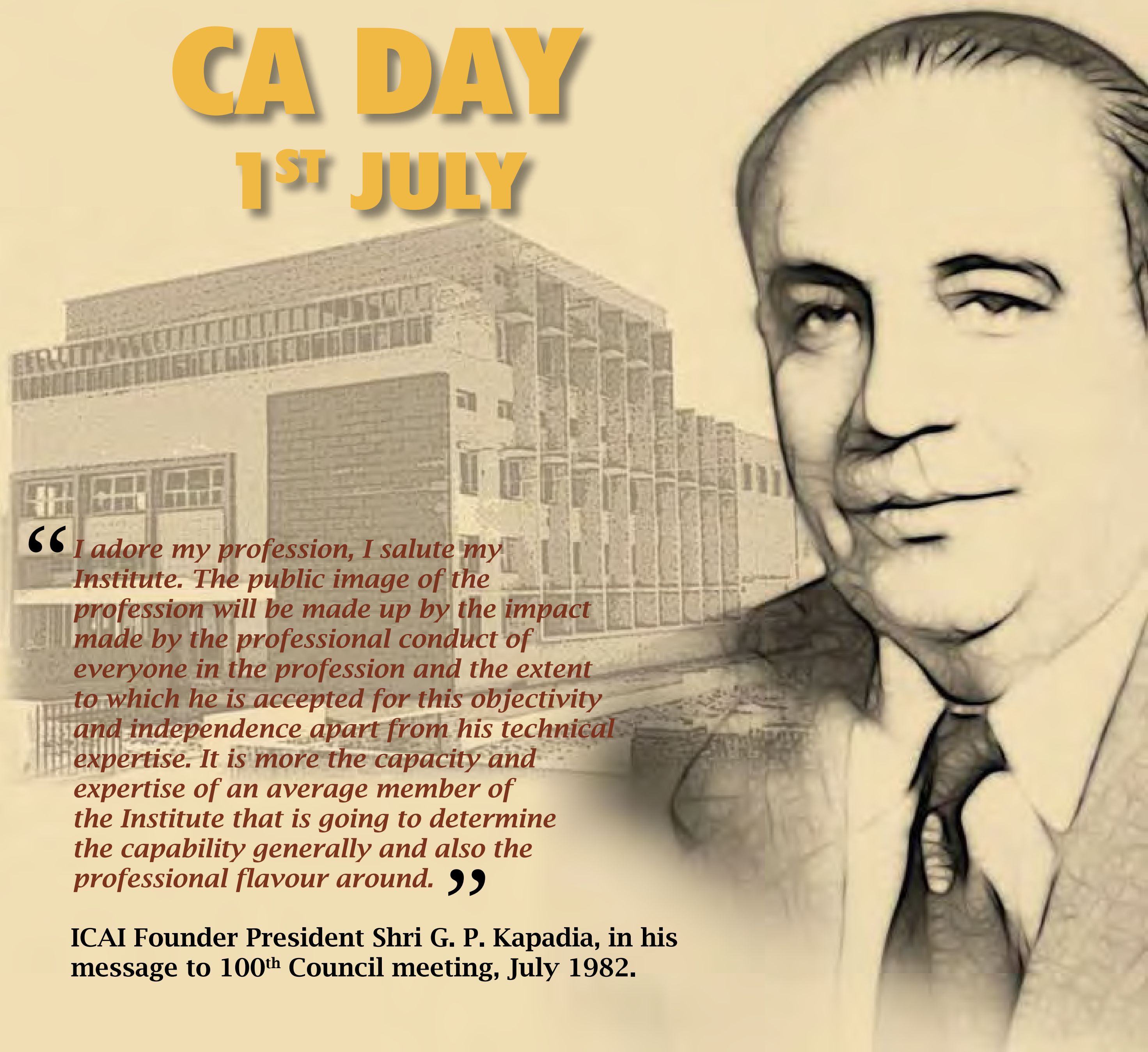
VOLUME 60 | No. 1 | JULY 2011 | ₹ 100

THE CHARTERED ACCOUNTANT JOURNAL

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

SET UP BY AN ACT OF PARLIAMENT

CA DAY
1ST JULY



"I adore my profession, I salute my Institute. The public image of the profession will be made up by the impact made by the professional conduct of everyone in the profession and the extent to which he is accepted for this objectivity and independence apart from his technical expertise. It is more the capacity and expertise of an average member of the Institute that is going to determine the capability generally and also the professional flavour around."

ICAI Founder President Shri G. P. Kapadia, in his message to 100th Council meeting, July 1982.

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Indian Accountancy Profession: Today and Tomorrow

Following a glorious tradition of professional excellence, the Institute of Chartered Accountants of India has completed 62 years of its glorious existence on 1st July, 2011. It is a national event and a historic occasion, which reminds countrymen about accountancy profession's glorious ongoing journey of success that started decades back on 1st July, 1949 with the inception of ICAI. This is a matter of pride for not just the Chartered Accountants but for the nation as a whole. In these moments of pride, when the Indian accountancy profession ponders over the past, the present and the future, it feels both triumphant and secure about its 'today' and 'tomorrow'. Having resolutely upheld the profession's indomitable spirit of 'excellence, integrity and independence' since its inception in 1949, the Institute of Chartered Accountants of India is today well set to steer the profession into a fabulous future. No doubt, the twin words of independence and integrity combined with technical excellence are the hallmark of Indian accountancy profession.

ICAI has indeed come a long way since its foundation and today it is second largest accounting body in the world with more than 1,70,000 members across the globe. From traditional bean counters, the ICAI members have now metamorphosed into multi-dimensional professionals offering complete business solutions in an increasingly intensifying knowledge economy. The role of CA is fast shifting from backroom to boardroom. He is no longer a statistician but a strategist.

The faith placed in Indian accountancy profession by Indian legislature has in fact grown manifold ever since and the Chartered Accountant has emerged as an institution of public trust. The CAs today are not only regarded as the backbone of Indian financial system but also the conscience keepers of Indian economy. The triumph of the profession following persistent pursuit of perfection, integrity, skills and knowledge has placed Indian chartered accountants in an exalted position in present professional order of the country. They are today an integral part of India's success story with their growing capacities as 'information and decision specialists' and as a strong bridge between fiscal administration and business community. They have so far been at the forefront of the ever-expanding horizons of Indian economy, assuming new roles and responsibilities. They are ably meeting the challenges in the garb of emerging opportunities in domains of Convergence, XBRL, Internal Audit, VAT Audit, Insurance and Risk Management, Service Tax, Consultancy, International Taxation, Mergers and Acquisitions, Valuation, Assurance, Environmental Accounting, Forensic Accounting, etc.

But still there are miles to go. There are still many challenges to be met, many frontiers to be conquered and many histories to be made. It is the sheer pace of change that makes it a big challenge in present hi-tech era of liberalisation, privatisation and globalisation with ever increasing stress on disclosures and accountability which has put sharper focus on role of accountancy profession. The professionals need to anticipate the changes and look at the future and be prepared for it. We must recall the famous saying by Charles Darwin that *"It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change".*

The present calls for a paradigm shift in accountancy professionals' thinking and vision. Marcel Proust has rightly said that "the real act of discovery consists not in finding new lands but in seeing with new eyes." They need to be innovative and tech-savvy, need to learn to unlearn and re-learn, and need to build domain expertise and specialisations as the days of generalists are getting over. It is about the higher-end intellectual capacity that needs to come into play. Memory is past. It is finite. Vision is future. It is infinite. Albert Einstein said, *"Imagination is more important than knowledge".* 'Multi-disciplinary partnerships' is the need of the hour.

As the ICAI enters the 63rd year of service to nation, it's time for the Indian accountancy profession to take a resolve to continue serving the nation as a veritable 'Partner in Nation Building' in letter and spirit and provide enlightened value-added services to the society. The accountancy profession motto *"pride of service in preference to personal gain"* has to be lived up to the expectation of the society at large. The caption embodied in ICAI emblem *"ya esa suptesu jagarti"* (One who is awake amongst those who are asleep) needs to be justified today as well as tomorrow more than ever before.

-Editorial Board
ICAI- Partner in Nation Building

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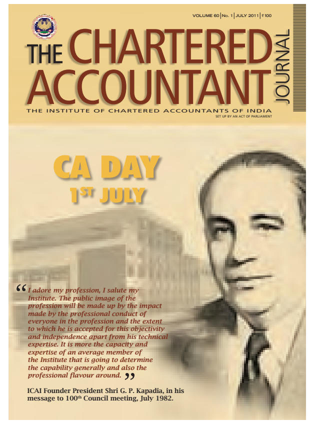

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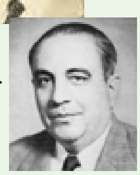
FEATURES

FROM THE LEADERS OF ACCOUNTANCY

NOSTALGIA & FROM THE ARCHIVES



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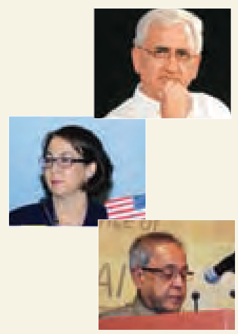

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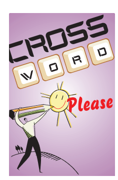

CA. G Ramaswamy, President, ICAI

Dear Friends,

It is my proud privilege to address my accounting fraternity on the eve of 1st July, a day remembered as the Foundation Day of the accountancy profession in India and celebrated as Chartered Accountants' Day (CA Day).

