian CAs upon passing the Canadian Uniform Evaluation (UFE) and meeting the profession's experience requirements.

The three-day UFE consists of three papers and set by the profession's Board of Evaluators. Candidates have one day to write each individual paper. These papers challenge candidates to demonstrate their competence by responding to simulations and business scenarios representing the kinds of challenges they have faced during their work experience. To write the UFE, candidates must register with the appropriate provincial institute/Ordre. There is an optional -- but strongly recommended -- preparatory course offered by the CICA to help candidates prepare to write the UFE.

An ICAI member's international experience also is considered.

Financial Literacy

According to Visa's 2012 Global Financial Literacy Barometer, many people in India have set aside savings to weather a financial rainy day but the lack of money management discussions in the family may set the stage for their children to struggle with finances.

The Barometer assessed and ranked the financial literacy levels of people in 28 markets. The survey found that the average savings set aside for an emergency among Indian respondents is 1.9 months, close to the average of two months. Respondents from China were the best at 3.9 months, followed by Taiwan (3.7 months), Hong Kong (3.5 months), Japan (3.3 months) and Canada (3.2 months).

The CICA is an active participant in the effort to improve financial literacy in Canada. We firmly believe that helping Canadians develop financial knowledge is critical to Canada's ongoing economic strength and prosperity. The CICA issued the findings to two separate studies focusing on financial literacy in 2011.

The first survey found that Canadians clearly want financial literacy for our youth but rising debt and insufficient retirement savings highlight a need for help at all ages – childhood to retirement.

The second survey focused on Canadian youth and found that parents who are most successful at teaching money management skills familiarise their children with the family's financial situation.

A Parent's Guide to Raising Money-Smart Kids, recently published by the CICA, is designed to put parents at ease when preparing their children for life's important financial decisions.

The convenient format of the CICA guide allows parents to quickly zero in on the information they need. Each chapter describes how to approach money management with a specific age group and discusses the essentials of financial literacy – earning, saving, spending, sharing and investing. Age groups covered are: children aged five to eight, pre-teens, teenagers and young adults.

Beyond the Parent's Guide, the CICA is looking to help CAs get involved in their respective communities and one avenue being explored involves lunch 'n learn financial literacy seminars. These sessions would be led by volunteer CAs and cover a variety of financial topics. We also have a website dedicated to financial literacy (www.financialdecisionsmatter.com) featuring numerous resources.

Final Thoughts

In today's global marketplace, it is essential that organisations and associations make the best and most effective use of talent. In Canada, we are doing just that.

Canadian CAs have embarked on a journey of unification in an effort to best protect the public interest by creating a common set of high ethical and practice standards and to strengthen the profession's influence and value both at home and internationally. To effectively represent the profession, business and public interest in Canada, we must have Canadians speaking for Canadians through a coherent single voice.

At the same time, the profession is opening its doors to candidates from countries around the world through a series of initiatives that will enable internationally trained accounting professionals to become an integral part of the exciting future of accounting in Canada. ■

Social Responsibility of Chartered Accountants

ICAI – Partner in "Nation Building" is a slogan that constantly reminds us about our Social Responsibility to the society. Late Shri Gopaldas P. Kapadia (First President of ICAI), in his book "*History of the Accountancy Profession in India*" explains the social Responsibility of a professional. He has observed that in discharging our duties and while performing our various functions, the paramount consideration which should weigh with our members is that they are not merely performing a particular duty to earn emoluments, but that they are discharging a wider function and a moral obligation of providing service to the community and is accountable to the society and the country. He has also observed that a CA professional should be alive to the changes in the social and economic order and should identify himself with the social stream. In this manner, a professional should involve himself in all civic affairs, writes the author. Read on…

CA. P. N. Shah

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The role of our members should not be circumscribed to one entailing the performance of a particular function with a motive to make profit. A CA professional should attach greater significance to the tangible contribution that can be made in respect of the vital issue of public accountability and the positive role that he can play as a professional to the service of the nation.

To be a true professional, our members should emulate the qualities of late Shri Nani Palkhivala. Dr. Manmohan Singh, in his condolence message on the demise of this great professional, stated that " for many of us, he was a friend, philosopher and guide to whom we could always turn for a sane advice ... He was one of our most eminent jurist who used his vast knowledge, wisdom and experience for the improvement of the human condition, in particular, in promoting the cause of probity in public life in our country".

A professional is able to command respect in the society because he is described as one who places public good above his personal gain. The Government, Financial Institutions, Clients, Employees and all other users of services of a professional, directly or indirectly, rely on the objectivity and integrity of the professional. This reliance imposes a public interest and social responsibility on all professionals, whether they render services in the field of accounting, legal, medical, engineering, architectural or other professional fields.

Fundamental Principles

The character and integrity of a professional will depend on his personal qualities. This will depend on the environment in which he is brought up, taken his education and training as well as his workplace. In other words, it depends on his *SANSKAR*. However, his position can be strengthened only if the regulating professional body is able to guide and encourage its members to live up to the high ethical and professional standards. The prestige and confidence enjoyed by a professional, to a great extent, depends on the strict and scrupulous manner in which the professional code is implemented by the regulator.

What is necessary is to create a public image that members of a professional body are competent, that they are keeping public interest above self interest, that they are honest and that erring members are awarded punishment expeditiously. For this purpose, our Institute has identified certain fundamental principles by which every CA professional should conduct his professional and other dealings with others. These principles relate to (i) Integrity, (ii) Objectivity, (iii) Independence, (iv) Confidentiality, (v) Professional Competence, (vi) Ethical Behaviour and (vii) Conduct in other fields.

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A CA professional who keeps the above principles before him and adopts them in his day-to-day professional and other activities can achieve great success in his life. One may say it is difficult to adopt all these principles in the present day environment. However, if a professional wants to have peace of mind and get inner satisfaction of having served the society, he will have no option but to follow the path identified by the above principles.

Profession *vs.* Business

The essence of a profession is "pride of service in preference to personal gain". In contrast, a person engaged in a business may keep maximisation of profits as his motto. In recent years, there are some professionals who try to carry on the profession as a business venture. If we examine the legal provisions governing our profession, we will notice that the emphasis in these provisions is on that no member in public practice should engage in any other business. Such a professional cannot enter into partnership with non-professional for carrying on a business. When a person is carrying on a particular profession, he has to observe high standards of integrity, objectivity, independence and confidentiality. In other words, he has to carry on his professional activities in a professional manner and not as a businessman.

Father of our Nation, Gandhiji, has observed in his messages that businessman should consider himself as a trustee and not owner of the business organisation in which he is working. If the spirit of trusteeship is inculcated by the business community and businesses are carried on in a professional manner, the society at large will greatly benefit. The welfare of the down trodden in our society can be achieved only if businesses and professions are carried on with integrity, honesty, objectivity and with the spirit of trusteeship.

Corruption - The cancer of corruption is now all pervasive. It starts from the top and spreads to the bottom. Those in charge of governance indulge in this illegal activity and those who are governed feel that they have no other option but to participate in this activity even for getting legitimate things done. This has resulted in fall of moral standards in the society. If this trend is not reversed, our economic development will suffer. Our members will have to take a lead and educate the people to resist participation in illegal activities. It is in this field that the business community has to co-operate with our members.

***Social Welfare* -** The basic need of all human beings is Food, Clothes, Shelter, Education, Medical facilities and Employment. Lots of efforts are required to improve the quality of life of the common man, now called *AAM ADMI*. Our Government is allocating funds for the improvement of roads, houses, food, water supply, education, medical facilities etc. for the common man in villages and urban areas. But the mechanism for implementing these schemes is faulty and generally no real benefit accrues to the deserving persons. Improvement in implementation of these schemes can be made only if our members take the lead and impress upon the business community to co-operate in this effort and set up NGOs to implement these schemes in the spirit of service and trusteeship. Our Institute can take a lead in this field and guide our members about the manner in which this goal can be achieved.

Black Money - Generation of Black Money and its stashing abroad in the tax havens and offshore financial centres has dominated discussions and debates in Parliament and in Public forums in recent years. In the White Paper on Black Money recently laid before the Parliament, this problem and its complexities have been discussed in detail. ICAI has also made a study of this subject and submitted its report to the Government. In order to enable our members to discharge their social obligations, the Institute will have to guide them about the manner in which they can help the authorities combat this menace of Black Money.

To Sum Up

In this article, an attempt has been made to explain what qualities a CA professional has to have in his life. When a person wants to choose his career and take a decision whether to join a business or profession, he should be ready to make sacrifice if he selects to join a profession. He will have to keep in mind that Motto of a professional should be service to the society at large. He has to place public good above his personal gain. The role of our Institute is to imbibe this spirit of public service and explain the importance of Ethics and inculcate the seven fundamental principles enumerated above to our members.

Before concluding it would be appropriate to quote from the concluding chapter of Vol. I of "*History of Accounting Profession in India*," by late Shri G.P. Kapadia. In this passage he has explained the Social Responsibilities of our profession:

Father of our Nation, Gandhiji, has observed in his messages that businessman should consider himself as a trustee and not owner of the business organisation in which he is working. If the spirit of trusteeship is inculcated by the business community and businesses are carried on in a professional manner, the society at large will greatly benefit. The welfare of the down trodden in our society can be achieved only if businesses and professions are carried on with integrity, honesty, objectivity and with the spirit of trusteeship.

"Throughout the world there is a great awareness amongst the citizens in general that every learned profession should develop a real sense of social purpose and social obligation and this should be more so in the case of the accountancy profession, which, because of the present context in the country, has assumed considerable importance. The Chartered Accountant is a person on whom every section of society could rely and rely strongly. His certificate would be one by way of a seal and a hall-mark which would at once inspire confidence in the minds of all concerned as certification by a person fully competent and holding a charter from the Supreme Legislature of the country for the purpose. In the performance of any type of duty, the Chartered Accountant would have to think not only of the interests that he is serving, but of the general interest that he is expected to serve in his relation to society. He must be above reproach, he must reflect the highest ethics of the profession, he must possess the expert knowledge which can throw light on important problems and issues and he can by his accomplishment and behaviour assume his rightful place as one who can give and provide the necessary guidance in respect of all matters relating to his specialised field of knowledge. While service is rendered to the person who engages, the paramount consideration has to be that the approach is ethical and the duties should be so discharged as to merit public appreciation and any malpractices at the hands of the client should not be tolerated and in matters where there is even a semblance of a doubt in his mind about the existence of any malpractice, it should be his bounden duty to stand up against it and to make his comments without fear or favour."

This quotation holds good even in today's environment where we are trying to meet the challenges to the accounting profession in India. ■

Indian Chartered Accountants as Brand – Present and Future

Our Accounting profession has undergone various phases of development. After independence, stalwarts in the profession were able to convince the government the need for legislation to regulate the accounting profession and Parliament enacted The Chartered Accountants Act on 1st July 1949. Since then, year after year, we have grown both in the quantity and quality. The membership rose from a meager 1689 to a little over 194792 as on 15th May 2012. The number of Branches and Chapters of the Institute – within and outside India reached the figures of 133 and 21 respectively. Almost all the members were in practice when the Institute was born but today only less than 35% are in practice and the rest are in private employment, education, government service and business, both within and outside India. The brand value of our members has increased manifold during the last 63 years of the existence of our Institute and is still in increasing mode.

CA. B. P. Rao

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Present

Till some time back, we had been confined mainly to area of assurance practice and tax practice both direct and indirect. But now, in addition to this limited area of work, the members have assumed the leadership with difference. Now, members are closely involved with business decisions in mergers and acquisitions, project consultancy, advisor to the group, while maintaining the business ethics in all these dealings. Today the services of a Chartered Accountant are indispensable to take care of the finance in any commercial organisation. Many of our members are serving in the Boards of the

Companies in the capacity of independent directors who are adhering to the principles of good corporate governance. Most of the audit committees of the corporate are headed by Chartered Accountants due to their domain knowledge in accounts, business law, internal controls and procedures and finance. Many of our members are heading and leading companies as CEO. It is very common to find Chartered Accountants as Chief Financial Officers of the companies. Our members have created a brand in corporate sector which is considered as a guarantee for good governance of the company. The contribution of CA in establishing the good corporate governance is immense and we can proudly say that the contribution of the CA by that way in the economic growth of the country is immeasurable.

Enlarged Scope for CA's

The scope of work for CA's has enlarged to encompass financial reporting, auditing and assurance, arbitration, risk management, corporate finance management, accounting information system audit, corporate law, direct taxes, indirect taxes, energy audit, environment audit and valuation of business. The governments, the regulators of capital market, banks and insurance regulating authority increasingly trust the role of CAs and have entrusted them with the responsibility of certifying various documents under legislations like RBI, SEBI, insurance companies, Income-tax Act 1961, Companies Act and other allied laws. The trust which has been reposed on CA's can be seen in the introduction of Tax Audit in the year 1984 for the business turnover of 40 lakhs and above which remained unchanged till a couple of years ago in spite of substantial increase in the threshold exemption limit in Income-tax Act. The amendment in cooperative society's acts in many states in the recent years to introduce mandatory audit by Chartered Accountants has proved beyond doubt that governments want to bring more quality and transparency in the financial statement of cooperative sector.

The scope of work for CA's has enlarged to encompass financial reporting, auditing and assurance, arbitration, risk management, corporate finance management, accounting information system audit, corporate law, direct taxes, indirect taxes, energy audit, environment audit and valuation of business. The governments, the regulators of capital market, banks and insurance regulating authority increasingly trust the role of CAs.

After the liberalisation and globalisation, the Indian Economy has grown and has become fourth biggest economy of the world. India is attracting foreign fund flow continuously by way of project investment and capital market investment. Many foreign companies have started their activities in India resulting in substantial amount of professional work to CAs such as due diligence report, formation of companies, preparation of basic documents for registration with various authorities, advice on foreign exchange and FEMA. The foreign entities are entrusting the CAs with full responsibility on the basis of the brand and image enjoyed by the members.