It would be arguably justifying and appropriate to remember Shri G. P. Kapadia, the first and founder President of our institution, on this occasion, who, being a great visionary, gave a very distinct shape to the scope of our profession. Let us accept that it would have been quite difficult for us to imagine the status of profession, had he not done what he had for the foundation and development of the profession.

On 11th August, 1951, Shri Kapadia had said at the second Annual Meeting of the ICAI Council: *...the Institute is a new one and it will take time to build up its traditions and I am sure that in course of time the Institute will have the best of traditions of which the profession and the country will be proud of. The assistance of the members of the profession as also the Government and public is necessary in building up the Institute and I am sure that this be had in the fullest measure.* His idea and vision to touch heights is still alive in our hearts and we have been striving tough to realise his dreams. Though we have moved forward quite a lot since then, still I would never say that, as this will stop the scope to grow further.

A man of unflagging conscience, Shri Kapadia gave a definitive direction to the accounting professionals through his vision and conviction. He let the membership understand where they should go and what was favourable for them in future. He inspired them and raised their aspirations to achieve the best in profession. He believed in the beauty of perseverance which helped us attain our destiny. And then, future with a host of bright possibilities would belong to us. The beauty of Shri Kapadia's leadership was that he strongly articulated his vision on numerous occasions before the accounting fraternity. We know that when vision is combined with venture, it becomes substantive. In the absence of execution, vision is merely hallucination, Thomas Edison opines. Shri Kapadia and Mr. Edison appear to be in agreement here.

Before I talk about the important developments of the past month, it will be a matter of joy for me to inform all of you that we have planned to launch the following services on the occasion of the CA Day (1st July):

- *Web TV Portal:* This Portal will contain video streaming of seminars, lectures and so on. The members and students will be able to login to the website register easily and then view the videos online. The main purpose of creating this online portal is to share with our members and students the experience of being virtually present in the seminar/programme/lectures. The portal will comprise both *Static Web Module* containing committee information, contact details, terms & conditions, privacy policy, and other static information, and *General Public Module* containing latest videos, images and event details about members and students. The portal will also have a discussion board and a forum.
- *CPT Online Registrations:* The students can register themselves 24*7 to CPT course using this online form which is also having the facility to pay course fee online using credit/debit cards/net banking of various banks. This will bring our students closer to the doorsteps of the ICAI, and other such forms will also be available online in due course. I request all of you to encourage students to use this online facility.
- *CA Firms Portal:* On this portal, Small and Medium Practitioners may create their portals as per the norms laid down by the Council. Thus, all the CA Firms shall be able to upload the details of their firms on the proposed website from their end and it shall also provide them an opportunity to reach out to the international practitioners.

- *Project Parivartan:* 'Beta' version of the new ICAI website will be released. The main objective of this Beta release is to share the new perspective on how we perceive to capture your thoughts and transform the ICAI Web Portal into a truly members and students friendly one. We look forward to your valuable feedback on the same.
- *ICAI-Tax Suite Software:* The software will assist the members in the areas of Income tax, TDS, Audit Reports, Project Report/CMA, Form Manager, Annual Information Return (AIR), Service Tax and Document Manager.
- *ICAI-MDA Software:* The Software will assist in compliance with MCA filings.

I am sure that the entire membership including the members in industry and our students will find the above-mentioned services efficient, productive and helpful in their professional development, networking, practice management and statutory compliance.

Now, let us have a look at the important developments and changes in profession that we have brought about nationally as well as internationally:

Interaction with the Government

Meeting with the President of India: I had the proud privilege of meeting the Hon'ble President of India, Smt. Pratibha Devisingh Patil, along with the ICAI Vice-President CA. Jaydeep N. Shah. Her Excellency was updated about the recent progress and changes in the profession and the Institute and was also handed over documents related to the Institute. The head of the Nation has wished our profession and the Institute a great future and growth.

Recommendations Submitted to Election Commission: It is quite gratifying to inform you that we have submitted the report on *Uniform Accounting & Auditing Framework for Political Parties* to the Election Commission of India (ECI) during a meeting with Dr. S.Y. Quraishi, Chief Election Commissioner of India and officials of ECI recently. I participated in this meeting with the ICAI Vice-President CA. Jaydeep N. Shah and my Council colleague CA. Shivji B. Zaware among others. CA. Zaware also made a presentation on the principal recommendations from the report, which were extensively discussed and appreciated by the officials of the Commission. The implementation of these recommendations would go a long way in bringing about accountability of political parties, the ECI officials felt. We were informed that the recommendations might be implemented with appropriate amendment *vis-à-vis* relevant laws and regulations. To support the recommendations, the ECI has further sought from us inputs on international accounting practices being followed by political parties, which we would submit to them shortly.

Suggestions Submitted to the Ministry of Corporate Affairs: We have submitted our views/suggestions to the Ministry of Corporate Affairs on (i) Circular issued by MCA which states that the auditor of the company will not be allowed to sign and certify the filing with MCA-21 system if such a company has not filed its statutory annual reports with the ROC, and on the (ii) Companies (Cost Accounting Records) Rules, 2011 and the Companies (Cost Audit Report) Rules, 2011. We are also in the process of preparing a document on the revised Schedule VI to the Companies Act, 1956 for guidance of members and have identified several critical issues in the revised Schedule VI. We have made representations to the various regulators along with issues and solutions in order to bring about harmonisation of laws so that implementation of revised Schedule VI can be facilitated smoothly.

MCA Nominates Council Members and ASB Secretary: A Committee has been formed by the Ministry of Corporate Affairs to identify the tax issues arising out of convergence between the Companies Act, 1956, IFRS, DTC and GST, and matters related thereto. Apart from other members, my Central Council colleagues CA. Sanjay Agarwal and CA. Jayant Gokhale, and the ICAI Accounting Standards Board (ASB) Secretary Dr. Avinash Chander have been nominated by the Ministry as representatives from the ICAI. A meeting of that Committee was also held recently.

International Initiatives and Strengthening Ties

Broadening Horizon of UK Accounting Ties: I had the opportunity to meet the leaders of the accounting bodies of Ireland and Scotland apart from constituents of UK accounting profession. As the members are aware, we have a qualification recognition arrangement with ICAEW, this visit intended to broaden the elements of bilateral cooperation with ICAEW on commonality of areas including technical resource sharing and taking a joint lead voice on issues which need attention at a global level. ICAI and ICAEW leadership that included ICAEW Deputy President Mr. Mark Spofforth and CEO Mr. Michael Izza, shared their flagship programmes and the way forward to promote member-to-member and firm to firm networking to widen their professional horizon at either end.

Our interaction with the ICA Scotland CEO Mr. Anton Colella and the leadership (the Vice President Mr. Brendan Lenihan and the CEO) of ICA Ireland further explored the need and the processes for augmenting qualification recognition arrangements with these two bodies. We also met the leadership of the Chartered Institute of Public Finance and Accountancy, and the Association of International Accountants. I had an interaction with the UK members of the Indo-UK Accountancy taskforce that included its Chair Ian Gomes. I also interacted with the Financial Reporting Council of UK to understand the issues of quality assurance and professional oversight, and the elements of full reciprocity including licensing in the UK while explaining our regulatory position.

Extending Help to Mongolian Accountancy: My Central Council colleagues CA. Mahesh P. Sarda and CA. Nilesh Vikamsey along with the ICAI Addl. Secretary Shri Rakesh Sehgal visited the Mongolia Institute of Certified Public Accountants (MONICPA) recently, where they met its President and its CEO as well as the heads/secretaries of its various committees. The visit to MONICPA was intended to provide a technical support on its application on Statement of Membership Obligation for becoming a full member of the IFAC. We have given them suggestions for improving upon their IFAC application based on the functioning of MONICPA.

Extending Professional Help to Saudi Accountancy: It is quite satisfying to acknowledge before our membership that the Saudi Organisation of Certified Public Accountants (SOCPA) has requested us for a support in capacity building for IFRS Convergence at institutional level. It has requested us to send an ICAI team to the SOCPA to carry out this capacity-building programme on an urgent basis. In addition SOCPA has also requested us technical support to improve upon its Quality Review Program in the light of international best practices. In this regard they have requested ICAI's support in developing and updating SOCPA quality review manuals and guidelines and conducting training programmes for SOCPA reviewers to improve upon its Quality Review Program. Since we have a sizeable presence in the Middle East and related regions, support programmes like this will create an additional brand value for our Institute as well as for our members.

Furthering Bilateral Cooperation with South African Accountancy: We have also initiated dialogue with the South African Institute of Chartered Accountants (SAICA), which has asked us to come back soon on the matter with regard to further action on the bilateral cooperation.

Edinburgh Group and IFAC Board Meeting: I had the opportunity to attend the Edinburgh Group and IFAC Board meeting and along with the ICAI past-President CA. Ved Jain. The Edinburgh Group approved its mission statement and also discussed the criteria for the membership of the Group. The Group was of the view that the membership should be based on some minimum criteria and the member body should have commitment to the cause of the Edinburgh Group.

In the IFAC Board meeting several key initiatives on the Action Plan of IFAC and on the Strategy Plan for 2012 were discussed. We used this opportunity to emphasise that the IFAC should play a key role in standard-setting process, keeping in view the economy of developing nations. The issue of increase in fees was also discussed in the meeting. IFAC has also signed an MoU with the World Bank, which shall help in extending funds for the professional bodies in the developing nations.