In India, ratio of practicing members and members in employment has come down to 30:70 compared to 50:50 during 1990's. This was due to enlargement of scope for members in industries after the opening up of economy in the year 1990. GDP of India comprises 19% from agriculture, 26% from manufacturing and the remaining 55% from services. Except agriculture, chartered accountants are involved in all other economic activities in different capacities namely assurance provider as statutory auditors, internal auditors, management auditors, tax auditors and in employment as CEO, CFO, head of finance, accounts managers, etc. We can find our members involved in every field of activity like stock broking, arbitration, Income Tax Tribunal, Parliament, ministries, industry associations, universities, etc. Many of our members have obtained doctorate degrees from various universities. The chartered accountants are involved in every activity of economic growth.

Recently, Corporate Affairs Minister Dr. Veerappa Moily has acknowledged the contribution of Chartered Accountants in the orderly growth of corporate sector and the success of computerisation of entire information through the launch of e-governance MCA 21. Our members are known for their excellence, integrity and independence. I consider our members as main drivers of the economy of the country. Growth story of India will continue. It is only in our members one can see all desirable qualities like hard professionalism, independent approach, practical skill and knowledge, integrity and trusteeship which have helped our profession to build a great brand for our members. Today Chartered Accountants are seen as separate class of people who can be trusted whether they are

The Vision statement meaningfully explains the long term goal of the Institute which should be achievable in the next 18 years. We should not only be the leading accounting body but also the number one accounting body in the world. Today we are second biggest accounting body in the world next only to American Institute of Certified Public Accountants. Considering the demographic dividend we enjoy it will not be difficult to achieve the goal.

practicing members or are employed for the corporate, advisors or as a friend. Society has recognised our contribution and the moment we tell them that we are CA's, they recognise us as torch bearers of the society. Strict code of conduct applicable to other misconduct i.e. other than professional misconduct has great impact on our members when they are out of their office, which has helped the profession to maintain its brand image as chartered accountant.

The demand for the Chartered Accountants is such that the leading Indian corporates are participating in the campus recruitment arranged by our Institute. There was no special consideration while offers were made to our members by the banks and financial institutions till a couple of decades ago, but today, banks are participating in the campus interview to recruit the freshly qualified members. Banks prefer Chartered Accountants for the reason that our members can quickly adapt to the new environment of computerisation and for their expert knowledge and analytical ability.

Our examination system is undoubtedly one of the best in the world. The standard of evaluation of the students has been maintained in the same level for the last six decades. Every year thousands of students from various colleges and universities with different standards of education are joining our Institute with a hope to become a Chartered Accountant, but many of the students are not able to meet the standards set by our Examination Committee. The agony in the minds of the students can be seen when one of the intermediate students wrote a sentence below *Jesus never fails,* as "*please try intermediate examinations of CA*". The Institute and members should feel proud about the standard and quality the Institute has maintained in the examination which has resulted in producing excellent world class professionals. Institute has created a brand by itself and there is a special response to the Indian Chartered Accountants in the world map of accounting profession.

Members Abroad

Indian Chartered Accountants have spread their wings in a number of countries of the world and made their presence felt with their expertise knowledge, professionalism and technological empowerment. Business houses in many countries prefer Indian CA's to their peers due to sheer strength of their knowledge and capabilities. Particularly in the Middle East, Indian CA's are thriving and the number of members employed by this region prompted ICAI to establish 21 Chapters. Most of these Chapters were established long ago and all the Chapters are active in conducting professional seminars and conferences for the benefit of the members. The members are complying with requirement of CPE voluntarily.

We also have members in many countries other than Middle East like Canada, Australia, New Zealand, UK, USA, Singapore, etc. Our members are able to adapt to any situation in any country and they have the capacity to render professional services not only in the accounts and audit, but also in financial management, project evaluation and marketing. Many of our members are appointed as CFO in multinational corporations and they are doing exceedingly well.

The accounting is one among many areas in the service sector that currently faces a challenge in changed world environment. But, the Indian Chartered Accountants are in an advantageous position to provide the skills and services to different sections engaged in International Trade. There is a need to understand the World Trade Organisations regime and the importance and the implication of various rules that could affect on the continuous trade activities and relations. The Chartered Accountants have to be aware of the consequences of implementation of particular trade laws on the Indian Economy and is necessary to negotiate with the other country keeping interest of the national economy. Our members are well known for their analytical ability, technical skills and meticulous work. Their experience and knowledge provides an excellent opportunity which has been created for the advancement of the scope of the profession.

Future

Future of the profession will be very interesting and challenging. It will be challenging because there will be severe competition not only among Indian CAs but also among accountants of the world as there will not be restriction on movements of the work and mutual recognition of qualification by the other countries. Keeping in view of the future challenges for the profession, our Institute has rightly come out with VISION 2030 statement:

'*To become World's Leading Accounting Body A Regulator and Developer of Trusted and Independent Professionals with World Class Compentencies in Accounting, Assurance, Taxation, Finance and Business Advisory Services*'

The Vision statement meaningfully explains the long term goal of the Institute which should be achievable in the next 18 years. We should not only be the leading accounting body but also the number one accounting body in the world. Today we are second biggest accounting body in the world next only to American Institute of Certified Public Accountants. Considering the demographic dividend we enjoy it will not be difficult to achieve the goal.

The vision of developing trusted and independent professionals has a lot of meaning in the present day context. We can retain our brand as a separate class of professionals if we can retain the trust reposed on us by the society. The trust alone will not make us perfect professionals without independence. The independence is the foundation of our profession. When we give report on assurances we have to express opinions and assurances to the user of Financial Statements. When we advise our clients on Tax matters, it is important that the client must have trust on us in advising him and it is also equally important that the Government must also have the trust on us that we are advising the client correctly to part with the tax amount due to the Government. Therefore, the clients, regulators and the society at large must have trust on us. This is possible if we act with independent mind and without any bias.

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To develop trusted and independent professionals the competency on our domain is also important. We should gain expertise knowledge in accounting, assurance, taxation, finance and business advisory services. Competency is a must to compete with other accountants of the world and also with other professionals.

The ICAI has planned to achieve the Vision 2030 through the mission which has been set out below.

ICAI will leverage technology and infrastructure and partners with stakeholders to:

a) Impart work class education, training and professional development opportunities to create global professionals.
b) Develop an independent and transparent regulating mechanism that keeps pace with changing times.
c) Ensure adherence to highest ethical standards.
d) Conduct cutting edge research and development in the areas of accounting, assurances, taxation, finance and business advisory services.
e) Establish ICAI members and firms as Indian Multi-National service providers.

The ICAI has identified the six strategic priorities and action plans in line with Vision 2030 which are as follows:

a) Create enabling framework for and facilitate Indian firms and professionals to leverage global opportunities.
b) Leverage national leadership position to assure leadership in regional and international accounting fraternity.
c) Revitalise education and training systems and establish an enabling eco system to produce globally competitive accounting professionals.
d) Adapt regulatory mechanism to the changing times.

To improve our brand image it is necessary to stick to our ethics. Professional ethics should not depend upon the behavior of people around us nor should change with environment or circumstances around us. It should be static. According to our *SHASTRA* there is no act of man which is free from desire. Whatever a man does is for the endless desire. This is called *Kama.* There is a natural desire to have enjoyment and wealth. This is called *Artha.* But *Kama* and *Artha* are subject to *Dharma.* Dharma protects those who protect it; those who destroy Dharma also get destroyed.

e) Undertake branding and awareness campaign to enhance public perception of ICAI and professionals affiliated to ICAI.
f) Strengthen organisational infrastructure and technological capabilities to improve engagement with all stakeholders.

Indian CA's are emerging as global force in accounting outsourcing area. Indian CA's are empowered with information technology, quick understanding, capacity adaptability and, therefore, suitable to undertake outsourcing work from US and other countries. More and more work will flow to India. The outsourced services are accounting, bank reconciliation, pay roll accounting, asset management accounting, financial reporting, financial research and investigation and various reports on daily basis and many services may be required in future.

Word of Caution

We are witnessing the deterioration in the quality standards of our society due to various factors unfortunately existing in our country. We are in between the political system and business class preaching business ethics. Many a time it has been said that when corruption in the country is on increase, financial and political related scams are the order of the day, people slowly lose faith on the judiciary and it is impossible to have a sustainable economic growth. But we, as a class of professionals, must not lose hope on the future and we must stand like a rock to withstand all the evils of the society. To improve our brand image it is necessary to stick to our ethics. Professional ethics should not depend upon the behavior of people around us nor should change with environment or circumstances around us. It should be static. According to our ***SHASTRA*** there is no act of man which is free from desire. Whatever a man does is for the endless desire. This is called ***Kama***. There is a natural desire to have enjoyment and wealth. This is called ***Artha***. But ***Kama*** and ***Artha*** are subject to ***Dharma***. *Dharma* protects those who protect it; those who destroy *Dharma* also get destroyed. For the sake of getting short term benefit resorting to lies and other unprofessional behaviour ultimately leads to a long term failure .Therefore, we should look into the long term vision of our profession and we should always follow the *Dharma* and business and professional ethics.

Conclusion

In the recent years our Institute has done remarkable job in building an image of members and Institute. The logo as CA has been prefixed to the name of the members which has been accepted by our members well. Now, the Institute has permitted the use of logo in the letterheads of the practicing members.

In order to improve the brand image of the members, the Institute should become very strong and disciplined organisation with excellent infrastructure in all the branches and regional councils assisted by highly motivated and technically competent executives which will help to produce highly competent members. Leadership at helm of affairs will be highly competitive and demanding and I am confident that elected representatives and the present and future leaders will give required direction to the Institute to achieve the ambitious vision of 2030. ■

INTEGRITY

Integrity is all about dedication of one or more persons to the pursuit of a moral life, and about the intellectual responsibility in seeking to understand the demands of such a life. - acting rightly without grossness of moral error, or an unreasonableness of judgement. As a concept, integrity cannot be confined to personal life. When it does spill over into Public and Professional life, it necessitates even by those in positions of official power, the avoidance of any unwarranted exceptions to rules which must have a universal application. In the Practice of a Profession however, this means a substantive procedural willingness to follow guidelines, accept rulings from fact finders, share and examine evidence, and exercise good faith to arrive at equitable outcomes in the conduct of the daily business of life. Read on to know more…

CA. Y. M. Kale

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Etymology and Usage

Integrity is most often used as equivalent to honesty, accuracy, opposite of hypocrisy, or, in the sense of consistency in ethics, unity, purity, unspoiledness, uncorruptedness, congruence with observation, to account for discrepancy, and to alter lack of harmony by keeping matters intact.

Although *integrity* means all of the foregoing and much more, yet, its etymology is simple. It comes from the Latin *integritas* and the French *integrete*, *i.e.* the condition of having no part or element taken away or seen to be lacking. In other words, undivided state of completeness or a condition of never having been violated, remaining unimpaired in the original state of soundness, innocence and a sinlessness in complete freedom from moral decay with all virtue intact.

The word was also used in Geology as seen in the early works, - 'the integrity of the cones shows that the country has not been agitated by violent earthquakes'. Later, the word came to be used in the geographic sense of preserving integrity and independence of countries. Finally, came the currently prevalent predominant hue of integrity of faculties in the sense of personal sanctity, and a mind divested and purged of greed with the objective of financial and similar integrity. An exact equivalent of integrity in any of the Sanskrit roots which support words of similar meanings in Indian languages is difficult to find. Either there are exact equivalents for integrity when used in the sense of *Entireness* like the Sanskrit words, *Sampurnata, Akhandatva, Abhinnatva and Sakalya*, or there are equivalents of integrity when used in the sense of probity and uprightness for which the corresponding Sanskrit words would appear to be *Pramanikatva, Pramanya* and *Satva*.

The Latin root of integrity from which the English language also begets the word *integer*, emphasises not only wholeness, but acting according to principles that are claimed to be held. Thus, integrity as a virtue encompasses accountability and moral responsibility as its tools, and single absolute morality as the goal rather than a vague assertion of correctness in moralistic terms of good to maintain the intactness of a moral stance. The cardinal prerequisite in achieving such an objective is that the process is not based on subjective whims but rational principles which enjoin that everything that an individual does or believes in, derives from a single core. So much so, that right and wrong ways of acting are discerned even at personal cost, because integrity is seen as the fundamental principle of information assurance.

Such assurance, at times projects beyond the informational level, and attracts other dimensions popularising usage of the expression 'integrity' in fields as far apart as Structural Engineering, Artistic Licence, Intellectual Debate, and in the domain of Professional Discipline.

Integrity usually flaunted as a personal virtue is primarily a social and therefore a Professional virtue, in that, the behaviour of those who act must represent and stand for something, and win an endorsement of the best judgement within a community, without lying about one's views, or concealing them, or recanting them, or pandering or selling them out for rewards.

At the informational level, integrity is used in a sense, which is the opposite of wilderness - vital to Databases, Control Systems, Professional Works, and Treatises on Reporting, with shades of meaning that reflect purity, co-ordination with un-intruded completeness, and Order. These underpinnings of the word integrity apply to behaviour in many different contexts, and curiously, are not limited only to contexts which may be of central importance to those required to think and act.

In this sense, integrity usually flaunted as a personal virtue is primarily a social and therefore a Professional virtue, in that, the behaviour of those who act must represent and stand for something, and win an endorsement of the best judgement within a community, without lying about one's views, or concealing them, or recanting them, or pandering or selling them out for rewards.

Moral Root

Integrity is all about dedication of one or more persons to the pursuit of a moral life, and about the intellectual responsibility in seeking to understand the demands of such a life - acting rightly without grossness of moral error, or an unreasonableness of judgement.

As a concept, integrity cannot be confined to personal life. When it does spill over into Public and Professional life, it necessitates even by those in positions of official power, the avoidance of any unwarranted exceptions to rules which must have a universal application. Personal ethics must not only subserve Public life and Professional Conduct, but there is an overriding duty even in the pursuit of ethics not to act according to any rule that one would not wish to see universally applied and followed. Equally, there must be a refusal to engage in any behaviour that evades responsibility or which even indirectly obstructs any attempts to uncover episodes in public, business and professional life in order to arrive at the truth. This kind of objective integrity as distinct from pure personal integrity requires a grasp of real moral obligations and a person who claims integrity cannot therefore afford to be morally mistaken and attribute this to the lack of integrity in another with whom he evinced substantial though not total moral agreement, but could not display the character to disagree strongly. In such space, true integrity requires the claimant not to signal agreement in an ambiguous manner unless there has been deliberation confronting all relevant doubts, until these are resolved consistent with the objective of intellectual virtue exercised in pursuit of a morally good professional life within terms as narrowly defined as possible under the circumstances. This discrimination needs to be unambiguously applied to all moral predicaments, that may arise in the course of the discharge of one's profession.

In the Practice of a Profession however, this means a substantive procedural willingness to follow guidelines, accept rulings from fact finders, share and examine evidence, and exercise good faith to arrive at equitable outcomes in the conduct of the daily business of life. At a personal level, there must be disinclination to hide any perceived negative or adverse aspects of the results of one's examination. At the same time, there must be no reflex impulse to report upon the misbehaviors and deviances of others especially with a view to justify one's own past or future conduct. The same feature needs to manifest in business in conduct towards competitors, in drawing the line to ensure ethical behaviour and against going beyond it, in conniving at fudging numbers, massaging graphics, or setting & operating standards to maintain visual integrity and even establishing brand positions.

In Business

The terms of virtue do not always lend themselves to precise definition in more complex areas of business and it may come to pass that persons of integrity may act immorally in fact, though not with intent, simply because they held mistaken views and erred on definitions. Aspects, Attributes, Professional Values, explained in terms of the broadest features, may suggest different interpretations of integrity not as a general character, or in the ordinary discourse of life, but in some philosophically important sense, and this could happen on some particularly important occasion guided by different intuitions, which spring out of, a formal relation one has to oneself, or out of those parts of oneself which are connected to relationships in the world which suggest acts that are substantively moral but with normative constraints. These situations are fewer when there is integration of self, maintenance of identity, standing for something, moral purpose, concern for high issues and a consistent exploration of virtue. Yet strength of will, intention and corresponding action may be essential in matters where acting on an intention gives rise to serious obstacles, and there is need not to evaluate the appropriateness or pros and cons of attitudes in the attempt to fulfill an intention in the face of opposition. But this requires clarity on the judgement of the state of affairs to be integrated within, so that the strength of will does not degenerate into

It is important for standards of Integrity to be judged by rigorous Supremacy of Professional Rules, Codes and Etiquette quite distinct from the expectations of prevailing Client Autocracy or Business Oligarchy of whatever nature, and be subject to the Supremacy of Law. Failing this, the Economic & Financial Systems and their Professional subsystems, can behave in much the same arbitrary manner as may be seen in societies that are neither democratic, nor law abiding.

a fatuous, stubborn and non-evaluative intransigence displayed by the deluded. An intelligent practical benchmark in dealing with such situations is not to ascribe integrity to people whose moral viewpoint is bizarrely remote from what commonsense would find intelligible or defensible as a reasonable moral point of view. For example, those who advocate discrimination in employment, whether gender-based or racial, or propose actions ranging from individual to mass deprivals may yet untiringly aver the correctness of their view, and the so called integrity of their personal character often sustained by an abstemious life. But such misguided integrity of extremes can be the repository of some of the most virulent detractions from integrity that have warped human minds.

This underscores the need outside the prescriptive meaning of Integrity, for measures of independent testing, of what may be officially approved or disapproved forms of Integrity, to safeguard against accusations of Form diluting Substance. So it is important for standards of Integrity to be judged by rigorous Supremacy of Professional Rules, Codes and Etiquette quite distinct from the expectations of prevailing Client Autocracy or Business Oligarchy of whatever nature, and be subject to the Supremacy of Law. Failing this, the Economic & Financial Systems and their Professional subsystems, can behave in much the same arbitrary manner as may be seen in societies that are neither democratic, nor law abiding.

In Reporting

In an increasingly complex world in which profit motive and market optimal considerations dominate almost every sphere, there is great need for increased independent reporting on more matters. So when persons charged with reporting, especially persons on whose reporting, society sets great store, postpone the reporting on one excuse or another, or abandon the idea after one or more difficult experiences, their enthusiasm so diminished by their failure as to render invalid any further serious attempt to see their project through, or produce reporting that may no longer adhere to expected standards, there is loss of Integrity at Societal level.

Whether an essential ingredient of integrity is the capacity to overcome pressures, and outlaw certain inclinations with full force, and not merely subordinate the pressures, to positions that may be publicly endorsed, is an important question. There is a compelling argument that displaying strength of character in fully engaging with different parts of one's professional life to resolve conflicts which undermine professional character, can only be the sign of a person's integrity, and is certainly not indicative of any lack of integrity. Equally, there is a need not to confuse integrity with neatness and fastidiousness, but rather interpret it as holding steadfastly true to commitments, intentions, promises, convictions, relationships, expectations, trust, noble Causes & Ideals, principled projects, and public interest. An individual would of course, have the latitude to define integrity in terms of commitments that are central and important such that any clash or change thereto could be seen as a cop out, as also to specify the secondary commitments that may not be fundamental, and the abandonment of which may not lose grip on what gives integrity its identity and character. In the end, it does boil down to a judgement about the single minded pursuit of commitments balanced against the relative importance of various pressures that may conflict with those commitments.

Philosophies have often sought to arrange volitions in an hierarchy of first order and second order, and wholly integrated persons may be those that can achieve harmony and fully identify with the higher level volitions. Simply stated, there has to be a

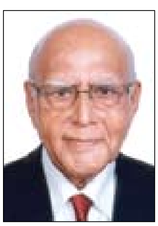
Integrated persons would not normally fall victims to the conflict between doing and not doing, - the tedium, the boring things, the drudgery, implicit in the routine of each discipline - they would either resolve the conflict in some way, or endorse one set of inclinations by outlawing others. In other words, 'wholeheartedness' is inconsistent with unresolved incompatibles, and ambivalence in that behalf. Since self-conflict about values versus wishes, is a never ending process, clarity of knowledge is crucial, in so far as dilemmas and conundrums in a Profession are concerned.

deliberation and discrimination, between more and less worthwhile volitions. This may involve such matters as ranking success over fun. Integrated persons would not normally fall victims to the conflict between doing and not doing, - the tedium, the boring things, the drudgery, implicit in the routine of each discipline - they would either resolve the conflict in some way, or endorse one set of inclinations by outlawing others. In other words, 'wholeheartedness' is inconsistent with unresolved incompatibles, and ambivalence in that behalf. Since self-conflict about values versus wishes, is a never ending process, clarity of knowledge is crucial, in so far as dilemmas and conundrums in a Profession are concerned.

In an age where triumphant commerce has superseded the former colonial world, there is an intense desire to test the causal between Integrity and increased performance on the one hand, and Integrity and Quality on the other hand. The question is stark yet simple – Does Integrity howsoever complete, unbroken, unimpaired, sound, and in perfect condition, - achieve value creation for all stakeholders. That is what the Entrepreneur Businessman wishes to know. In today's global world, if a Hundred Top Businessmen together decide upon something as the right interpretation of Integrity in a given situation of what ought to be reported, there is a preponderance of probabilities, that ultimately, their interpretation of integrity would indeed be held to be right. This cluster concept with different lobbies overlapping is in a sense virtuous, but it is not one that is reducible to adhere to the workings of any single moral yardstick of either benevolence or courage, but may have a linkage with capacity. ■

What It Means to Be a Chartered Accountant and an ICAI Alumnus?

In this exclusive feature, **Reflections: What it means to be an Accountant**, we had invited and asked some veterans of the profession to share their wisdom on heritage and vision on profession for our members and students. When we had initially asked CA. V. B. Haribhakti to write for the July (special) issue of our journal sharing his experiences and wisdom being a chartered accountant and an ICAI alumnus, he was a little reluctant. He suggested: *…my first reaction was to be excused and to let a younger member to do justice to the important topic. But Jaydeep Bhai's persistence is well-known. Hence, here I am sharing my thoughts on the subject with my young friends in profession in case they happen to glance through the article.* Eventually, our request and, subsequently, our belief in our heritage and his wisdom paid off. We are quite sure, our readers, including our members and students, will feel wiser as they get into the mind of Shri Haribhakti, not only because he is one of the senior-most active Presidents of the Institute, but also because he had got first rank in the third CA Final Examination of the Institute held in 1951, and was the recipient of third G. P. Kapadia First President Gold Medal from the Institute. This write-up is a must read for all stakeholders of accountancy profession. Read on…



CA. V. B. Haribhakti

(The author is a past-President (1967-1968) of the Institute and holder of the first rank in the third CA Final Examination of the ICAI in 1951. He may be contacted on vishnu.haribhakti@bdoindia.co.in.)

Let me begin with what, in my view, it means to be a Chartered Accountant. It means being a member of a learned and respected profession; it means being a member of an Institute of Chartered Accountants, which has a glorious track record and the second largest membership in the world; it means being a responsible and patriotic citizen; it means being a person with the highest standards of integrity; independence; professional skills and competence; it means being a person in eternal pursuit of excellence in the quality of the services rendered to clients; it means being a person with an insatiable thirst for knowledge; it means being a person ready to serve the nation and the society in whatever fields he has the opportunity of rendering his services.

Over the years, the role, responsibilities, functions and duties of Chartered Accountants have grown enormously. Perhaps, the original function of the profession was bookkeeping. As the financial interaction among members of the Society grew in volume and complexity, it became necessary for them. to maintain a systematic record of financial transactions so that they could know what was their income, what was their expense, what were their assets, what were their liabilities and where they stood financially. The *accountant* was the person who helped them to satisfy this need. That was perhaps the beginning of the accountancy profession. With the growth in volume and complexity of business and industry, there arose the need for separation between *ownership* and *management* and the consequential need for trained Accountants not only for maintaining the accounts but also to express to the *owners* an independent opinion on the truth and fairness of the accounts prepared by those in charge of *management*. This was the beginning of the *attest* function of the accountant, The function led to the emergence of a robust accountancy profession. The profession grew rapidly with the phenomenal growth of business and industry and in the number of stakeholders in business enterprises, other than those who actually carried out the activities of the business. The “other” stakeholders had necessarily to rely on an independent professional Accountant’s opinion on the financial statements. Apart from the *owners* who contributed the capital, the other *stakeholders* were: the employees who helped to generate the revenues of the business, the *Society* because of the growing acceptance of the social responsibility of business, the Government which facilitates the business and needs to collect taxes from the business enterprises so as to carry on its functions, to promote an *inclusive* social structure and provide the necessary infrastructure. All these stakeholders relied on the independent opinion of Chartered Accountants to satisfy themselves that the business was not carried on in a manner prejudicial to their interests or the public interest.

With the spectacular growth of the economy and the increasing involvement of the State and the Society in the economy, the range of the functions performed by Chartered Accountants has also seen a phenomenal growth. The Chartered Accountant was called upon to function as an important part of the *management team*. The Chartered Accountant was able to play an important and effective role as a member of the *management team* because of his special training and experience which enabled him to acquire inter-personal skills and skills in multiple areas of business. The Chartered Accountant’s help and advice was sought by the management for improvement in profits and profitability of the business, for appropriate investment decisions, in restructuring of the business and generally in many other important areas of business. The Government looked to him for assistance in laying down taxation policies, in collection of taxes, for compliance with the various laws affecting business etc. The Society relied on the Accountant to know how far *business* is discharging its social responsibility.

The accountant has, therefore, to maintain the highest standards of integrity, independence, professional skill and professional competence in order to justify the confidence reposed in him by the Government and the society.

The accountants have occupied top positions in business, Government and social organisations and also in allied professions like law. It is a matter of pride for the accountancy profession that one of the top lawyers of the country, Shri Harish Salve was initially trained as an accountant. The accountants have also been called upon to be members of Parliament and Legislative Assemblies, Ministers in Government, Presidents of Chambers of Commerce, Chairmen of Boards of Directors, Chairmen of Audit Committees, etc. They also head or play an important role in many social organisations too.

The Government and the society look upon the professional Accountant with great respect and depend on him to ensure that the enterprises and activities in which the Government and the society have a vital stake do not function against the public interest. The accountant has, therefore, to maintain the highest standards of integrity, independence, professional skill and professional competence in order to justify the confidence reposed in him by the Government and the society. It is true that in recent years, some major frauds were committed by the top executives of business enterprises the world over, e.g. Enron, Satyam, etc., and the accountants failed to detect the frauds and to report them to the other stakeholders. However, these are *exceptions* rather than the rule. Imagine the extent of frauds and business failures which could have happened if by and large, the accountancy profession would not have properly carried out its duties and responsibilities. While the accountancy profession has to take lessons from the failure of some of their colleagues and continuously improve the standards of the professional work, the Government and the society should also appreciate the role of independent accountants because of whose work frauds and failures have at least been mitigated to a large extent though not eliminated.

The accountant should realise that he has a *debt* or *responsibility* to the Government and the society which have given him so much respect and reposed so much confidence on him. He must try and give back to the society much more than what he has received from it. Every professional accountant must resolve to remain a lifelong student, ever trying to extend the horizons of his knowledge, never resting on his oars, always keeping himself up-to-date with the latest development in the knowledge and technology relevant to his functions and also the general business environment. He should always be ready to adapt himself to the changing environment and the changing scenarios in his functional areas.

Let me now share with you some thoughts on what it has meant to me to be an ICAI Alumnus.