Meeting with World Bank and IMF Representatives: I wish to inform that I along with my Central Council colleague CA. Manoj Fadnis, Chairman, Accounting Standard Board and two ICAI Officials, recently met the representatives of the World Bank and the International Monetary Fund at the Securities and Exchange Board of India in Mumbai who were in India under the Financial Sector Assessment Program (FSAP). The objective of their visit was to assess the degree of compliance with accounting and auditing standards as well as the mechanism in place in India for the oversight of the auditing profession, particularly, for ensuring the quality of audit and auditor's independence. This exercise is a part of IOSCO's assessment of the effectiveness of the regulatory and supervisory framework existing in India for its capital market *vis-a-vis* the principles promulgated by the IOSCO.

MoU with College of Banking and Financial Services of Oman: It is a matter of satisfaction that we have renewed our MoU with the College of Banking and Financial Services (CBFS) of Oman. Under the MoU, CBFS shall sponsor and facilitate the working of the Chapter of the ICAI at Muscat to undertake professional developmental activities and training programmes for the benefit of accountants of all nationalities domiciled or residing in the Sultanate of Oman, and in that process assist the CBFS. The ICAI shall provide assistance and support to CBFS in capacity building of Omani Nationals in Finance, Accounts, Auditing, IT, Corporate Governance and allied areas under the MoU.

XBRL Conference in Belgium: This is to inform the membership that our Central Council colleague CA. Atul C. Bheda along with other officers of the Institute attended the 22nd XBRL Conference in Belgium. The Conference was very significant, as it focused on the new developments and initiatives being taken by the XBRL International and the key initiatives being taken by our Institute through XBRL India to keep pace with the global developments.

Interaction with Functionaries of Various Embassies

In order to develop ways and means to foster and promote bilateral co-operation, business, understanding the regulatory architecture, promoting the mandate of providing "One Stop" information on the socio-economic legal and regulatory environment; and to explore areas where ICAI can collaborate with similar placed organisations/institutions for positioning brand Indian Chartered Accountants globally, the ICAI is organising an 'Interaction with the Senior Functionaries of various Embassies in India' on 11th July, 2011 at New Delhi. The program would be inaugurated by Shri S.M. Krishna, External Affairs Minister, Government of India.

Indo-Japan Forum 2011

India and Japan had established a joint working group on the issues relating to application of/or convergence with the IFRS. In order to discuss the issues involved, a delegation from India visited Japan last year in July 2010 to gain from each others experience and learning cycle already undergone in the process of implementation of IFRS at either end. During the visit, a memorandum of understanding (MoU) between The Core Group on IFRS constituted by the Ministry of Corporate Affairs, Government of India, and The IFRS Council, Japan, had been signed to exchange views on legal and regulatory issues arising out of application of or convergence with the IFRSs, and to explore the possibilities of mutual cooperation in this regard. Towards the furtherance of this cooperation, a Japanese delegation will be visiting India on 3rd to 4th August, 2011 for the 2nd Indo-Japan Forum meeting to be organised in Bangalore and to be hosted by us.

Important Clarifications

LLP will not be treated as Body Corporate for Limited Purpose of Appointment as Statutory Auditors: Limited Liability Partnership (LLP) has now become a new form of statutory organisation which is gaining its importance and opening up new opportunities for the practising Chartered Accountants. The practising Chartered Accountants can now take the advantage in forming/realigning their firms as Limited Liability Partnership. As per Section 3 (1) of the Limited Liability Partnership Act, 2008, since a limited liability partnership is a body corporate, it is precluded from appointment as Statutory Auditors of the company under Section 226 (3) (a) of the Companies Act, 1956 which provides by way of disqualification for appointment of auditor of a company that a body corporate cannot be appointed as an Auditor. To remove this lacuna, on a representation made by us, the Ministry of Corporate Affairs has clarified vide its Circular No 30/2011 dated 26-05-2011 that Limited Liability Partnership of Chartered Accountants will not be treated as body corporate and has taken LLP out of the purview of the definition of Body Corporate under Section 2 (7) (c) of the Companies Act, 1956 and therefore, LLP can be appointed as Statutory Auditors of the company.

Clarification on Member-in-Charge of Office of CA/ Firm of CA: This is to inform our membership that we had recently discussed the question whether 'member' in-charge of an office of a Chartered Accountant or a firm of such chartered accountant in terms of provision of Section 27(1) was necessarily required to be associated with a chartered accountant/firm concerned as a partner or paid assistant, or, whether a member associated with the chartered accountant/ firm as a retainer could also be designated as member in-charge. Noting the related directions contained in the *Code of Ethics*, it was concluded that an office of a chartered accountant/firm could be placed under a charge of a member associated with him/firm as a partner or paid assistant, and that if such a member is paid assistant, he is required to be in full time employment.

Initiatives for Members

Getting Close to Members in Industry—Outreach Programme: As I have informed earlier, the Outreach programme has been conceived with the idea of bringing the members in Industry closer to ICAI by highlighting our activities for them, to interact on matters of professional interest, to encourage new members to apply for membership, to solicit views from members in industry about what they expect from the ICAI, and to encourage their participation in research projects of the ICAI. It is a pleasure to inform that second such CMII Outreach Programme was organised at the Power Finance Corporation of India Ltd. in New Delhi. I, along with the Vice-President CA. Jaydeep N. Shah and my Central Council colleagues CA. K. Raghu, CA. Pankaj Tyagee, CA. S. B. Zaware and CA. Rajkumar S. Adukia among others, had the opportunity of interacting with our members on various issues concerning the profession. We also interacted with the Director (Finance) of the Corporation, Shri R. Nagarajan, about our various initiatives in this regard. More than 40 CAs attended the programme.

Differentiating Ind ASs from IFRSs and Existing ASs: We have considered and finalised the differences between Ind ASs and IFRSs, and Ind ASs and the existing ASs, which may be issued in form of our pronouncement, as it would remove the ambiguity amongst various stakeholders and public regarding the carve outs and differences in Ind ASs from corresponding IASs/IFRSs.

Compendium of Technical Guides on Internal Audit: Internal auditors today must possess an always-expanding toolkit of technical skills and competence to perform a job that seems to constantly change in scope and function. Our Institute is committed to facilitate the auditors in acquiring the required skills and competence, and, therefore, we have issued *Compendium of Technical Guides on Internal Audit* having *Industry Specific Technical Guides* as well as *Generic Guides*, so that our members can access all these Guides at one place. Volume I of the Compendium all *Technical Guides* and Volume II *all background materials and various studies* relating to internal audit issued till date.

CABF—Meeting Demands of Crises: I would like to inform you with a lot of satisfaction that a large number of members and families of deceased members have been benefited through the CABF (Chartered Accountants Benevolent Fund). A sum of ₹2,16,16,500 has been released during the period, from 1st April, 2010, to 31st March, 2011. Keeping in mind of the nature of help this Fund is capable of extending, I have made an appeal to the Chairman of Regional Councils and Branches to collect donations for the Fund and to contribute to it at their end. I would like to appeal to all members of the Institute to contribute generously for the Fund.

New Groups Constituted:

- *To Address the Issue of Money Laundering:* A Group comprising the ICAI Vice-President CA. Jaydeep N. Shah and our Central Council colleagues CA. Jayant Gokhale, CA. Mahesh P. Sarda, CA. S. B. Zaware, CA. Dhinal Ashvinbhai Shah, CA. S. Santhanakrishnan, CA. Sumantra Guha and CA. Sanjay Kumar Agarwal has been constituted under my convenorship to provide necessary inputs/ suggestions on effectively addressing the menace of money laundering, and related issues in view of public interest attached. After due consideration, the inputs given by the Group will be submitted to the Government.
- *To consider setting up a cyber cell:* A group comprising my Central Council colleagues CA. Nilesh S. Vikamsey, CA. P. Rajendra Kumar, CA. Ravindra Holani and CA. Sanjay Kumar Agarwal has been constituted under the convenorship of CA. S.B. Zaware to consider setting up of a Cyber Cell in our Institute, including the study of issues involved and the steps required to be taken in that regard.

XBRL Workshops: As communicated in my earlier messages, we, through our CPEC and CMII, have started organising one and a half day workshops on XBRL, providing hands-on trainings for creation of XBRL documents for filing with the Ministry of Corporate Affairs. These workshops are in addition to the awareness seminars and conferences being organised at various locations. The batches for providing hands-on trainings on XBRL are going on at Mumbai and Hyderabad. Indore, Pune, Hyderabad and Coimbatore have already had one round of training workshop each.

The Ministry of Corporate Affairs (MCA) has also had a meeting with various consultancy firms and the software vendors. It proposes to host the list of software vendors on XBRL on their website shortly for the convenience of all. As per the FAQs issued by MCA, professionals are also required to certify the XBRL documents filed with MCA. The Institute is also considering to provide separate guidance to the members in this regard.

Bhoomi Pujan at Gwalior Branch: This is a matter of satisfaction for me to report to my accounting fraternity that *Bhoomi Pujan* for branch building of the Gwalior Branch of CIRC of ICAI was organised by the Branch recently, which I attended as the Chief Guest along with the ICAI Vice-President CA. Jaydeep N. Shah. The function was also attended by my Central Council colleague CA. Ravindra Holani and CIRC Chairman CA. Vivek Khanna among others. This function was well attended by the members, students and other dignitaries.

Initiatives for Students

Entry Requirement for CA Course: Our members must be aware that, pursuant to a Council decision, a group under the convenership of my Central Council colleague CA. Abhijit Bandyopadhyay was constituted to review entry requirements for Chartered Accountancy course. I am happy to inform you that the Group placed its recommendations at the Council meeting recently for its consideration. The ICAI Council has decided that Commerce and non-Commerce graduates with 55 and 60 per cent marks respectively in aggregate should be exempted from Common Proficiency Test (CPT) and such students would be allowed direct entry to articleship training. It was also decided that candidates who have passed the intermediate level examination of ICWAI/ICSI are exempted from CPT and they will be allowed to join articleship training only after passing first group (Group I) of IPCC examination. Students who wish to pursue Accounting Technician Course of the Institute would also be exempted to appear in the CPT. The matter has been placed before the government for consideration and issuance of necessary notification in this regard.

Extension in IPCC Registration Deadline: As the members are aware, the results of the CPT examination held on 19^{th} June 2011, would be declared in July 2011. In terms of Regulation 28E, no candidate is admitted to the IPC Examination, *inter alia,* unless she/he undergoes a study course for a period of not less than nine months. Accordingly, candidates who achieve success in the CPT examination in June 2011 will be required to register themselves for the IPCC by 1^{st} August, 2011. Thus, only a period of about 15 days would be available to the concerned persons provided the results of CPT in June are declared on 15^{th} July without delay under any circumstances. Considering recent experiences in the past and provision of adequate time for registration, deadline for IPCC registration has been extended to 16^{th} August, 2011.

Join CA Educational Loan Scheme: This is to inform our student community that we have sent request to chief managing directors (CMDs) of public-sector banks for sanctioning a loan of ₹2 lakh to CA students as educational loan under the *Join CA Educational Loan* scheme, when they approach any of such banks towards financial help for the completion of their CA education/training. In this regard, I am happy to acknowledge that the Bank of Maharashtra has informed us that education loan assistance is already available for CA course under priority sector lending at their branches and a similar response has been received from the Oriental Bank of Commerce also. Further, the IDBI bank has come out with an Education Loan Scheme specifically structured for the students pursuing CA Course.

Convocations in 2011: Taking the new tradition forward to bring new members of the Institute under the umbrella of the accounting fraternity and foster a feeling of belonging-ness to the Institute, we are organising Convocation 2011 in Delhi, Chandigarh, Mumbai, Ahmedabad, Chennai, Bangalore, Hyderabad, Kolkata, Kanpur and Jaipur this year. Around 5,731 members enrolled up to March 2011 will be awarded membership certificates besides merit certificates. I am happy to note that a large number of new members have shown keen interest in attending their convocation. I am sure the moments of the conferment of membership will be cherished by the participating members for life.

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It is true that if we want to understand the existing condition of our profession, we should better look for reasons in its yesterday. Behind all colourful present, there could be a hard past. Therefore, it is essential for all of us to know our past, our history to understand our own story, to understand who we were before and why we are so at present. History, therefore, not only presents the mistakes of our past but gives us an ability to understand our present and builds a perspective for us to understand our mistakes in advance that we may make. Although given a chance, many of us would avoid going to history. But we are what our history has been. We can not ignore history. Had we not had a history of thousands of years behind us, we would have been living dangerously millions of years before the current civilisation.

History is important. Thucydides, an early Greek historian, says: *History is philosophy teaching by examples.* Bulgarian novelist Elias Canetti, a Nobel Laureate in literature, says: *History is on the side of what happened.* It is, therefore, my personal appeal to my accounting fraternity to know their glorious past and tradition, which would give us a perspective to think about vision for the profession and would add value to our understanding of the profession. In fact, this will give us an idea about how we should grow, what we have to achieve and what we could expect from our future. It would be wonderful if you could share your viewpoint with me in this regard. Write to me. It would be a privilege to know what our think about the profession and what their expectations are.

History is valuable. Let us preserve its glory. Tradition has to be celebrated progressively and correctively. Let us take care of our present, as tomorrow this will be history too.

Best wishes and a very joyous and eventful CA Day!

CA. G Ramaswamy
President, ICAI

June 25, 2011
New Delhi

Strengthening Ties

Meeting with ICAEW Leadership

CA. G.Ramaswamy, President ICAI seen with (L to R) Mr. Michael Izza, CEO, ICAEW, Ms. Jean Ettridge, Head International Affairs, ICAEW, and Mr. Mark Spofforth, Deputy President, ICAEW.

Meeting with Director, FRC

CA. G.Ramaswamy, President ICAI, seen alongwith (L to R) Mr. Paul George, Director of Auditing, Professional Oversight Board, Financial Reporting Council (FRC) of UK and Mr. John Grewe, FRC.

Meeting with CEO, ICAS

CA. G.Ramaswamy, President ICAI, during a meeting with Mr. Anton Colella, CEO of Institute of Chartered Accountants of Scotland (ICAS).

ICAI Delegation to CPA Mongolia

ICAI delegation comprising Central Council members CA. Nilesh S. Vikamsey and CA. Mahesh N.P. Sarda, and Shri Rakesh Sehgal, Additional Secretary, ICAI, seen with Mr. Chimidsuren C., CEO, MONICPA, and his colleagues. (01.06.2011)

MoU with CBFS, Oman

Photograph taken on signing of MoU with the College of Banking and Financial Studies of Oman in New Delhi. Seen from left to right are: Central Council members CA. Pankaj Tyagee and CA. S.Santhanakrishnan, ICAI Vice-President CA. Jaydeep N.Shah, ICAI President CA. G.Ramaswamy and ICAI Secretary Shri T.Karthikeyan. (27.05.2011)

Meeting with Chief Election Commissioner

CA. G. Ramaswamy, President, ICAI, CA. Jaydeep N. Shah, Vice President, ICAI, and Dr. Avinash Chander, Technical Director, ICAI, in a meeting with Dr. S.Y. Quraishi, Chief Election Commissioner of India in New Delhi. (27.05.2011)

Conferences/Seminars/Inauguration

CMII Outreach Programme at PFC

Shri R.Nagarajan, Director (Finance), Power Finance Corporation of India Ltd. presenting a memento to CA. G. Ramaswamy, President, ICAI, during the second CMII Outreach Programme at PFC New Delhi. Others seen in the photograph are (R to L) CA. Jaydeep N. Shah, Vice president, ICAI, and CA. K. Raghu, Chairman, CMII.

Inauguration of Auditorium

ICAI President CA. G.Ramaswamy along with ICAI Vice-President CA. Jaydeep N. Shah, immediate ICAI past President CA. Amarjit Chopra, Central Council members CA. Naveen N. D. Gupta and CA. M.Devaraja Reddy, and NIRC Chairman CA. Rajesh Sharma inaugurating the Auditorium and Members' Lounge at ICAI Headquarteres New Delhi. (07.06.2011)

Seminar on Fiscal Laws at Nagpur

ICAI President CA. G.Ramaswamy felicitated by Nagpur Branch Chairman CA. Satish Sarda in the presence of ICAI Vice President CA. Jaydeep N.Shah and ICAI Regional Council member CA. Julfesh Shah during the Seminar on Fiscal Laws organised by Nagpur Branch. (11.06.2011)

Conference at Kanpur

CA. G. Ramaswamy, President, ICAI, and CA. Jaydeep N. Shah, Vice President, ICAI, at the CIRC Diamond Jubilee Conference on Direct and Indirect Taxation held at Kanpur. Also seen in the photograph are CA. Ravindra Holani, Central Council member, and CA. Vivek Khanna, Chairman, CIRC of ICAI. (20.06.2011)

Conference on Direct Taxes at Lucknow

ICAI President CA. G. Ramaswamy along with ICAI Vice President CA. Jaydeep N. Shah and Central Council member CA. Ravindra Holani at the CIRC Diamond Jubilee Conference on Direct Taxes at Lucknow. (19.06.2011)

Seminar on Direct Taxes Code Bill 2010

ICAI President CA. G. Ramaswamy felicitated by Central Council member CA. J. Venkateswarlu and Hyderabad Branch committee members at the Seminar on Direct Taxes Code Bill 2010 at Hyderabad. (18.06.2011)

President of India Smt. Pratibha Devisingh Patil

अर्चना दत्ता (मुखोपाध्याय)
राष्ट्रपति के विशेष कार्याधिकारी (जन सम्पर्क)
Archana Datta (Mukhopadhyay)
OSD (PR) to the President

राष्ट्रपति सचिवालय,
राष्ट्रपति भवन,
नई दिल्ली -110004
President's Secretariat,
Rashtrapati Bhavan,
New Delhi -110004

MESSAGE

The President of India, Smt. Pratibha Devisingh Patil, is happy to know that the Institute of Chartered Accountants of India (ICAI), New Delhi is celebrating 'CA Day' coinciding with the Foundation Day of the Institute on July 1, 2011 and bringing out a Special Issue of ICAI Journal "The Chartered Accountant" to commemorate the occasion.

The President extends her warm greetings and felicitations to all those associated with the ICAI and congratulates the Institute on the launch of the Journal and wishes the Celebrations every success.

A. Datta

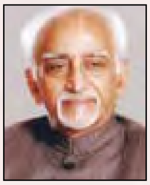
Officer on Special Duty (PR)

Tel. : 011-23016535(Direct), 23015321 Extn 4322, Fax 23794498, E-mail-osdad@rb.nic.in

Vice President of India Shri Hamid Ansari

निदेशक
DIRECTOR

उप-राष्ट्रपति सचिवालय
VICE-PRESIDENT'S SECRETARIAT
नई दिल्ली/NEW DELHI - 110011
TEL.: 23016344/23016422 FAX : 23018124



MESSAGE

Hon'ble Vice President of India is happy to know that the Institute of Chartered Accountants of India (ICAI), New Delhi is celebrating 'CA Day' on 1st July, 2011.