I am, indeed, proud to have been an alumnus of the ICAI almost from its inception. It has been a long and interesting journey from the year 1951 when I became a member of the Institute. I started my professional career literally from scratch in a 6’X6’ cabin. How can I repay my debt of gratitude to my dear Institute which gave me the signal honour to be its President in the year 1967, i.e. within 16 years of my starting from scratch? It is an exhilarating experience to see before my mind’s eye so many important events and milestones crossed by the Institute and the profession in these 61 years. I can say with all humility that whatever little I have achieved in life, I give all credit to my Institute. Whatever has come my way, has come because I am a Chartered Accountant, a member and an alumnus of the ICAI. I vividly remember the First Conference of Chartered Accountants held at the *Green’s Hotel* (now Taj Palace Hotel, New Wing) in the year 1951 under the leadership of our First President, Shri Gopaldas P. Kapadia. *Replacement Cost* concept was discussed even at that Conference! A few years thereafter, I had the privilege of close association with Shri C. C. Chokshi, a great President and a greater human being in organising the very successful Third All India Conference of Accountants in Bombay. Thereafter, I had the privilege of attending and contributing to many National and International Conferences. As Chairman of the Regional Council, I was closely involved in acquisition by the Institute of the building *Beach Manor* at Cuffe Parade, which we renamed *Anveshak* and which was subsequently renamed *ICAI Bhavan*. The Companies Bill which eventually resulted in enactment of the voluminous *Companies Act, 1956* (which is now sought to be replaced by a New Companies Act), evoked a lot of interest in the profession. I had the privilege of drafting the Institute’s representation on it under the guidance and leadership of Mr. N. R. Mody. I had the privilege of organising and addressing the *Revisional Classes* for CA students where I had the good fortune of having so many distinguished students like Shri Y. H. Malegam, Shri N. N. Pai, Shri Bansi Mehta, Shri P. A. Nayar, Shri V. S. Palekar and many others.

As Chairman of the Coaching Board for several years, I had the privilege of contributing to the building of a rather unique coaching organisation and serving the student community. The Income-tax Act, 1961, was enacted with great expectations. Before it was enacted, at the *Bill stage*, we had the privilege of giving our detailed suggestions to make it simple and unambiguous. The expectations of simplicity and clarity from the Act were belied by a host of subsequent

I can say with all humility that whatever little I have achieved in life, I give all credit to my Institute. Whatever has come my way, has come because I am a Chartered Accountant, a member and an alumnus of the ICAI.

I am filled with pride and satisfaction on the overall growth and development of the profession and the Institute. We all can and should be proud of our Institute. It has been a matter of great satisfaction for me as an alumnus of the Institute for 61 years to see that so many members of our profession have distinguished themselves in so many diverse fields.

amendments. That Act also will soon be replaced by the Direct Taxes Code.

The pinnacle came in 1967, when I was called upon to serve the profession as the Institute's President. I accepted the great honour with all humility. The new wing of the Institute's Main Building at Mathura Road was constructed largely during my Presidentship. A number of new Branches of the Institute were opened. I had the privilege of inaugurating the Cochin Branch of the Institute and meeting the members to the profession in all parts of the country. Two memories of my Presidential year stand out. The *tax deduction at source on professional fees* was first mooted by the Finance Bill, 1968 by Shri Morarji Desai, the-then Finance Minister. There was uproar in the profession against this new *impost*. After several meetings with Morarjibhai (as I used to call him), in my capacity, as the Institute's President, I could convince him that it was not justified. He was good enough (rather surprisingly, in view of his reputation for obstinacy) to drop the proposal. But the profession's happiness on achieving this satisfying result ended a few years later when Dr. Manmohan Singh again brought in the provision when he became the Finance Minister. This time, surprisingly, there was not much opposition to that, and it was passed rather easily. The other important event was introduction of the concept of *Cost Audit* in the Companies Act. Our Institute's Council was naturally anxious that in view of our members' expertise in *audit*, the field of *cost audit* should be open to our members also. As President, I tried very hard to achieve this objective by having several meetings with the Minister-in-Charge (Mr. Fakhruddin Ali Ahmed) and also the Prime Minister and the Deputy Prime Minister. Unfortunately, we could not succeed. As a result, today *cost audit* is almost an extension of *cost accounting*.

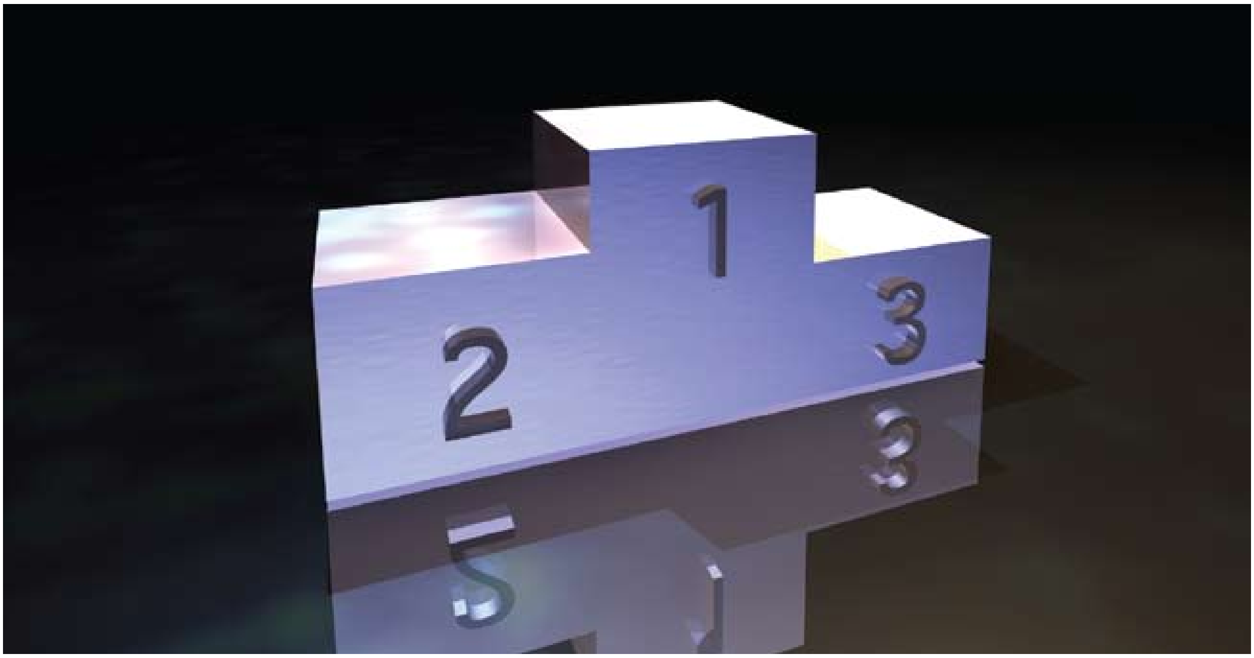
Many more things of importance to the profession happened after 1968. If I were to recount even the most important among them, this article will become very long.

All members of the Institute can be and should be proud that they are members of this great Institute. As alumni of the Institute, they should be a person of integrity, high values and a continuous thirst for knowledge. They should always be conscious of the fact that the Institute and the profession as a whole will be judged by the Government and the society by their (every member's) acts and omissions. They should, therefore, perform their professional duties in a manner that will bring credit and glory to the Institute. They should avoid "short cuts" for success, particularly in the field of taxation.

As I look back on the past sixty-one years, I am filled with pride and satisfaction on the overall growth and development of the profession and the Institute. We all can and should be proud of our Institute. It has been a matter of great satisfaction for me as an alumnus of the Institute for 61 years to see that so many members of our profession have distinguished themselves in so many diverse fields. It is difficult for me to adequately express the happiness. I felt when three of my successors as Presidents of the Institute, viz. Mr. R. K. Khanna, Mr. T. N. Manoharan and Mr. Y. H. Malegam received recognition for their services to the nation by being awarded *Padma Shri*. Mr. Khanna was even awarded *Padma Bhushan*. All our young members should try to emulate their example and try to excel also in fields other than the professional practice. They should not aim only at a successful practice and a large income. They should also render selfless services to the society and the Government whenever any opportunities arise.

Our Institute and our profession have a great future. I have full confidence that my younger members will take the Institute and the profession to greater heights and more spectacular success. I wish all the very best in the years to come, to my Institute and to all my younger members. ■

Proud to be an Alumnus of ICAI



CA. H. M. Talati was the first recipient of the G. P. Kapadia First President Silver Medal as a result of getting the first rank in the first CA Intermediate examination. He was awarded the Medal by the first President of India Dr. Rajendra Prasad. Members of the profession will feel privileged and grateful to get access to the mind of a meritorious veteran accountant who has served both the profession as well as the Institute in the past. Quite fond of reading, he had a habit of reading something before going to bed and this played a key role and brought him to where he is today. Today, he feels the students are much better placed as the Institute has undertaken many student-friendly initiatives towards updating and empowering them. He is also happy with the way the Institute has taken measures of capacity building for its members. Read on…

CA. H. M. Talati

(The author is the first recipient of the 'G. P. Kapadia First President Silver Medal'. He can be reached at sister@talatiandtalati.com)

My father taught me the first letter of alphabet. All that I am and whatever I could achieve, I owe that to him. He was a headmaster of a school in a small village called Nadiad, having population of less than 10,000 in those years. I was the only child of my father who drew a salary of ₹75/- per month. There is nothing like education for bringing to light and assessing the inequality between one mind and the other. I graduated in Arts with first rank and decided to do law thereafter. I again got the highest marks in three subjects. Getting a job and earning being of prime importance, I appeared in the examination of Income Tax Officer and got first rank there too. I was posted as Income Tax Officer in the year 1948. The only habit, or to say, extracurricular activity, I had was of reading.

Knowing how to read and, then, not reading is almost same as not knowing how to read. It was during my job as I.T.O. that I was convinced by a senior chartered accountant from Mumbai to do chartered accountancy, since he found me proficient in matters related to income tax. It was the turning point in my life as by studying at home, leaving the job and doing articles, I passed the Chartered Accountancy examination and received first rank in the first Chartered Accountants Intermediate Examination. I was awarded the first G. P. Kapadia (First President) Silver Medal. At that time I, along with my dear friend and an ICAI past-President, V. B. Haribhakti, was invited to receive the Medal from the worthy hands of the then President of India Dr. Rajendra Prasad Babu, and I can never forget that moment throughout my life.

People rarely select or hire anyone to disturb their jobs or their life. That is why the initial challenge and risk of exercising entrepreneurship, and, that too, under profession is to go beyond your authority – to put your credibility and position on the line in order to get people to tackle the problem at hand. In 1951, as my first appointment, I was taken up as a partner in a senior firm in Ahmedabad. Later, I was admitted as a partner in a Mumbai firm. Self-knowledge is the beginning of self-improvement and, keeping this in mind, I formed a habit of reading at least a hundred pages of commentary on Income Tax by Palkhiwala daily at night. I asked for strength and the God gave me difficulties that eventually made me stronger. I asked for wisdom and the God gave problems to me to solve. I asked for favours and the God gave me opportunity. Those days, Income-tax Act was very complicated and our country was the highest taxed nation in the world, e.g. income tax rate being at 96% and wealth tax as high as 5%. Reducing the tax liability legally and officially, and claiming various deductions made me realise that Income-tax Act, was not less complex and capable than our Holy *Bhagvad Gita*. That old line remained true at that time: *The harder I work the luckier I get. Life helps those who help themselves.*

Sages have been telling us when we serve others unconditionally, we shift from me to we, and connect more deeply with others. That matrix of inter-connections allows for a profound quality of mental quietude like a still lake without waves or ripples. We are then able to see clearly into who we are and how we can live in deep harmony with the environment around us.

Along with income tax, the practice of audit those days was the main, if not the only, source of income for most of the practicing chartered accountants. Ahmedabad was known as Manchester of the East having 62 textile mills. I still remember that more than 60% of those mills were our clients. Whether it was me, my partners or even my article clerks, we always received a red carpet welcome when we visited a place for audit. There was always a separate cabin given to article clerks, employees and representatives of chartered accountants firms. The respect that an auditor team used to get from the auditee was immense and much more than a VIP guest in those factories or office premises. Reasons were obvious: auditors were few, auditees were more and, above all, ethical standard and strictness of discipline and insistence of presenting true and fair accounts was the sole motive of the job.

I still remember the great Shri Verghese Kurien, the man behind the *Operation Flood* — the largest dairy development programme in the world, who would come personally to my office or send me a special car at Anand to see that his life-long dream of making Gujarat a State of river flowing with milk becomes true not only from procuring and producing milk but also in its legal format. And that is how we made the famous Gujarat Co-Operative Milk Marketing Federation, the producer of Amul brand milk and milk products available at every nook and corner of our country, a model still being accepted and respected both in co-operative sector and in the Income Tax Department.

When it comes to the Income Tax Department, I still remember the old building in the City which was later shifted to the other side of the river at the Ashram Road. Those were the days when most of the income tax returns were subject to scrutiny and additions were not because the cases were selected for scrutiny but there were claims of deductions on one side and rejections of genuine bonafide claims to raise more revenue from the other. I can proudly say that more than 15 cases of Supreme Court, some of which resulted into retrospective amendment, had all happened from the planning done at my Ahmedabad office, which took place sometimes after meetings and conferences with great doyens of income tax like late Shri Nani Palkhiwala, Shri M. C. Chawla and alike, whose meticulous listening to our planning and consequent suggestions and advice resulted into Ahmedabad as the Mecca of tax planning. I still remember how we had separate partners for audit, sales tax, income tax returns and appearance and so on. I myself was exclusively for tax planning and appearing in tribunals. This division of profile exists even now. I am happy to note that even my Institute has been taking a lot of initiatives for the capacity building of Indian chartered accountants. I still maintain that it is only by coming together and sharing the knowledge of our respective field that a firm can grow big catering to various clients.

With my proficient experience in income tax and audit, I was lucky to be the first Chairman of the Ahmedabad Branch of ICAI in 1962. Those days, contribution was more important than election, which consumed time as well as money. More than 90% of chartered accountants were in practice. Very few would join industry. Consequently, most of chief accountants in industries were non-chartered accountants and, in many cases, not even Commerce graduates. Nowadays, I notice that more than 80% of the fresh chartered accountants join industries and, as a result, employment situation and influx in practice is reducing. However, I find fault in none of the situations. Times have changed, expectations have changed and life styles have changed. Challenges serve beautifully to introduce you to the best – and the most brilliant – aspect of self. Accounting standards have also increased, auditing standards have also increased, and there are more guidance notes and stricter disciplinary mechanism. A practicing chartered accountant auditing and certifying financial statement today is on a different pedestal as compared to one who conducted audits during 1960s and 1980s. I have noticed during my long journey, i.e. 60 years, as a chartered accountant that we are here to find that cause with main aim, that vital destiny; that will move you at the most visceral level and get you up at the crack of dawn with fire in your belly.

Sages have been telling us when we serve others unconditionally, we shift from me to we, and connect more deeply with others. That matrix of inter-connections allows for a profound quality of mental quietude like a still lake without waves or ripples. We are then able to see clearly into who we are and how we can live in deep harmony with the environment around us. When one foot walks, the other rests. Doing and being have to be in balance. Our rational mind wants to rightfully ensure progress, but our intuitive mind needs space for the emergent, unknown and unplanned to arise. Doing is certainly important but when we aren't aware of our internal ecosystem, we get so vested in our

Over the time, that unconscious internal noise starts polluting our motivation, our ethics and our spirit. And so, it becomes critical to still the mind. A melody, after all, can only be created with silence between the notes. Therefore, a cool mind, a habit of listening and patience are most important ingredients in becoming a successful chartered accountant.

plans and actions that we don't notice the build up of mental residue. Over the time, that unconscious internal noise starts polluting our motivation, our ethics and our spirit. And so, it becomes critical to still the mind. A melody, after all, can only be created with silence between the notes. Therefore, a cool mind, a habit of listening and patience are most important ingredients in becoming a successful chartered accountant.

I had tremendous passion for my profession and professionalism, and zeal and enthusiasm to serve back the profession. That made me to contest elections of Central Council of ICAI in the year 1967, when advertising or even meeting members in person was prohibited by our *Code of Ethics* and *Election Code*. But despite that, I got elected with the highest vote in the entire Western region in all the three terms, i.e. 1967, 1970, 1973, I contested and served the ICAI Council for full nine years.

Working in the Central Council was a different experience as a member of the Council was looked up with high respect, dignity and credibility. I still remember when our entire Council along with the Hon'ble ICAI President went to meet the Hon'ble President of India in 1971, our President introduced himself saying he was *President of The Institute of Chartered Accountants of India,* and the Hon'ble President of India wittingly responded that he did not possess such a long and distinct title, as he was only the *President of India.* We used to have a maximum of five Central Council meetings in a year. But even then it was very tough attending those meetings. Only Indian Airlines, the Government-owned airlines, used to operate usually one flight a day, and, therefore, procuring tickets was a difficult task. We used to travel by train many a time and had difficulties in communicating with the Hon'ble ICAI President or Secretary of the Institute, as telephone lines and trunk calls were through operators and sending telegram was the fastest way of communication. Yet we were able to resolve queries and problems of our students and members. I cannot forget that, during those nine years in Council, students of Ahmedabad used to be at my residence late at night waiting for the results while I would bring the examination result sheet from Delhi and drive straight back to my residence for them. I still remember the faces of those students vividly, as many of them would leave with tears in their eyes and very few would go back jumping with joy.

From mere auditors, now chartered accountant are called complete service providers. Businesses look up to the chartered cccountants not only for certifying their financial statements and filing their income-tax returns, but also for helping them in business development, expansions, mergers & acquisitions, and takeovers. The role, stature and status of chartered accountants has changed. Whatever I was during those days was only because of these two letters CA and whatever this new generation has today is only and only because of the same two letters and, of course, our Alma Mater, The Institute of Chartered Accountants of India.

Today at the age of 89, I sometimes feel saddened with grief and loneliness as I have lost most of my friends and my CA colleagues with whom I had shared my professional time in the Ahmedabad Branch as well as in the ICAI Council. I am happy and proud of the fact that my son Sunil Talati became the first ever President of ICAI from the State of Gujarat for the year 2007-08. I sincerely believe that whatever we do for our Institute and profession is always less as compared to the success this profession has given us.

I would conclude by saying that, in our days, there were no coaching classes, reference books or suggested answers. It is good that students today have best of reference books, journals and other relevant study materials provided by the Board of Studies of the Institute. I see a great future ahead for the profession of chartered accountants because I know that an Indian chartered accountant who has passed the most difficult examination of Chartered Accountancy, can pass other examinations too like CPA, CFA, or examinations of cost accountancy or company secretaryship.

I am really happy that our Institute has had MoU with many accounting and other professional bodies across the world and our members can become the members of many foreign institutions too. The time is not far when Indian chartered accountants will not only be well-received world over, but shall be well rewarded too, which will be a reality only when the ICAI Council, Committees and other employees work in unison with perseverance, sincerity and dedication. I am proud to be a chartered accountant and prouder to be a member of the ICAI. ■

About My Profession, My Institute and My Colleagues

Still active at the age of over 88, Shri Narain Prasad belongs to the first (1949) batch of chartered accountants. His father, Shri Jagdish Prasad, first GDA (Government Diploma in Accountancy) holder from Delhi and a member of the Indian Accountancy Board (a Board responsible for the birth of ICAI), was a philanthropist-educationist, and Shri Narain Prasad has carried this philanthropy forward in his life and has taken up, in the past, the cause of education for many institutions that were moving towards getting defunct either due to a lack of fund or, more importantly, a vision. He, then, played a key role in their revival. He has been literally leading a very simple life – believing in honesty in life, relationships and profession. He doesn't believe in adding prefix or suffix to his name that bring undue glory. To him, religion and caste are the factors that pull our society strongly away from true development. Besides his passion for photography and calligraphy, he avidly collects what is important, calling himself a *Kabadia,* one who knows how to separate and pick the useful and valuable from the waste. A valuable contributor to the Accountancy Museum of India set up by the ICAI, he, admittedly, learnt an art of keeping and organising his belongings neatly and methodically from his profession. Read on…

Shri Narain Prasad

(He is a veteran member of the Institute, belonging to its 1949 batch. He may be contacted at n_prasad1924@yahoo.com.)

1. I got my graduation in Commerce from Shri Ram College of Commerce, Delhi, in 1946. I obediently followed and got into my father's profession, as I was quite in awe of the meticulosity and neatness in the way he lived his life. Quite methodical. The care he took in keeping and maintaining his documents and records was inspiring. In his youth, his circle of friends included Lala Sri Ram, Shri Jai Shankar Tandon, Shri Moolchand, Shri Bishan Narain, Shri Lakshmi Narain Mittal, Shri Amarnath, Shri Harish Chandra, etc., who despite inheriting a profession in finance and trade from their respective family graduated from the top colleges of their time and, more significantly, did a lot for the cause of education and philanthropy in the later phase of their life.

I respected my guide, Shri J. C. Khanna, too a lot. I do not remember a time when I sat before him, even though I had become a partner in the firm he was in. Once when he fell ill badly, I had started going to his residence for showing him office records or taking his signature on them with my utmost sense of respect for him. As guide, I have always aimed to train my article clerks. Here, I do want to remember Shri Jaynarayan Vaishya too who taught me in school and then in college. He was a great teacher, I must say.

At the time of my marriage, my wife was a matriculate. She eventually got her PhD, bettering her husband's education using the strong support from her husband's family, including my grandfather and my father. My family strongly believed in women's education and they took up this cause and started from their home.

2. I became the member of The Institute of Chartered Accountants of India in the year 1949, having passed the first examination of the Institute under the Chartered Accountants Act, 1949. Though I got my CA degree in 1949, but I remember not walking up to the Institute's campus till quite late, merely because of my respect for the enormity and grandeur of my institution, and certainly not due to any fear or ignorance. At that time, there were no definite guidelines for the examinees under the Act. As a matter of fact, we had to prepare very hard as advance course of B. Com. or M. Com. At that time, the examination was quite hard.

With change in the policies of the Institute, the training pattern, examination system, and orientation towards discipline has also changed. I remember my own training days as articled clerk. There was no question of leave or going early from the office. In my days, there was no looking up at the clock of the office. With the idea of our own training, we used to sit in the office for late hours to complete the work in time or rather before time. On the other hand, we used to sit late in order to complete the task. That was the importance of training in our life.

In those days, there were no computers or calculators as office gadgets. At times, we had to prepare the vouchers, entry in cashbook and journal, postings and, of course, the final statements with required details as required under the law. It is under the present law that the requirements have changed. Clients have to prepare the final accounts and get them approved by their Board of Directors before requesting the auditors to audit the accounts. Articled clerks must dedicate themselves more to the profession during their training. I believe, when we prepare the final accounts with our own hands, we come across a number of problems and, to solve it, we used to study at home looking at different acts, namely the act under which we are auditing the accounts, the Income-tax Act exhibiting profit and loss as required by the client.

3. It is a good idea that the Institute reviews the work done by young chartered accountants. But our reviewers should address the deficiencies and explain how to overcome them. At present, it is just signing a usual form with a number of columns providing space to write yes or no against them.

Much is expected from the members of The Institute of Chartered Accountants of India, but, to make a cumulative effect, we should have command over the language, i.e. English. Only recently, I have received a number of applications from students who have appeared in the CA final examinations; a good number of them have no idea as to what to write in the application.

4. The Institute of Chartered Accountants of India is a prestigious organisation having name and fame in other countries across the globe. I have noticed the members getting respect just because they have a membership certificate or a certificate of practice with them. But we should not stop ourselves there. Rather, it is better and the duty of practicing members to work diligently and update themselves in order to upkeep the prestige of their Institute while enhancing their knowledge under the law of foreign land. We should shun the glittering aspects of our profession while working hard towards reaching our goals.

5. At present, I am over 88. All my life after since graduation, I have practiced only my profession, i.e. accountancy. Even today, I work with my hands and regularly visit the site of my clients in or out of Delhi, to discuss their problems. I believe in having honesty in life, including that in my relationships as well as my profession. I think one of the first things that I have imbibed from my profession is the sense of honesty. Profession for me is my way of life. I also learned from my profession how to communicate and deal with my seniors as well as my juniors. I am thankful to my profession for giving me an opportunity to face and interact people from various professions. I learned from my profession how to make adjustments and give space to others. Transparency is another strong lesson, my profession has taught me.

I feel proud of my Institute and would like to serve it in any manner the Institute desires me to do so to the best advantage of my member fraternity and my profession.

In the end, I earnestly appeal the young aspirants to work hard and to understand various laws related to the profession. This will make their employers happy and eventually will enhance the prestige of our Institute. They must follow ethics not only in their profession but in other spheres of their life too. Ethics for me is doing what is fair for most of us, beneficial to most of us; it is not just a set of philosophical principles governing morality.

I respect my profession and my colleagues. I extend my best wishes to all the aspiring students. ■

In Quotes: How Former Torch Bearers of Indian Accountancy World See the Future of the Profession*

The present edifice of Indian accountancy profession stands on a very solid foundation laid down in the formative years of the Institute of Chartered Accountants of India (ICAI) from 1st July, 1949. Ever since, the past presidents of the ICAI, the torch bearers of the profession of their times, have meticulously shaped the growth trajectory of the Institute and the future of the profession. For this exclusive feature, we requested all the past presidents who remain with us, pro-actively professing and pushing the cause of the profession, to share their words of wisdom about the future of accountancy profession. We present herewith the select words of wisdom as expressed by many of them.

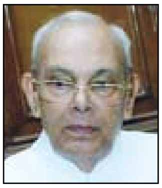
CA. (Dr.) R. C. COOPER (1963-1964)

"The problem of increasing the number of qualified Chartered Accountants to meet the continuously growing demand without at the same time in any way reducing the standard of training is a difficult one. The care which the Institute takes in this matter will determine the quality of its members in future, a crucial period, which will call for tremendous intellectual effort and versatility on the part of Chartered Accountants in applying their skills to the changing needs of commerce and industry."

(Spoken at the 15th Annual Meeting of the Council of the ICAI on 17th September, 1964.)

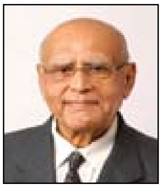
***Compiled by the Journal section of the ICAI**

CA. RAMESHWAR THAKUR (1966-1967)



"Accountancy professionals in this age of globalisation will have to progressively raise their standards to match global parameters with emphasis on greater accountability and transparency. They will be able to match the needs of the nation in its ever increasing development activities in the years to come. It is also necessary to develop in-house facilities and local level facility centres on free or least-cost basis, to provide professional guidance by the brilliant members to the young practitioners, small firms and individuals engaged in the profession."
(In a message on 8th June 2010, which was published in the Journal.)

CA. V. B. HARIBHAKTI (1967-68)



"Our dear Institute and the Accountancy Profession have taken giant strides since the year 1949 when the Institute was born. Today, the Society and the Government recognise the very important role that members of the profession play in achieving the goals of good corporate governance, economic growth and removal of poverty. The profession must do everything possible to justify the confidence reposed in the profession by the Government and the Society. We must continuously improve the quality, efficiency and effectiveness of our services to business, industry, government and the society and maintain the highest standards of integrity, rectitude and professional competence. With the phenomenal growth in the size of the Corporate Sector and Government's role and functions, the Government and the Society will depend more and more on the profession to ensure that those in charge of governance carry out their functions in the best interests of all the stakeholders and the Society at large. I am very optimistic about the future of the profession."
(As expressed in June 2012 in a communication to the ICAI.)

CA. Y. H. MALEGAM, Padma Shri Awardee (1979-1980)

"We are a profession which has a glorious past and a brilliant future. We represent in a sense an essential condition for the existence of the capital market, and the capital market is the instrument through which the savings of the community are collected and channelised into productive and technological uses. If this productive and technological use had not taken place, we would not be enjoying the significant increase in the value systems and comforts which we are enjoying today, and this would not have been possible, if the capital market had not existed. But, the capital market itself would not have existed, if profession had not existed. Therefore, we have played a significant role in the development of the economy and in the growth of the economy and for this, we should be proud." However, on a note of caution, he said: "But, being proud is not enough. We also need to recognise our responsibilities. It is because of this significant role which we are playing, we are, in fact, responsible, to a large extent, to provide the technical expertise, the independence and the integrity which is necessary for us to fulfil that role. I am sure as we have been doing for the last 62 years, we will continue to do so."
(Spoken at 62nd Annual Function of the ICAI held on 11th February 2012 in the convention hall of Hotel Ashok, New Delhi.)