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

(ASHOK DEWAN)

New Delhi
20th June, 2011

Minister of Corporate Affairs Shri Murli Deora

मुरली देवरा
MURLI DEORA

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

22nd June, 2011

Message

It is a matter of great pleasure that the Institute of Chartered Accountants of India, New Delhi, is bringing out a special issue of journal "Chartered Accountant" on the eve of CA Day on July 1, 2011

It is also heartening to note that the Institute has been incessantly upgrading its program, more so on in the area of education and training, to make these comparable with the best in the world.

Accountancy Professionals in this age of globalization will have to progressively raise their standards 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.

(MURLI DEORA)

437, 'C' Wing, 4th Floor, Shastri Bhawan, New Delhi-110001. Tel. : +91-11-23073804-05, Fax : +91-11-23073806

Governor of Madhya Pradesh CA. Rameshwar Thakur

Rameshwar Thakur

GOVERNOR

MADHYA PRADESH

RAJ BHAVAN
BHOPAL—462 052

June 20, 2011

MESSAGE

It is a matter of great pleasure that the Institute of Chartered Accountants of India, New Delhi, is bringing out a special issue of journal "Chartered Accountant" on the eve of CA DAY on 1st July, 2011 and is celebrating the day gracefully.

The institute of Chartered Accountants of India has made a place of pride for itself not only within the country but also across the world as well. The institute is globally recognised for its high standards. I am happy to note that the institute has entered into various memorandum of understandings with accountancy bodies with a number of countries like Nepal and Srilanka.

Chartered Accountants play an important role in society. They are trustees of society at large and are required to serve the common good and contribute to the nation building. Now a days Accountancy professionals are in the age of globalisation. They will have to progressively raise their standards further to match global parameters with greater accountability and transparency.

The institute should provide professional guidance through study circles and experience sharing by experts. It is also necessary to develop in-house facilities and local level facility centres on least-cost basis to provide professional guidance by the brilliant members of this Institute.

I appreciate the excellent financial reporting by the journal. The contents of the articles published in the journal are very rich and valuable. Every member of this institute should be firmly committed to sustain highest degree of professional ethics and excellence. I urge you to stand by the motto of the institute "awake while others sleep" which needs to be followed in thought, deed and action.

My best wishes.

Rameshwar Thakur

(Rameshwar Thakur)

Phone : 0755-4080170, 4080180, FAX : 0755-4080172

Deputy Chairman Rajya Sabha, Shri K. Rahman Khan

सत्यमेव जयते

Deputy Chairman
Rajya Sabha

K. Rahman Khan F.C.A.

Parliament of India
New Delhi 110 001
Tel. : 23017371
23034689
Fax : 23012559

June 19, 2011

MESSAGE

The Institute of Chartered Accountants of India, my Alma Matter, is celebrating CA day coinciding with the foundation day of the Institute on 1st July. It is 62 year back on first July 1949 the Institute was founded by an Act of Parliament. In it's long journey the Institute has crossed several milestones, and served the country and participated in the economic growth of the Nation. The Institute is a unique body performing the role of Educator, trainer, examiner, regulator, researcher, professional developer, standards setter and as Advisor on corporate governance relating to Accounting and Auditing standards and IFRS etc. I am proud to be a member of such a unique body.

The profession with few hundred members in 1949 has now more than 1,66,000 members and about 7,66,000 students which indicates the progress achieved during last 62 years. Now Indian CA is surveying all over the globe. The Institute has a challenging task ahead in each of the areas, which has been assigned to it. The institute mission is to make the "Indian Accounting profession, a valued Trustee of World class financial competencies, good governance and competitiveness". Keeping in view of the challenges before the Accounting profession and the Institutes' mission to make the Indian accounting profession a world class, the Institute should define its future role. As an educator, trainer and examiner it should see that future Accountant should be fully equipped to face the global challenges and competitiveness. As a regulator, it should establish strict regulatory mechanism and take strict disciplinary actions. As a highest Accounting body it should encourage new research in detecting corporate frauds, social Accounting, setting Accounting standards, reporting standards, bringing greater transparency in published Accounts etc. I am happy that the institute is taking new initiatives to addresses these issues.

The Institute should take up proactive role in creating awareness on the benefit of convergence of Government Accounting system, from cash to accrual system, which is important to bring transparency in the Government Accounting and reporting system. Corruption and scams in Governments and government bodies have eroded the people's faith in their elected representatives and the democratic Institutions. The accounting profession should come forward to suggest to the nation how corruption and scams can be prevented in Government and government bodies.

I am confident of the vibrancy of the Institute and it's leaders that they will take the Institute to greater heights, earning the confidence and trust of the nation. I wish the Institute and its members a happy CA day and a bright future for accounting profession and to its members.

(K. Rahman Khan)

Resi. : 28, Akbar Road, New Delhi. Tel. : 23795782, Telefax : 23795021

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

June 20, 2011

MESSAGE

I am happy to learn that the ICAI would be celebrating "CA Day" coinciding with the Foundation Day of the Institute on July 1, 2011. It gives me immense pleasure to learn that the ICAI has achieved global recognition as a premier accounting body for its contribution in the fields of education, professional development, auditing and ethical standards.

I am also happy to know that the ICAI is bringing out a special issue of "*The Chartered Accountant*" journal to mark this occasion.

I wish ICAI all success in its future endeavours.

(R. P. N. Singh)

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The Global Challenges and Increasing Expectations from the Accountancy Profession

The global economy is emerging from a crisis that has tested the international financial system to its limits. The most critical phase of the crisis may have passed, but recovery remains fragile, and the impact continues to be felt around the world. As we struggle with the causes, the lessons to be learnt, and what steps should be taken to avoid a future crisis — what does this mean for the accountancy profession, its members, and their ever-evolving role? In this article, the author attempts to answer this question and analyses the global challenges and the increasing expectations from the accountancy profession from the perspective of International Federation of Accountants.

Göran Tidström
(The author is President of International Federation of Accountants. He can be reached at LauraWilker@ifac.org)

Much has been written and many questions posed as to what role the accountancy profession played in the events leading up to the crisis. To what extent did improper, fraudulent, or inadequate financial reporting have a role in the crisis? What were the expectations of accountants and auditors, how realistic were they, and how have they changed? How has the reputation of the accountancy profession been impacted and what steps should be taken to repair it?

While the role of the professional accountant may change post-crisis, the ethical responsibilities remain the same. Whether public or private sector based, the responsibility of the accountant to uphold applicable principles, standards and laws — while never underrated — is more paramount post-crisis than ever before.

IFAC: Building Trust and Accountability

The global accountancy profession must strive to be seen as a valued leader in the development of strong and sustainable organisations, governments, financial markets, and economies. As the global organisation of the accountancy profession, IFAC works to promote the value of professional accountants world wide. Today's global economic landscape means an increasing role for IFAC to build an enhanced level of awareness of the value of the profession, and how accountants serve the public interest.

In addition, it is more vital post-crisis that we engage policy makers, G-20 leaders, and others to pursue global financial stability. The need for sound, stable, and consistent financial reporting is urgent. The accountancy profession is better positioned today to take a leadership role in this process.

The Importance of International Standards

A fundamental way to protect the public interest is to develop, promote, and enforce internationally recognised standards as a means of ensuring the credibility of information upon which investors and other stakeholders depend. The adoption and implementation of high-quality accounting and auditing standards is an important step in that direction.

The International Standards on Auditing (ISAs) provide the standards by which the auditor examines a company's financial statements and judges whether they can be relied upon by investors, capital market participants, and policymakers with "reasonable assurance" that they are a true picture of the company's finances. They help ensure that clear and transparent financial information is produced, and facilitate the comparison of financial information, reinforce investors' confidence, attract investment and further support economic growth. The standards are developed through a rigorous due process by the International Auditing and Assurance Standards Board (IAASB), with input from national standard setters, IFAC member bodies and regional organisations, the general public, and many others.

The ISAs have been adopted by over 100 countries and also have the endorsement of IOSCO (the International Organisations of Securities Commissions), which has encouraged securities regulators to accept audits performed in accordance with the clarified ISAs as a step toward worldwide adoption of a set of high-quality auditing standards.

The Code of Ethics

Another important type of international standards is the International *Code of Ethics for Accountants*, which stands as an assurance of the behaviour of the accountant.

Developed by the International Ethics Standards Board for Accountants, the Code of Ethics sets out standards of integrity, objectivity, professional competence and due care, confidentiality of information, and professional behaviour regarding compliance with relevant laws and regulations.

All 164 member bodies of IFAC must commit to adopt the Code for their members — whether in public practice, in business, education, or the public sector — and no member body or firm issuing reports in accordance with ISAs is allowed to apply less stringent standards than those stated in the Code.

And, while independence is not an issue, the Code of Ethics covers not only auditors but also accountants in business and the public sector, who are held to the same high standards of integrity, professional competence, and professional behaviour, just to name a few.

A new version of the Code of Ethics was published last year — clarifying requirements for all professional accountants and significantly strengthening the independence requirements of auditors, in order to increase the level of trust that investors demand in the wake of the global economic crisis.

Public Sector Accounting Responsibility

Over the past several years, government finance has been at the centre of much policy debate. More often than not, the accounting standards used by governments have proven inadequate. Poor financial management has consequences: it reduces efficiency and effectiveness, and can lead to tax increases and spending reductions, and can cause governments to fail to meet their commitments — not only today, but in the future also.