CA. V. RAJARAMAN (1980-1981)

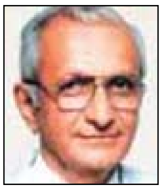
"The 'Future of Accountancy Profession' entirely rests with the younger generation of Chartered Accountants and how the Institute adopts ways and means to train to Article Assistants by suitable modification in the curriculum from time to time and to equip the Chartered Accountants, whether in practice or in industry to face the globalisation and the modern technological revolution that is taking place which are expanding the horison and widening the scope of rendering varied practices.

If the younger and the middle aged professional members want to hold their heads high, in the above context, they have to strive hard to be keep themselves updated in the revolution taking place both in the knowledge and technological world which have a bearing on the profession. Above all, what is most crucial is the necessity to maintain an honest professional integrity in the mindset and avoid the temptations for adopting unprofessional practices.

Each individual has a great responsibility to contribute to the high regard with which the profession is being held by the public. There is nothing great or difficult in this effort; all that is needed is a sense of integrity and steadfastness."

(As expressed in June 2012, in a communication to the ICAI.)

CA. BANSI S. MEHTA (1981-1982)

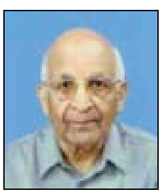


"Competence without integrity may seem to guide our economic search, but will indubitably anesthesize, even kill, the spirit of professionalism… We represent one of some islands of dedication and integrity in an ocean of avarice and debasement. The question is: how can we maintain the luxury of that island unless we try to reclaim the land around it by slowly driving that ocean away?..How can we assimilate ourselves with the society without losing our own moorings? I leave three specific thoughts with you.

First, emphasis on ethics within our ranks must be more, not less, just because falling norms of behaviour are an everyday spectacle. As a celebrated thinker puts it, you cannot crown mediocrity, just because there is not much of it around. Second, because economic rewards must inevitably be the prime dictate of a self-employed, conditions must be created, therefore, through better and more competent performance and wider avenues of opportunities. Third, and this, in my view is no less important, we ought to adorn an activist role by participating in the wider societal functions and endeavour to rub our professionalism off on to other functions of the society. To pursue this goal, our attitude must undergo a change: an attitude of constructive help in any sphere that we, because of our training and upbringing, are capable."

(As reiterated in June 2012, in communication to the ICAI.)

CA P. N. SHAH (1983-1984)



"The Chartered Accountant's Profession is one of the well regulated professions. The distinguishing mark of our Profession is its acceptance of the responsibility to act in the public interest. A Professional Accountant is able to command respect in the Society because his motto is "*pride of service in preference to personal gain*". This is one profession which is required to express opinion on the financial health of an organisation.

The Government, Financial Institutions, Banks and all stakeholders, who are users of the services of the Accountancy Profession, rely on the objectivity and integrity of the Accounting Professional. Every Member of the profession is required to follow fundamental principles which are identified by our Institute as (i) Integrity, (ii) Objectivity, (iii) Independence, (iv) Confidentiality, (v) Technical and Professional Standards, (vi) Professional Competence and (viii) Ethical Behaviour in personal as well as professional life.

In recent years there is a trend, on the part of some of our members, to convert our profession into a business venture. If we have to remain at the top in the professional world in future, this trend will have to be reversed and every member of the profession will have to follow the above fundamental principles identified by our Institute."

(As expressed in June 2012 in a communication to the ICAI.)

CA. A. C. CHAKRABORTTI (1984-1985)

"Let several firms of Chartered Accountants of repute combine and consolidate to form a World Class organisation of excellence and highest standards so that it can meet the challenges of and compete with eight large international firms. This will add tremendous value to Indian Entrepreneurs aspiring to play an important role in global economy."
(As expressed in June 2010 in a communication to the ICAI.)

CA R. BALAKRISHNAN (1986-1987)

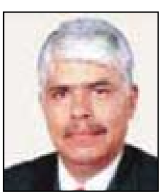
"ACCOUNTANCY is not only dealing with Arithmetic;
AUDITING is not only certifying a prepared statement;
ASSURANCE is not only giving comments on happenings;
BUSINESS is not only profit/money making;
BALANCE SHEET is not only tallying assets & liabilities
FINANCE is not only dealing with monetary issues.

In the NEW ERA,
ACCOUNTANCY involves transparent preparation of statements;
AUDITING shall be to see that all that is needed is adhered to;
ASSURANCE shall be a certification of happening after due diligence analysis;
BALANCE SHEET is one which discloses all tangibles & intangibles with Triple Bottom Line (TBL) reporting.
FINANCIAL REPORTING shall be an accountable, audited and assured reporting taking into account the past, present & future.
Let the Chartered Accountants be prepared for New Economic Growth & Environment to Sustain the growth of profession of Accountancy & finance".
(As expressed in June 2012 in a communication to the ICAI.)

CA. S. K. DASGUPTA (1987-1988)

"Use our intelligence and knowledge for observance of professional ethics leading to fulfillment of social and other objectives keeping in mind ethics is more than law."
(As expressed in June 2010 in a communication to the ICAI.)

CA. K. G. SOMANI (1988-1989)



"While technological developments have demanded professional accountants to seek adjustment to higher level of skills, knowledge and performance, there has simultaneously been a movement in the world towards harmonising the widely varyng technical and ethical standards and practices of the profession by establishing to the extent possible, uniform standards throughout the world. This is not a small job, by any means. To the extent, varying standards are harmonised, the profession will greatly benefit from wider acceptance by the clients."

I believe, we should endure to maintain highest level of professional integrity, among members so that the profession enjoys its well deserved reputation. Unless the professional negligence cases, reported to the Council, gets immediate and appropriate response, the expectation gap existing in the Society about the profession, would not be bridged.
(Spoken at the 40th Annual Meeting of the Council of the ICAI on 13th September 1989 and in a communication to the ICAI in June 2012.)

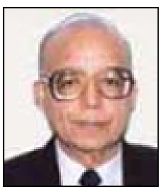
CA. ARVIND H. DALAL (1989-1990)

"The profession of Chartered Accountancy is destined to play a pivotal role in the Economic Development of the Country, but it should also help in the efforts of the Government for amelioration of abysmal poverty and other equally important need of removal of corruption in the rank and file."
(As expressed in May 2010 in a communication to the ICAI)

CA. K. M. AGARWAL (1990-1992)

"In a rapidly changing economic and social environment, the profession has to equip itself to serve as a total business solutions provider with greater emphasis on innovation, collaboration and consciousness. Widespread penetration of technology, e-governance and greater syncronisation of Indian economy with the world, poses a challenge, as well as an opportunity for the profession. CA profession has evolved with the times, and I am sure it will continue to grow and build its position of respect and strength in future."
(As Expressed in June 2012 in a communication to the ICAI.)

CA. N. C. SUNDARARAJAN (1992-1993)



"Without courage, we cannot practice any virtue with consistency. Let us adhere to the standards as a self-regulatory measure to face any trust deficiency."

(As expressed in June 2010 in a communication to the ICAI.)

CA B. P. RAO (1994-1995)

"Highly powerful and dashing business leaders in a competitive world will have least hesitation in bypassing the principles of good corporate governance which will pose a formidable challenge to our professionals. Professional values will be at great risk in a surcharged environment wherein business interest will prevail over traditional dharma and ethics. We need really responsible, assertive and trustworthy professionals endowed with high integrity, honesty and independence who can withstand the strong storm of influence and exploitation by greedy corporate to uphold the lofty ideals for which our profession is meant for."
(As Expressed in June 2012 in a communication to the ICAI.)

CA. T. S. VISHWANATH (1996-1997)

"Any profession grows and thrives, by continuously addressing the evolving societal needs, with integrity, value and vision. That alone, is the basis for continual trust of society. Accountancy profession is no different."

(As expressed in June 2010 in a communication to the ICAI.)

CA. M. M. CHITALE (1997-1998)

"The present economic situation in the country as well as in the world at large provides enough challenges to our profession. I strongly feel that the members of our profession have the requisite knowledge and skills to exploit these challenges and convert them into opportunities. As I look into the future, I feel that a more proactive role of our profession, backed by competent members imbibed with good character and the requisite discipline will take us to the right direction. We will have to grapple with the technological innovations in a much bigger way.

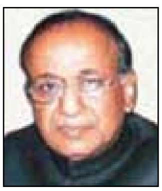
(Spoken at the 48th Annual Function of the Council of the ICAI on 16th January 1998.)

CA. G. SITHARAMAN (2000-2001)

"Success is the ability to go from one failure to another with no loss of enthusiasm…Being well-trained professionals, to be in tune with the times, our endeavours must be to continue to attract and to retain the best talents. Excellence is a constant endeavour and it is suicidal to be comfortable."

(As expressed in June 2010 in a communication to the ICAI.)

CA. N. D. GUPTA (2001-2002)



"The art and science of accountancy does not lie only in balancing Books of Accounts; one who does not balance his life remains a Debtor to Life; So, Excel, but not narrowly; spread your wings; fly like an eagle, and like the eagle, never lose sight of what is below and around."

(As expressed in June 2010 in a communication to the ICAI.)

CA. R. BUPATHY (2003-2004)

"In the wake of turbulent Global Economic situation and its impact on the prospects of Indian Economy, the Chartered Accountants have to gear up for shouldering higher responsibility to steer the Economy in a proper direction, by way of value addition in whatever endeavors they are engaged in. and at the same time our objective should be to aim at "inclusive Growth" of the profession which is as important as the "inclusive Growth" of the Economy. The Policy makers have to develop a concept paper towards achieving this goal."

(As expressed in June 2012 in a communication to the ICAI.)

CA. SUNIL GOYAL (2004-2005)

"At the Institute, we have been working keeping in mind the position of profession in the year 2020 and beyond. The art of excellence in any business or profession imbibes the capacity to anticipate the changes and to prepare oneself according to it. This equally applies to the members of the profession... We need to build further on our own strengths and to explore new avenues. This will certainly result in a stronger profession in India in the coming years."

(Excerpts from the President's message published in the January 2005 issue of our Journal.)

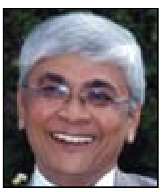
CA. KAMLESH SHIVJI VIKAMSEY (2005-2006)

"A professional is able to command respect in the society because his motto is "pride of service in preference to personal gain". A person who places public good above his personal gain is a "true" professional. The prestige and confidence enjoyed by a profession, to a great extent, depends on the strictness and the scrupulous manner in which the professional code is interpreted."
(Excerpts from his message in July 2005 issue of this Journal.)

CA. T. N. MANOHARAN, Padma Shri Awardee (2006-2007)

"One generation of India gave theosophy to humanity; another generation built monuments; one another were instrumental for the green revolution; yet another ushered in the industrial development and the last generation navigated us through the information technology driven service sector revolution. Now, it is the turn of ICAI, as a Partner in Nation Building and through the present generation, to co-author an enchanting financial sector revolution along with the Government and the Regulators. We need to build a robust financial sector with sound fundamentals thereby transforming our weak, vulnerable but emerging economy into a strong economy. India is known as "incredible India" and our profession should play a key role in shaping a ´credible economy´ that would empower India into a developed nation. Let us, on the occasion of the CA Day, re-dedicate ourselves to this cause. Jai Hind, Jai ICAI."
(As expressed in June 2012 in a communication to the ICAI.)

CA. SUNIL TALATI (2007-2008)



"Over the years the profession of Chartered Accountancy has epitomised India's progress. It seizes the unprecedented opportunities that globalisation offers. The 19th and 20th century saw a paradigm shift in the world economy from agrarian to industry. The advent of 21st centruy has ushered in the Knowledge Age with the Service sector occupying the pre dominant position. During my tenure, we went a step ahead of India's vision 2020 and envisaged ICAI's Vision 2021 and happy to see that ICAI has finally come out with document on Vision 2030.. I firmly believe Professionals & ICAI must always keep one eye on the future so that we not only keep ourselves abreast with the accounting, taxation and financial world but also be very agile and responsive to the accelerated pace of changing technology. Our profession must preserve its unique role as the trusted attester of financial information, even as the core skills of Chartered Accountants to synthesise, analyse and interpret information will be a key requirement in the Knowledge Age."
(As expressed in June 2012 in a communication to the ICAI.)

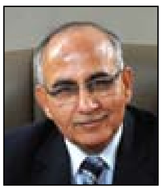
CA. VED JAIN (2008-2009)

"Our (CAs) real success lies in preparing for the future and cultivate a global outlook. For that, we need to rejig our attitude and reset our vision. It is indeed the attitude more than the aptitude that ultimately determines one's altitude… Let's dream big, and more importantly, dream different. Remember that dreams are like stars, you may never touch them but if you follow them they will lead you to your destiny. You can never cross the ocean unless you have the courage to lose sight of the shore."
(Excerpts from his message in July 2008 issue of this Journal.)

CA. UTTAM PRAKASH AGARWAL (2009-2010)

"As rightfully said, 'Why only argue, You can be the judge; You can be the arbitrator; you can be the interlocutor; you can be the mediator; you can be the negotiator – because you know the art of figures. Our profession thus proves wrong the saying – 'JACK of all trades but MASTER of none'. They will move beyond the traditional 'munim' role to a full fledged 360° end-to-end solutions and value addition services provider".
(As expressed in June 2012 in a communication to the ICAI.)

CA. AMARJIT CHOPRA (2010-2011)



"There exist vast possibilities and great future for Indian accountants. But those possibilities will become realities only if we equip ourselves technically and ethically for that great future. The dynamics of Indian accountancy profession need to imbibe the spirit of 'learning to unlearn, re-learn and learn again' so that we are always at the fore-front as 'leaders and knowledge professionals of change', bringing excellence, insight, passion and commitment to the delivery of value to all those who we serve in India and abroad. This need for change in the accounting profession begins with what we teach our students".
(As expressed in a communication to the ICAI in June 2012.)