It is critical for government bodies to have standards to deal with recognition, measurement, presentation and disclosure requirements, as well as to provide transparency and accountability and to fight corruption. Strong accrual accounting standards are vital in enhancing government financial reporting and accountability; they are a fundamental tenet of solid accounting and reporting for public companies, and should be for governments as well.

The International Public Sector Accounting Standards Board (IPSASB) has developed guidelines for modifying International Financial Reporting Standards for application by public sector entities, and also addresses public sector financial reporting issues that have not been comprehensively or appropriately dealt with in existing standards, or where there is no related standard. The International Public Sector Accounting Standards (IPSASs) are designed to be used in preparing general purpose financial statements

It is more vital post-crisis that we engage policy makers, G-20 leaders, and others to pursue global financial stability. The need for sound, stable, and consistent financial reporting is urgent. The accountancy profession is better positioned today to take a leadership role in this process.

of public sector entities, including national, regional, and local governments.

Over 65 countries are currently using or are in the process of adopting or incorporating the IPSASs. In addition, many other governments already use accrual accounting and apply standards that are broadly consistent with IPSAS requirements.

I am very pleased that India has recognised the value of these international standards. In 2005, the Indian Parliament made a commitment that all government entities (those business enterprises in which the government has the majority stake) would move toward accrual accounting. Today, government entities are in the process of implementing a single cash-basis standard, which includes aspects of the IPSASB's cash-basis standard. In June of this year, there is a conference scheduled to discuss the move to accrual accounting, and the next steps necessary to implement the transition as quickly as possible.

The Importance of SMEs

Another area of importance is small-and-medium-sized entities (SMEs), and the small and medium practices (SMPs) that support them. We need to nourish these two sectors, since they are engines for growth and employment, and vital to the sustainability of economic development — and, indeed, a significant sector in India. These businesses have a more difficult time obtaining capital and credit, have fewer resources, and can find it challenging to meet regulatory and compliance requirements in a cost-effective way.

To help support them, IFAC maintains the International Centre for Small and Medium Practices, which provides resources and facilitates the exchange of knowledge and best practices among SMPs. It also works to ensure the needs of the SMP sector are considered by standard setters, and speaks out on behalf of SMPs to raise awareness of their value and the importance of the small business sector overall. Finally, it develops free guidance and tools, including the *ISA Guide for Small and Medium Audits and the Quality Control Guide for SMPs* — two very important implementation resources.

As we emerge from the global finance crisis, and work to re-ignite economic growth in all areas of the world, our focus on SMPs and SMEs is of critical importance.

The role of professional accountants is now more visible; our profile and responsibility will only continue to grow in the future. The accountancy profession must be proactive and vocal in our support of innovation and change. Social responsibility, environmental preservation, and the overall sustainability of global civilisation are critical not only for today, but for the benefit of generations to come. The creation of a globally accepted framework that brings together financial, environmental, social, and governance information in a clear, concise, consistent, and comparable format is the core objective of the International Integrated Reporting Committee, in which the accountancy profession is a key player. ”

The Need for Innovation

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Social responsibility, environmental preservation, and the overall sustainability of global civilisation are critical not only for today, but for the benefit of generations to come. The creation of a globally accepted framework that brings together financial, environmental, social, and governance information in a clear, concise, consistent, and comparable format is the core objective of the International Integrated Reporting Committee, in which the accountancy profession is a key player. This group brings together a cross section of representatives from the corporate, accounting, securities, regulatory, NGO, and standard-setting sectors, and will assist in the development of more comprehensive and comprehensible information about an organisation's total performance.

The world is changing. And our profession must change with it. Our aim is to enhance the relevance of the profession in order to meet expectations in a changing world.

IFAC continues to advance its vision that the global accountancy profession be recognised as a valued leader in the development of strong and sustainable organisations, financial markets, and economies. We will continue to support adoption and implementation of international standards. We will continue to speak out about the importance of high-quality financial information for building and maintaining stable financial markets worldwide. And we will continue to stress the important contributions of the accountancy profession in preparing and assuring this high-quality information.

To be sure, these are challenging times. I strongly believe that the global accountancy profession can meet — and exceed — the challenges and increasing expectations ahead of it. ■

Needs and Challenges of Accountancy Profession in CAPA Region

Building, developing and maintaining a strong accounting profession in emerging nations does have its challenges. Firstly, there is a general lack of awareness of the benefits to economic development in having a strong accounting profession. Secondly, many professional accountancy organisations have poor governance or structural arrangements. And thirdly, there is a lack of technical and financial resources necessary for capacity building. These are all interrelated and create a vicious circle which needs to be broken and the Confederation of Asian and Pacific Accountants (CAPA), with 31 members, is doing just that in the region. CAPA is striving to facilitate high quality financial management and reporting systems to foster financial stability, encourage trade, create employment and provide social progress. It has three strategic thrusts — Capacity Building, Leadership in enhancing the profession, and Leadership on Emerging issues. Read on to know the needs and challenges of accountancy profession in CAPA region.

In Ki Joo
(The author is President of Confederation of Asian and Pacific Accountants. He can be reached at inkijoo@gmail.com)

Strengthening the Accountancy Profession

We all know that major investments and projects undertaken in developing countries are to help them establish the social overhead capital (SOC) and physical infrastructures. But is the same level of investment made in the countries for financial support systems? Ever since the Global Financial Crisis, the inter-relationship of financial stability, economic development and social progress has been re-emphasised. In other words, high quality financial management and reporting systems are required to foster financial stability, encourage trade, create employment and provide social progress. Especially in developing countries, this means attracting foreign direct investments, improving the efficiency and effectiveness of government and foreign aid programmes and developing a strong SME sector which underpins all economies.

Building, developing and maintaining a strong accounting profession in emerging nations does have its challenges. Firstly, there is a general lack of awareness of the benefits to economic development in having a strong accounting profession. Secondly, many professional accountancy organisations have poor governance or structural arrangements. And thirdly, there is a lack of technical and financial resources necessary for capacity building. These are all interrelated and create a vicious circle which needs to be broken.

CAPA i.e. Confederation of Asian and Pacific Accountants, as a Regional Organisation can tackle these challenges. A Regional Organisation, like CAPA, is in better position to mobilise the significant resources of the global profession, represented through IFAC, for a minimum cost. CAPA has a long history - in fact it goes back further than IFAC. It was founded in 1957 with 16 jurisdictions. Today, we have 31 members (professional accounting organisations: PAO) from 24 jurisdictions, with a very large geographic spread, covering Canada, in the northeast to Pakistan in the west. This makes it larger than any other Regional Organisation. Our mission is to provide leadership in the development, enhancement and coordination of the accounting profession in the Asia-Pacific region. We also have three strategic thrusts; first, Capacity Building, second, Leadership in enhancing the profession and finally, Leadership on Emerging issues. We categorise our efforts involving developing the profession in emerging economies under Strategic Thrust 1: Capacity Building. Our efforts involving Capacity Building are perhaps our most important role and area of focus. But of course, our objectives in Leadership of the profession must go hand-in-hand.

There are four Regional Organisations recognised by IFAC. Broadly speaking, they cover the Americas, Africa, Europe and Asia-Pacific. The uniqueness of CAPA among other regional organisations is that, we have both developed and developing countries in our region. Among the 31 members, more than half are classified as "developing" by the United Nations with GDP per capita below US$10,500. In CAPA, both developed and developing countries share the vision and pool resources together to assist in strengthening the professional accountancy organisations and learn how we can grow collectively. Many of these in fact have very well developed national accounting organisations, some established for many years, others in more recent times. Simply bringing these parties together on a regular basis provides immeasurable benefit, with the opportunity to build relationships and share knowledge among the member bodies. Now, let's look in more detail as to how CAPA helps develop strong professional accountancy organisations in the region. Our assistance can be categorised under **three important challenges** faced by developing countries; all of which are interrelated and, combined, create a vicious circle.

A major challenge of accountancy profession in CAPA region is the lack of awareness of the benefits of a strong profession to assist economic development. This lack of awareness hinders the creation of clear legislative frameworks and country systems. CAPA has to do extra-efforts to impress upon the decision-makers and influential government officers to raise the awareness and garner support for the profession.”

(1) Lack of Awareness

The first challenge is a lack of awareness of the benefits of a strong profession to assist economic development. This lack of awareness hinders the creation of clear legislative frameworks and country systems. We have to meet directly with those decision-makers and influential government officers to raise the awareness and to advocate for support for the profession. During our visits around the region, we organise meetings and roundtables to achieve these goals. A good example of this is the Round Table with Governments in Nepal. We also make ourselves visible through conferences and seminars in the host countries where our board meetings or strategy committee meetings are held. We also utilise our website, newsletter and annual report to promote the accounting profession in our region.

(2) PAO Internal Weakness

The second challenge is internal weakness. This means poor governance or structural arrangements within an organisation. So we provide assistance to establish well designed Constitutions, proper management, and strong Councils and Committees. Excellent examples are the CAPA project on the Introduction of Constitution and By-Laws in Papua New Guinea and the development of Action Plan in Fiji and Papua New Guinea. Often, strong relationships emerge between stronger organisations with many resources, and organisations that are developing. Sharing of resources, knowledge and experience can become very extensive, and long term relationships emerge. Examples are India and Nepal, Australia and Solomon Islands, Japan and Mongolia. We have policies at CAPA to provide some financial assistance, so developing organisations can better participate in CAPA activities. Furthermore by visiting organisations in emerging economies, as part of our regular meeting program and outreach, we are able to provide face-to-face encouragement and support, as these organisations strive to overcome challenges and a lack of resources, to build a profession that they are proud of.

In the middle of last April, CAPA issued a position statement to fully support and encourage the convergence towards international Public Sector Accounting Standards by all member countries in the Asia/Pacific region. Where the sovereign debt crisis situations still remain unsolved, improving the quality of financial reporting in the public sector is viewed as critical. CAPA supports accrual based financial reporting as the only means to provide the necessary high quality, transparent reporting of public sector activities and position.”

(3) Inadequate PAO Capacity

The final challenge is the lack of technical and financial resources necessary for capacity building. CAPA can provide three activities to cope with this problem. Firstly, CAPA can organise train-the-trainer activities. They allow the building of resources in the emerging economies. A few years back CAPA held a successful learning experience with the Joint CAPA-ADB Project on Upgrading of Accounting Education. In addition CAPA conducted a very recent and successful program in this area, namely the Joint CAPA-IFRS Foundation IFRS for SMEs workshop funded by the Asian Development Bank. Secondly, CAPA can efficiently and effectively access and share tools, materials and good practices- such that the developing organisation does not have to "reinvent the wheel". These include CAPA projects in publishing Teaching Resources for Accounting Technicians (another project funded by ADB) and Competency Guidelines for Accounting Technicians. Thirdly, CAPA published a Guide to Essential Components of a Professional Accountancy Organisation which provides a database listing of what has been identified as essential components for an operating accounting body in the region. Better collaboration between members would allow sharing of valuable innovations and greater understanding of Professional Accountancy Organisation.

In January of this year, we held two workshops, one in Kuala Lumpur, and one in Hyderabad in India. The main objective of the workshops was to promote accounting standards and is part of CAPA's strategy with respect to Capacity Building for the profession in the region. The focus was the recently released IFRS for SME's. We attracted some 85 participants, largely trainers, but also some other key stakeholders, from across 14 countries, many from developing countries. Our instructors were essentially the two individuals behind the writing of the standards — so we could not have had better instructors. This showed in the subsequent participant evaluations; with 90 per cent of participants rating the workshops 4 or 5 out of a 5. It should be also noted that based on information as at 30th June, the training had already been replicated to a further 3,000 accountants, and there were plans in place to provide the training to a further 1,500. However, it should also be noted that the support from funding agencies are crucial in successful capacity building. It was the fact that we obtained the very generous support of the Asian Development Bank that allowed us to conduct the workshops. With funds from the ADB, we were able to pay for all the travel, accommodation and other attendance costs of those from the eight developing countries.

Improving Public Sector Financial Management

In the middle of last April, CAPA issued a position statement to fully support and encourage the convergence towards international Public Sector Accounting Standards by all member countries in the Asia/Pacific region. Where the sovereign debt crisis situations still remain unsolved, improving the quality of financial reporting in the public sector is viewed as critical. CAPA supports accrual based financial reporting as the only means to provide the necessary high quality, transparent reporting of public sector activities and position.

To serve the public interest, CAPA has always emphasised that **"financial infrastructure is as important as physical infrastructure."** As one of the major strategies, CAPA is to assist in the improvement of public sector financial management. There are two major parts to financial infrastructures. One is the private sector and the other is the public sector. For the private sector's financial reporting, we have IFRS which is now well known in the international capital markets. More than 160 countries announced they are adopting or at least converging to IFRS. For the public sector financial reporting we have IPSAS, International Public Sector Accounting Standards. However, IPSAS is not known to the public as well as IFRS. The global financial

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crisis has underscored the need for transparency in government financial reporting.

CAPA's mission also includes enabling the profession to provide services of consistently high quality in the public interest. CAPA will lead changes in public sector accounting and reporting to support enhanced public sector financial management. In this sense, the Seoul symposium for "Improving Public Sector Financial management", which was held in last May, was meaningful for our region. This very successful symposium focused on strengthening the accounting in the public sector, providing an overview of IPSAS, as well as case studies and experiences of those transitioning from cash-based accounting to accrual-based accounting. There were more than 140 participants; more than 60 from abroad and about 80 Korean domestic participants. We also had a round table on the next day of the symposium to have closed and private talks among key participants such as Indonesia, Bangladesh, Pakistan, China, New Zealand and so on.

This symposium greatly enhanced the recognition of the importance of accrual based accounting. The accrual based accounting will promote transparent reporting of public sector activities and position, furthermore this will build up the financial infrastructures in our member countries.

Partnering with Donor Communities

As witnessed from the Train-the-Trainer example, involving IFRS for SME's, with additional resources, we can make a huge difference to emerging economies. This training will improve financial reporting in countries, which is essential to encourage more foreign investments, to improve social outcomes and to reduce poverty by increasing employment. So we are aiming to increase our collaborative efforts with the donor communities.

An example of collaborative efforts made by CAPA is our participation in the "OECD-DAC Task Force on Public Financial Management" meeting held in Manila on the 6th June. In the meeting the contents of MOU between the donor community and IFAC was discussed. The MOU emphasised not only the role of professional accountancy body in each country but also the role of regional organisations and IFAC.

Successful capacity building in the financial infrastructure for sustainable economic growth in developing countries needs com prehensive and long term commitment. Therefore, the support of donor communities is essential for a regional organisation such as CAPA, which has very limited resources, to be able to really make a strong impact on strengthening financial infrastructure at the ground level in emerging economies in the region.

From this point of view, the MOU between the donor community and IFAC is very important and meaningful. CAPA fully supports the spirit of the MOU. That is the partnership between the donor community and accounting profession in the capacity building of financial infrastructure of public and private sectors in developing countries. CAPA looks forward to working and collaborating with the donor community, IFAC and World Bank more closely than ever in realising the spirit and achieving the purpose of the MOU.

Challenges

In the last two years we have done meaningful work such as "train the trainers" programmes and "Seoul Symposium for Improving Public Sector Financial Management." There are two important factors for making the activities so successful. The first is the support from IFAC, which has the resources to back up CAPA which has a close relationship with members in the region. The second is the support from the donor community. The challenge is to ensure that there is collaboration between IFAC, CAPA and the donor community and this will create great synergy of resource utilisation in implementing the capacity building of professional accountancy organisations in developing countries.

The second challenge facing the region is concerned with the development of SMPs. We had the Beijing SMPs conference in 2009, co-hosted by CICPA and IFAC. We all agreed SMEs are very important and actually constitute the majority of our economy. For example, on average, more than 95 per cent of enterprises are SMEs. SMEs and SMPs have several similar characteristics. Both of them have challenges in capacity building and enhancing public confidence because they have limited number of professional staff members and limited access to new technological developments. On the other hand there are greater opportunities for SMPs to provide better services designed for small individual companies than big firms because they can be more flexible and adaptable to each individual client. The challenge here is for SMPs to remain up-to-date and in tune with their clients' needs. CAPA is able to help them do this through the provision of seminars and workshops.

At the 18th CAPA conference in Brisbane, Australia from 7th to 9th September 2011, CAPA is planning to provide SMP seminars and workshops to support SMP accountants to develop business models and acquire newly developed knowledge. We will also work closely with the SMP committee of IFAC in pursuing this programme. ■

Sustainability and Non-Financial Reporting is the Global Need of the Hour

Prince Charles once referred to accountants as "the engine room of the corporate world and of the government." The 'engine room' of a company or of a government can only be as good as its inner workings, its precision parts and maintenance. The metaphor of precision parts and maintenance of course refers to accountants' training, our skills and our observance of ethics and governance. Accountants are strategic resource managers and are either already directly or indirectly involved in the areas required by integrated reporting directives, such as human resources, energy and water, so it makes sense that we continue the journey to strategically account for non-financial or intangible resources. By measuring the environmental and social impacts of business, a more holistic picture of business value starts to emerge. In this article, the author highlights the need, importance of sustainability and non-financial reporting and related developments from the perspective of CPA Australia.

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In his speech to the International Federation of Accountants, His Royal Highness, Prince Charles, referred to accountants as "the engine room of the corporate world and of the government."

The 'engine room' of a company or of a government can only be as good as its inner workings, its precision parts and maintenance. The metaphor of precision parts and maintenance of course refers to accountants' training, our skills and our observance of ethics and governance.

As the CEO of the international professional body, CPA Australia, I am honoured to know some of the finest and most ethical financial, accounting and business advisory professionals who have the highest calibre and training. These people are our members.

I believe it is exactly because of the accountant's role in the engine room that accountants can lead in one of the profession's greatest challenges - to help merge understanding of economic value with environmental and social value. We can transform business and help shape the systems of the future.

CPAs have the leadership capabilities and exemplify the agility required to make the transition to a business model based on both financial and environmental sustainability. By measuring and reporting on non financial data with the same methodology as measurement of financial data, accountants will be able to report more fully on a business's success or value.

Accountants are strategic resource managers and are either already directly or indirectly involved in the areas required by integrated reporting directives, such as human resources, energy and water, so it makes sense that we continue the journey to strategically account for non-financial or intangible resources. By measuring the environmental and social impacts of business, a more holistic picture of business value starts to emerge.

Accountants measure and analyse the impact and value of a range of things on the company. But the meaning of value is changing and it is now being applied in a wider context.

As we move increasingly towards a global economy, we understand more about shared resources and the social reach of the corporation.