CA. G. RAMASWAMY (2011-12)

"The time is precisely right, at the moment, for the Indian accountancy profession to spread its wings over the globe. It is the ICAI that has to take the initiative and the responsibility to prepare its membership for the challenge by leveraging the IT-quotient of the stock of their knowledge, accomplishments and skills. My vision, particularly, goes out to bring a seamless existence to our professionals in order to create a globally comparative work ethics and environment, and better opportunity for them. Consequently, all professionals will get closer advancing the agenda of true convergence."
(As expressed in a communication to the ICAI in June 2012.)

ICAI NEWS

Information regarding the Recognition of Chartered Accountancy Qualification in the University System

The Chartered Accountancy qualification has been recognised in the University System particularly for pursuing Doctorate of Philosophy (Ph.D). The Association of Indian Universities (AIU) vide letter EV/II(56-A)/83 dated 20th March 1984 has recognised CA Course as equivalent to post graduate course in Commerce for registration to Ph.D Programme by passing the following resolution-

> *"Resolved that the graduates having passed their final examination of the Institute of Chartered Accountants of India, New Delhi be treated to have completed a post graduate degree in Commerce or allied discipline for purpose of registration to Ph.D."*

With constant follow-up with various Universities and Indian Institute(s) of Management, the Board of Studies has been successful in obtaining recognition from 84 Universities and 6 IIMs for members of the Institute to pursue Ph.D.

Recently, we are in receipt of letter from University Grants Commission (UGC) stating that the threshold limit of 55% marks in post graduate examination is not applicable in case of the Chartered Accountants for enrollment to Ph.D Programme.

For further details kindly follow the "Members" icon on the Home page of ICAI website www.icai.org

Director, Board of Studies

Putting Indian Accountancy Profession on Path to the Future: ICAI Perspective

Across the globe, accountancy profession is at the core of any process of economic development and different economies have seen the evolution of accountancy profession in tandem with the size of the economy. With the increased complexity of the nature of transactions and the business structures, the role of chartered accountants and the profession as a whole has shifted its focus from being merely an accountant to total business solution provider who can deal with expansion, greater competition and give intelligent advice to the management. In order to act as a total business solution provider and to fulfil the expectations of the varied class of its stakeholders in the form of building trust in the services being provided by chartered accountants worldwide, true and fair valuation, development of integrated reporting framework, depicting independence and assuming accountability over the functions performed; Chartered accountants and their firms need to operate in a global competitive market with the comprehensive technical skill set and competencies which is also one of the motives of the ICAI in the future years. This exclusive write-up puts forward the ICAI perspective on the future of Indian accountancy profession.

(Contributed by Vision and Perspective Planning Committee of the ICAI. Comments can be sent at vppc@icai.in or vpcc@icai.org)

The Accountancy as a profession is core to any process of economic development and world over different economies has seen the evolution of Accountancy profession in tandem with the size of the economy. The accountancy profession depending upon the nature of assurance it offers to the set of stakeholders has classified itself into many professional designations such as ‘Chartered Accountant,’ ‘Certified Public Accountants,’ ‘Chartered Management Accountant,’ and ‘Accounting Technicians’.

The Accountancy profession today represents a heterogeneous group of service providers and each of such service providers would necessarily not carry the same skill set/ dexterity. The point is also driven by the various classifications of international agencies, which have been put in place like the WTO classification on professional services – the provisional UNCPC classification and OECD classification.

The advent of globalisation and its subsequent ramifications are making a subtle transformation in delivery mechanism of the professional services. World over and more importantly in the emerging economies, one sees an innate desire to march toward being bigger. This becomes crucial in context of professions like accountants which traditionally have been sole practitioners or as small firms with limited number of partners. While there can be no ground to make a case for stating that such firms are inhibited on competency framework; at the same time the ongoing reforms and with the Limited Liability Partnership Act and the users of services also looking for one stop solution on various professionals' issues; it makes a cogent ground to draw up synergistic relationship to Grow Bigger. When we talk of growing big in context of professional service providers, it could be in the form of consolidations/mergers amongst individual firms, collaborating with others and alike, in order to gain professional competencies needed in the market domain.

With the increased complexity of the nature of transactions and the business structures, the role of chartered accountants and the profession as a whole has shifted its focus from being merely an accountant to total business solution provider who can deal with expansion, greater competition and give intelligent advice to the management. In order to act as a total business solution provider and to fulfil the expectations of the varied class of its stakeholders in the form of building trust in the services being provided by chartered accountants worldwide, true and fair valuation, development of integrated reporting framework, depicting independence and assuming accountability over the functions performed; Chartered accountants and their firms need to operate in a global competitive market with the comprehensive technical skill set and competencies which is also one of the motives of the ICAI in the future years.

With the global economic downturn, the current business conditions tend to become tougher, which give rise to the questioning on the financial stability of any organisation. The need of risk assessment managers with capability to deal in an uncertain market world has been increasing and thus the role of accountancy profession tends to make a drastic change in its image and expectations as being demanded by its stakeholders.

The ongoing structural ramifications in accounting profession taking place worldwide would influence the profession and possibly need a sustained response on an ongoing basis; such issues being of the nature which warrant due positioning to be undertaken for the benefit of the membership at large.

Accounting profession in India is passing through appealing scenario; while there are extraordinary opportunities for growth of the profession owing to the continued growth of Indian economy and enhanced global opportunities due to convergence of standards, technology enablement and newer legislations; a multifaceted relationship of ever increasing public scrutiny of the profession, skill set development in the changing times, stakeholders' expectation mismatch and increasing regulatory oversight conspire to create formidable challenges.

ICAI Vision 2030

The CA Profession has lived up to its vision and expectations as one of the most vibrant forces of socio-economic augmentation, fundamental to the success of the nation. The Institute of Chartered Accountants of India (ICAI), the regulator of the Indian accountancy profession, for more than last six decades has evolved itself to develop globally competitive chartered accountants with its robust education pattern and stringent training systems in place. The ICAI with its revised Vision 2030 aims to become:

World's **leading accounting body**,
a regulator and developer of **trusted and independent professionals** with
world class competencies
in accounting, assurance, taxation, finance and business advisory services

The ICAI aims at attaining the global position by leveraging technology and infrastructure and partner with its stakeholders to imbibe the world's best practices while:

- Imparting world class education, training and professional development opportunities to create global professionals.
- Developing an independent and transparent regulatory mechanism that keeps pace with the changing times.
- Ensuring adherence to highest ethical standards
- Conducting cutting edge research and development in the areas of accounting, assurance, taxation, finance and business advisory services.
- Establishing ICAI members and firms as Indian multi-national service providers.

In order to achieve its Vision and Mission, ICAI had drawn its detailed Action Plan for the year 2012-13 which provides scope for the following priority areas:

1. **Globalisation of the Profession:** In order to identify and realise opportunities for Indian professionals and firms to work internationally and develop international relationships, it aims at identifying and entering into MRAs/MoUs with professional accounting bodies abroad and extending technical cooperation to the countries where the accounting profession is at a very nascent stage along with encouraging existing members abroad for strengthening the existing framework of practice and industry for Indian professionals. The fact that there is a need of enhanced regional and global visibility of the Indian accounting profession, ICAI aims at strengthening its presence in the countries where accounting profession is developing by providing education, conducting examinations, providing CPE, assisting in establishing disciplinary and regulatory framework and alike.
2. **Reforms in Education and Training:** Further, it also looks forward to undertaking reviews on the existing education and training pattern in order to produce trusted and independent global professionals with their continuous professional development. This would *inter alia* aim at including relevant multi-disciplinary cases as a part of curriculum, particularly dealing with issues such as global marketplace, international standards, blending information technology with financial decision making, strategic, analytical and critical thinking, ethical decision making, etc. It also aimed at betterment of the quality of articleship training through empowerment and incentives by introducing effective training monitoring system and conducting capacity building programmes for firms imparting articleship training to provide guidance in methodology and mechanisms to make the training more effective.
3. **Knowledge Sharing on Emerging Issues:** In order to disseminate knowledge on the emerging areas of the accountancy profession, ICAI proposes to launch certificate courses in the areas like XBRL and organise various seminars and conferences on the focused areas like Accounting Standards, Standards on Audit, Direct Tax Code, goods & Service tax, Corporate Social Responsibility, Integrated Reporting Framework, IFRS, Corporate Laws and new legislations and like.
4. **Hub of Valued Thought Leadership:** ICAI also looks forward to work with leading institutions for conducting research in the concerned areas of the professions and by creating a framework for partnering with the identified institutions in terms of resources such as scholarship for PhD programme, grants for research, etc in order to be a hub of valued thought leadership. It also plans to have increased focus on encouraging its members to involve in the research in taxation, finance and other areas of business management and also by enhanced contribution in leading publications dealing with accounting, assurance, taxation, finance and business management in order to establish India's thought leadership in these areas.
5. **Socially Relevant Initiatives:** Being a part of valued society, ICAI also proposes to undertake different socially relevant initiatives through

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focused programmes involving students and members in the areas of Education, health, tree plantation, water harvesting and alike.

6. **Unique Needs of SMEs and SMPs:** India is a huge country with its unique set of aspirations and with determination and resolute, we have been making progress in the past years. In India the SMEs are playing a pivotal role as engine in fueling the economic growth of the country and SMPs are supporting them. SMPs and SMEs need to be nurtured, groomed and empowered by providing technical tools, skill-sets, access to government guidance on compliance matters to which ICAI is keen to work in the future years.
7. **Research Enabling Environment:** For being on-top, our profession must foster creativity, innovation and gain knowledge of new developments. ICAI has identified itself to create an ecosystem promoting research excellence both internally as well as externally by becoming leading contributor to the standard setting process across the world in the field of accounting, assurance, taxation and advisory services.
8. **Strengthening Infrastructure and Technological Capabilities to Improve Engagements with all Stakeholders:** In order to develop world class educational institutions, ICAI proposes to establish Centres of Excellence at different places and leverage computer-based learning systems to increase the reach of accounting education economically. It also aims at conducting organisation restructuring and developing a process-oriented culture in the organisation. ICAI also aims at using the technological benefits for ensuring increased transparency in the internal and external working of its members in order to improve its engagements with all its stakeholders.
9. **Branding and Awareness Campaign for Enhancing Public Perception of ICAI:** The public perception is ultimately guided by the stable and renowned thrust on imbibing a framework which adds to the public confidence in financial reporting and related issues concerning the profession. ICAI endeavours to develop a coherent and focused awareness campaign, organising student outreach programmes to attract quality students and finally to safeguard the reputation and brand image of ICAI and its members.

It is a high time to understand that gone are the days where the technical chartered accountants used to sit permanently behind a desk in a secluded office, remote from the business, simply processing data and compiling accounts and/or performing audit function.

In the modern world, basic accounting, auditing and accounts preparation skills are usually taken for granted. Above these, chartered accountants need to demonstrate complex business and managerial skills. They need analytical ability and an understanding of the interconnectedness of risk across complicated entities in a globalised environment. They also need the ability to effectively communicate with peers and external stakeholders so that they can understand the future vision for the business, as well as clearly understand its past performance in order to align its present activities of the business with suitable risk measurements.

Business success depends on the ability to make sound decisions in a risky, uncertain world. Chartered accountants can help management teams to make those decisions, based on information drawn from accurate data and informed by broad business knowledge. These may be tough times for all organisations around the world, but they are also potentially exciting and

India is a huge country with its unique set of aspirations and with determination and resolute, we have been making progress in the past years. In India the SMEs are playing a pivotal role as engine in fueling the economic growth of the country and SMPs are supporting them. SMPs and SMEs need to be nurtured, groomed and empowered by providing technical tools, skill-sets, access to government guidance on compliance matters to which ICAI is keen to work in the future years.

enabling times for chartered accountants who have the opportunity to step up and take the lead in driving future business success.

ICAI, through its constant efforts, endeavours to develop and adapt international best practices in the dynamic business environment in:

1) Providing consistent training and internationally recognised qualifications.
2) Ensuring members' skill and knowledge are up to date with continuous professional education programmes, post qualification courses and certificate courses.
3) Promoting ethical approach to business.
4) Promoting global quality assurance with respect to auditing and financial reporting.
5) Having a strong international brand.
6) Being a leader on technical/professional issues.
7) Providing professional opportunities for SMEs and SMPs.

ICAI understands that it is time for Indian Accountancy firms to raise the bar and work towards operating globally. The accounting firms must consolidate their efforts and tap opportunities available globally while simultaneously working to develop leadership skills, developing core competencies, developing technical and intellectual resources and invest in human capital for which it invites the cooperation and support from its members worldwide by giving their suggestions on implementing its Vision 2030 in order to achieve the global vision of the chartered accountancy profession at large.

ICAI NEWS

Committee on public finance and government accounting Invitation to contribute articles for e-newsletter

We are pleased to inform you that looking into the relevance of e-newsletter 'PRUDENCE' released by the Committee on Public Finance & Government Accounting and support received form our readers and authors, it has been decided by the competent authority to release the e-newsletter every month instead of bi-monthly.

The June 2012 issue of the E-Newsletter is available at the URL http://www.icai.org/new_post.html?post_id=3825&c_id=241.

We expect our experts, researchers and writers to be more pro-active in contributing articles and invites them to contribute articles in different areas of Public Finance and Government Accounting preferably on *Public Debt, Public Expenditure, Fiscal Policy, Monetary Policy, Accounting Reforms, Accrual Accounting, Accounting for Intangible Assets and Restructuring of Chart of Accounts in Accrual System in Public Sector* for publication in the July 2012 issue of its E-newsletter.

If the article is published, a token honorarium of ` 3000/- per article shall be paid. Discretion of the Committee regarding publication /non-publication of the article shall be final and abiding therewith under copyright of the Committee. Material of this E-Newsletter may not be reproduced, whether in part or in whole, without the consent of Editorial Board of Committee. Authors may only submit original work that has not been appeared elsewhere in any publication. A formal signed undertaking in the form of a letter stating that "the article is original and does not infringe any copyright and has not been published elsewhere or has not been sent for publication" should be sent along with the article.

The articles (up to 1500 words) may be sent to us latest by 10th July 2012 in the form of soft copy through mail/CD or in printed format through post giving details of the subject matter.

Those desirous may please contact at the following address:

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In Defence of Accountancy Profession:

*Thus Argued Our Representatives in Constituent Assembly and, then, in Parliament**

Ever since Parliament and founding fathers of the nation bestowed their trust on Indian chartered accountants in broader national interest, the accountancy profession has constantly been evolving and so has been the Parliamentary Act governing the profession. Keeping the national and social interests in mind in tune with the times, the Act has undergone changes many a time but only after careful deliberations and debates in Parliament. Amendments proposed in the Act were debated in Parliament in 1949, 1955, 1958 and 2005. Highlight of all these debates was majority of the members of the Parliament commending the CA profession and its institute, ICAI, and pitching for continued autonomy of profession in larger national interest. In this exclusive feature, we present the excerpts of the debates took place in the Constituent Assembly (Legislative) and in the Parliament (Rajya Sabha) in 1949 and 2005 respectively, as dug out from our archives.

Excerpts from Debate of the Constituent Assembly of India (Legislative) on Chartered Accountants Bill, 1948 on 9th April, 1949

Shri K. C. Neogy (Minister for Commerce)

"The Council will be composed of persons elected by the members of the Institute on a regional basis and some nominees of the Central Government and of the organised commercial interests in the country. Having regard to their responsibility in the healthy development of the profession which, in a sense, will act as the watch dogs of ordinary investors in joint stock companies, Government consider it necessary to have some representation in the Council. The Council will be autonomous and free from external control except in a few specified matters. All the functions in regard to the profession so far performed by the Government will be carried out in future by this Council which will also have the power to recognise foreign qualifications on a basis of reciprocity.

As I have already stated, the Bill has been widely circulated and has been welcomed by the different interests concerned, more or less. There might be a few questions in which some of my honourable friends would be interested, but I submit that all such questions could very conveniently be discussed and examined in the Select Committee. The principle to which I invite the House to agree is that an Institute of Accountants be established as an autonomous body and that, as regards the rest, all questions would be considered to be matters of detail which would be within the purview of the Select Committee to consider. Sir, I move."

"In the Bill as it stands the right to entertain articled clerks would belong to practicing Chartered Accountants only

**Contributed by Journal section of the ICAI*

Chartered Accountants, while advising on different compliances that a company has to undertake, should also help in devising a suitable Competition Compliance Programme (CCP) for the company/ enterprise as CCP would reduce the risk of contraventions of the Act and its consequences. This will help to promote a culture of compliance and encourage good corporate citizenship.

that is to say, those who are not actually practicing—of course they would not be entitled to be called Chartered Accountants—would not be entitled to have articled clerks. But in this amendment a special case is sought to be made in the interests of the profession itself: that is to say we are likely to be short of the necessary number of accountants that this country may need, and the amendment that my honourable friend suggests would have the effect of expanding the opportunities for practical training to persons who may not find it possible to be articled to practicing Chartered Accountants but who at the same time may find it possible to be an apprentice or an assistant to a non-practising accountant who would be an Associate or a Fellow of the Institute of Chartered Accountants properly so called but who may be employed as a paid assistant to a firm or to an individual chartered accountant. In other words, we are looking to the substance of the thing. If an articled clerk gets an, opportunity of getting the necessary practical training, this training may be taken not merely directly under a practicing chartered accountant but also under a qualified accountant who may not be technically a practicing chartered accountant but who may be employed as a paid assistant to a chartered accountant or to a firm of chartered accountants."

"I had better now refer to a rather important amendment which the Select Committee has made and that is to be found in clauses 20 and 21 regarding removal from the register. In the original Bill it was left to the Council to hold the enquiry and give a decision as regards any case in which any misconduct may justify the removal of the name of an accountant from the register of this body. In that provision in the original Bill there was an appeal provided for to the High Court in all such cases, though the initial order would have been passed by the Council itself. There was, however, an important exception and that related to income-tax proceedings, it being laid down that where anybody was suspected to be guilty of any malpractice in connection with income-tax proceedings, then the matter would be inquired into by the Government itself and the decision of the Government would of course be subject to appeal to the High Court in the same manner as a decision of the Council itself. The Select Committee have altogether changed these provisions. In the first instance, the Council is now to be authorised merely to hold an enquiry and to forward the findings of the Council to the High Court. That is to say the final decision would, in every case, be that of the High Court and not that of the Council itself. Secondly, the special provision that was made in regard to income-tax proceedings has been done away with and in place of it what we have done is to make it obligatory on the part of the Council to inquire into a matter, if the Central Government had made any complaint in that connection. But here again the decision would have to be given virtually by the High Court and the Council will merely forward its findings to the High Court."

"I am coming to that. Before I conclude I should like to give an assurance to this House in regard to the question of the refund of the premia which would be payable by the articled clerks to the accountants. I understand that some of my honourable friends are anxious that there should be some understanding that the premia would be refunded in every case. As a matter of fact I am in a position to give the undertaking that by the rules that will be framed under this law we would provide that the premia would be returned in full on satisfactory completion of Articles. I think, in view of what I have stated, my honourable friend Mr. Sidhva would not find it necessary to move his amendment. As I have already stated I am going to accept one of his amendments but there is another of a more or less formal character which also I should be accepting and that is the amendment to clause 1 proposed by my honourable friend Mr. Sidhva."

(On being asked by Shri R. K. Sidhva (C. P. and Berar: General) "What about the amendment to the clause on apprentices?")

Shri K. Santhanam (Minister of State for Railways and Transport)

"Sir, this amendment requires one explanation. Now the number of apprentices which any chartered accountant can take is regulated by the rules. As the amendment stands it looks as if a man who is in employment can take an apprentice apart from the chartered accountant or firm of chartered accountants in which he is employed. It is not intended. What is intended is that his presence also will be counted in the number of apprentices which the chartered accountant or firm of chartered accounts in which he is employed, can take. It should be made clear so that there may be no misunderstanding. Otherwise he cannot take a proper apprentice when he has no work of his own. That would be impossible."

Shri T. T. Krishnamachari

"The position is that a man who is employed in a firm of chartered accounts will be guided by that firm as to whether he can take an articled clerk or not. He cannot take an articled clerk apart from the policy of the firm in this regard. I am sure in actual practice no such contingency similar to what my honourable friend Mr. Santhanam is visualising can possibly happen."

Excerpts from Debate of the Constituent Assembly of India (Legislative) on Chartered Accountants (Amendment) Act, 2006 on 13th December, 2005

(Extensive changes have been made in the Chartered Accountants Act, 1949 through the Chartered Accountants (Amendment) Act, 2006 (No. 9 of 2006) which has been notified by the Central Government in the Gazette of India (Extra Ordinary) dated 23rd March, 2006. The Act was passed by the Parliament after long debates. The relevant Bill, namely, The Chartered Accountants (Amendment) Bill, 2005 was introduced in the Rajya Sabha on 13th December, 2005. Later, the bill was debated in the Lok Sabha on 23rd December, 2005. Following are the relevant extracts from the debates (uncorrected) held in Rajya Sabha on 13th December, 2005.)

Shri Prasanta Chatterjee

"Sir, the profession of C.A. is today interlinked with the economy of the country. And the economy has changed a lot since 1990. Sir, in view of the large-scale scams, cases of bribery, large-scale corruption, accumulation of black money which is running a parallel economy, the role of audit, financial checking etc. have great importance.

The JPC while probing the Stock Market Scams in 1992 and in 2001 observed and commented on the slow disciplinary proceedings against the erring members of the Institute. The JPC have also stated that the auditors have great responsibilities -- if they become a part of the malaise -- thus checks and balances would collapse.

The role of financial institutions, regulatory bodies besides the Chartered Accountants are also important.

Now, Sir, while dealing with the Bill in particular and the amendment, we must keep in mind that the Institute enjoys very special autonomy and that autonomy should not be disturbed, or, taken away in the name of strengthening the regulatory process.

The Council is an elected body, and it has the Government nominees in it. It should be left to the Council to deal with extreme contingency, if any. The Institute has a mechanism of internal audit as well as audit committee within the Institute. We should not take any steps, Sir, to interfere with the autonomy of such an Institute.

As I observe, Sir, this Institute is a creation of our Parliament, and why should this provision be there?

Section 35 of the Competition Act, 2002 specifically allows Chartered Accountants to represent a complainant, defendant or Director general to present a case before the CCI. Besides, Section 36(3) of the Act empowers the Commission to call upon the services of experts from various fields including accountancy to assist the Commission in conduct of any inquiry by it.

My final point of observation is that the institutes enjoy a very special status; a special autonomy and that should not be disturbed. But in spite of that some regulatory measures will have to be taken, some regulatory clauses will have to be enacted."

Shri C. Perumal

"Now that there is globalisation in every field, the importance of Cost Accountants, Chartered Accountants and Company Secretaries has increased. Even as multi-national companies compete with each other in establishing business in our country, I think, these categories of persons are an important link.

There are several companies which cheat general public and the Chartered Accountants should be careful about them.

Last but not the least; the Institutes of Cost Accountants, Chartered Accountants and Company Secretaries may enter into agreements with colleges and other institutions for imparting basic training to students in this field so as to prepare them to meet global challenges."

Shri C. Ramachandraiah

There are other regulators also, like the RBI for banking, SEBI for capital market, and the Institute of Chartered Accountants of India for achieving the high excellence in accounting and auditing standards, etc.

Sir, one important aspect has to be taken into consideration-- at any point of time no Government should lower the autonomy of the institutions.

It is very, very important and under the guise of making the Council more effective and more functional, we should not erode the autonomy or independence of the Institute.

I fully oppose some of the provisions that have been made in these Bills because they do not warrant their introduction and which ultimately erode the autonomy of the Institute. Sir, I would concentrate more on the Institute Chartered Accountants of India.

We have become the champion of liberalisation and globalisation and such is the case that the autonomy of the professional institutes like the Institute of Chartered Accountants of India is very, very necessary. It is more relevant today than 1949. This is what I wanted to bring to the notice of the Government. Sir, this is more accountable because the scams are arising. The only reason is that the regulators are not accountable. If you erode the autonomy, you cannot make them more accountable.

Sir, some members have mentioned the stock market scam of 2002 and JPC's observations. Nowhere the role of auditors was pointed out. Nowhere! The only observation made by the JPC is that disciplinary cases are being disposed of with undue delay. The disciplinary mechanism has to be strengthened and the cases should be disposed of expeditiously.

The JPC had identified 17 cases and the Jana-kiraman Committee, which was constituted exclusively to inquire into this, had identified 32 cases whereas the Institute of Chartered Accountants of India had ordered for an inquiry into 65 cases. Without any mention from anybody, the Institute itself had pointed out 62 cases and ordered for an inquiry. This is the independence and scrupulous the Council has got and how this Institute has been functioning. I wanted to bring it to the notice of the Minister.

At one point of time they want to increase the strength of the Council from 30% to 40%. It, actually, increases the expenditure of the institute. In this aspect, where the services of the outside members are necessary, the Government wants to reduce this cooption to one-third! It is totally unjustified.

Sir, this is the institute to which we have given a mandate. As has been said by an hon. Member, it is the creation of an Act of Parliament. It has been given a mandate. It will guide the format in which accounts have to be presented. It will decide how accounts have to be formulated. It will guide the members as to how audit has to be conducted. It will guide the members how the defalcations or misappropriations have to be plugged. This body enjoys the international reputation. When such is the case, how will a person, sitting in the Department of Company Affairs, guide this institute and in what form the accounts have to be presented? Or, how the audit has to be done. It is ridiculous. It is highly ridiculous. This is one way to make inroad into the independence of the institute. This is one way to encroach upon the autonomy of the institute. We fully oppose these things. It is a very reputed institution in the world. It is the third biggest institute in the world with one-lakh-and-thirty-thousand members. One or two black sheep may be there. Some members may commit errors. That does not mean that the entire profession is wrong. Yesterday, we have seen some of the Members of Parliament taking money for putting questions in Parliament. That does not mean that the entire polity in this country is corrupt. We cannot generalise it. So, my request to the hon. Minister is, let us not encroach upon the wisdom of the institute and the members of the Council.

Sir, the profession of C.A. is today interlinked with the economy of the country. Sir, in view of the large-scale scams, cases of bribery, large-scale corruption, accumulation of black money which is running a parallel economy, the role of audit, financial checking etc. have great importance.

I am openly saying that it is an affront to the provision itself. It is degrading the provision which enjoys the international reputation in the comity of nations.

And, it pertains to special audit. The Council can call for special audit. Who has to do the audit? Will the Secretary, Department of Company Affairs, will go and do the audit? It has to be audited by the members of the institute. Then, why should there be directions from the Government? These thirty members, who are elected from different parts of the country, are persons of eminence and character. And, we, sitting in the administration, are questioning their character! It is highly objectionable. And, you always want to keep Damocles' sword hanging over their heads and erode their autonomy; and according to the whims and fancies of a Joint Secretary or a Secretary of the Ministry. For God's sake, don't do it. You are eroding their autonomy. There will be more scams, if you do it; I am openly telling you. Once you erode the autonomy of the institute and the independence of the Members in doing the audit, you will be inviting more scams.

The Government nominees are there -- one from the Ministry of Finance, one from the Department of Company Affairs. Had there been any dissent note in any of the committee meetings? Had there been any objections from them about the functioning of the institute? Never! Then, what made you to suspect them now? It is exclusively to make the inroads into the functioning of the institute. More than that, I can't deduce anything. So, I want to say that the elected council is wise enough. One person can indulge in corruption; one person can indulge in irregularities. But, thirty persons cannot connive.

On the recommendation of the Naresh Chandra Committee, and on the recommendation of the JPC also an attempt is being made to make the disciplinary mechanism more vibrant. That is the only deficiency in the functioning of the Institute. Much of the time of the Council members was being taken in the disposal of the disciplinary cases. Now that this mechanism is being built, there is no necessity for increasing the strength from 30-40."

Shri Manoj Bhattacharya

"The original bill was enforced with effect from, if I remember