Accounting reporting is about to undergo a significant period of change as it moves to a more integrated model of financial and non financial analysis. A rigorous and internationally comparable financial reporting and audit landscape is vital to attract foreign investment and open up international markets for businesses. Non financial reporting, based on long term thinking, is becoming just as important to the company's positioning. These reports help to measure the cost to societies of depletion of the natural environment and its finite resources. They serve not only the needs of investors but also the public interest and provide opportunities for companies to position themselves as long term investment options.”

If we measure our impact on non renewable resources, we can decide whether we are contributing to value, or degrading the value. Businesses can create, preserve or erode value over time from environmental, natural, human, intellectual and social capital. And the more information we have at hand about the value of these things, the better we are able to make decisions and account for the problems of waste, pollution, climate change and over-consumption.

By valuing nature in terms of our impacts and stewardship we can move towards sustainable development whereby human development exists within the limits of renewable resources.

It is no longer tenable to deliver short term immediate financial gain, to the detriment of societies and natural environments. We are witnessing demands for a radical economic, social and business shift towards more sustainable practices. And by reporting on our use of all resources, both financial and non financial, companies are enabling investors to make better decisions about long term resource allocation.

This shift in thinking is happening as the world moves toward a global economy and looks at sustainability of resources on a world scale.

A new business model is emerging, requiring leadership from 'the engine room' to drive sustainability through ethical conduct and consideration of impacts on society and the environment on a 'sans frontiers' scale. There's a growing expectation that the accounting profession must be authoritative on matters beyond the immediate balance sheet, that we must be alert to business and economic trends which reverberate beyond sectoral, national or even regional boundaries.

Quality transparent external reporting is becoming even more important as the competition for capital increases in a global economy. And since the Global Financial Crisis (GFC), investors are even more needy of wider ranging research to enable more confidence in their decisions in allocating capital to sustainable investments. The investment community has become increasingly discerning and requires more than a mere set of financial statements.

External reporting is becoming not just a compliance activity but an opportunity to communicate with owners of capital and other stakeholders on their points of difference from other organisations.

Accounting reporting is about to undergo a significant period of change as it moves to a more integrated model of financial and non financial analysis. A rigorous and internationally comparable financial reporting and audit landscape is vital to attract foreign investment and open up international markets for businesses.

Non-financial reporting, based on long term thinking, is becoming just as important to the company's positioning. These reports help to measure the cost to societies of depletion of the natural environment and its finite resources. They serve not only the needs of investors but also the public interest and provide opportunities for companies to position themselves as long term investment options.

Integrated reporting is aimed at bringing together financial, environmental, social and governance information in a concise, consistent and comparable format.

CPA Australia sees where the future of leadership within our profession lies. To continue our success as the global accountancy designation for strategic business leaders, a thorough understanding of sustainability issues and how they affect the accounting profession must be maintained. Our CPA Program now incorporates sustainability, governance and ethical challenges, to ensure that our members are better placed to advice on wider issues, such as carbon costing and life-cycle analysis.

For CPAs, reporting on environmental, social, governance and financial aspects of business creates opportunities for managers to make good informed decisions about the future of their business, from more than a financial stand point. Human, environmental and intellectual capital are as important as finance is to a business.

We support and lead our members by building the main elements of sustainability into our CPA programme, and have conducted world first research on "Sustainability in capital investment appraisals", working at the highest levels to operate at the global forefront of the International Integrated Reporting Committee, Global Reporting Initiative, Accounting for sustainability, Business Leaders forum, and share our understanding with our members and with the profession.

One initiative I am particularly proud of is that our CPA Programme's structure and syllabus incorporates sustainability to ensure future CPAs are informed and able to adapt to this ever emerging area and its impacts on our profession. We have ensured that our members are able to access knowledge on how sustainability matters, directly influence present and future economic climates; we have held conferences; implemented an environmental, social and governance (ESG) portal on our website; and embedded sustainability education into many of our programs. CPA Australia delivered more than 20 sustainability focussed face-to-face professional development events throughout the year, attracting approximately 3,000 registrations.

Sustainability reporting is the practice of measuring, disclosing and being accountable for organisational performance while working towards the goal of sustainable development. A sustainability report provides a balanced and reasonable representation of the sustainability performance of the reporting organisation, including both positive and negative contributions.

We regularly attend conferences such as Transparency in Amsterdam, the UN Global Compact meeting in New York, the CSR-Asia conference in Hong Kong, the World Congress of Accountants in Kuala Lumpur and Global Reporting Initiative's Conference on Sustainability.

In 2010, the Global Reporting Initiative (GRI) conference in Amsterdam, proposed two groundbreaking resolutions. The first was that all large corporations and small-to-medium enterprises should report their environmental, social and governance material issues on an 'if not/why not' basis by 2015. Accountants will play a role in this and preparation for 2015 will be on strategic radars now.

The second was that an integrated reporting framework will be created so that financial and non-financial reporting can be merged into this single framework by 2020.

Today's financial reporting is predominantly based on past events and is transaction focussed, it does not capture the full dimensions of corporate performance risk and worth. It conveys mainly to shareholders vital information on how directors have discharged their duties and performed in terms of generating wealth. In addition, financial reporting fulfils the vital function of informing securities markets and is thus vital to wider community confidence. Financial reporting for very sound reasons is conducted in a framework which tends towards more prescriptive and mandatory focussed regulation.

The Australian Accounting Standards Board's Framework for the preparation and presentation of financial statements says that:

"The objective of financial statements is to provide information about the financial position, financial performance and cash flows of an entity that is useful to a wide range of users in making economic decisions.

Financial statements prepared for this purpose meet the common needs of most users. However, financial statements do not provide all the information that users may need to make economic decisions since they largely portray the financial effects of past events and *do not necessarily provide non-financial information.*

Financial statements also show the results of the stewardship of management or the accountability of management for the resources entrusted to it."

Financial reporting has, over many decades, developed in parallel with the emergence of the corporation as the overwhelmingly dominant mode for transacting commercial activity.

The GRI says sustainability reporting is "The practice of measuring, disclosing and being accountable for organisational performance while working towards the goal of sustainable development. A sustainability report provides a balanced and reasonable representation of the sustainability performance of the reporting organisation, including both positive and negative contributions."

While this definition of sustainability reporting reflects an emphasis on disclosure, it also reflects the establishment of what sustainable development means for an organisation, and how improving sustainability performance can translate into enhanced business performance. This, in turn, contributes to a better understanding of the benefits that might be achieved from embedding sustainability.

The establishment of the International Integrated Reporting Committee (IIRC) under the joint auspices of the GRI and the International Federation of Accountants (IFAC) is aimed at creating a globally accepted integrated reporting framework that brings together the respective strengths of financial and sustainability reporting while addressing their respective weaknesses. They could be summarised like this:

- Financial reporting is transaction based and sector neutral. In contrast, sustainability reporting addresses many sector specific issues and characteristics, and captures a wider array of both quantitative and qualitative information.
- Financial information tends to be historic in nature communicating important attributes of performance and position. In contrast, sustainability reporting seeks to capture aspects of anticipated impact and the preservation of resources on an inter-generational basis.
- Financial reporting has become highly standardised as a consequence of the international integration of capital markets. In contrast, sustainability focusses on a much wider range of corporate attributes and business objectives.
- Financial reporting assumes particular characteristics of the division of corporate powers and thus communicates directors' performance in relation to the financial interests of shareholders. In contrast, sustainability reporting has evolved to communicate information to a wider base of stakeholders and is less entrenched in the ideas of shareholder primacy. Today's reality is that in any medium to large company most shareholders are disengaged, and indeed precluded, from involvement in the management of the companies in which they invest.

The establishment of the International Integrated Reporting Committee (IIRC) under the joint auspices of the GRI and the International Federation of Accountants (IFAC), is aimed at creating a globally accepted integrated reporting framework that brings together the respective strengths of financial and sustainability reporting while addressing their respective weaknesses.

CPA Australia has, through its various networks and global involvements, been very active in advocating for the accounting profession to lead on issues of sustainability, particularly as they pertain to business, how business reports its performance and how this process in turn drives improved performance.

The CPA of today is relied on for corporate reputation, and these days that has taken on multiple facets – those of transparent financial reporting, as well as reporting on impacts on environment and society.

We also realise that transparent reporting of sustainability efforts is a journey. In CPA Australia's case, whilst we have made some notable strides into embedding sustainable practices into our core business operating model, we're not yet ready to declare ourselves a best practice organisation on this front, and we recognise that we have a lot of hard work ahead of us.

For the last three years CPA Australia has produced voluntary, independently assured and GRI compliant sustainability reports and to our knowledge, were the first professional accounting body to have done so. And, in moving our head office to new premises in 2009, a key criterion was the green rating of the alternative buildings on offer.

We are in the process of building into our normal managerial dialogue about volumes and margins, any coverage of – for example – our carbon footprint, or the level of training of our employees in anti-corruption policies and procedures.

It is this fundamental change in behaviour that is perhaps the most difficult element of any change programme, and we are now taking the steps to formalise regular managerial agendas to deal with a number of these issues. The critical issue for the development of professional skills will be around how existing skills will be adapted and new skills developed – the emphasis will be on dynamic problem solving and capacity to work across traditional organisational boundaries.

Sustainability therefore has the potential to reshape how we as individuals participate and engage in our working lives. What we have found in compiling our sustainability reports, right from the outset, is how much we learned about our organisation and its performance, with the benefits of this knowledge already apparent.

We are now at a stage of embedding these processes into our operations alongside information about sales, margins and a range of other business data. This has ensured a greater focus on key issues like governance and control mechanisms.

We can already see that adherence to sustainability or integrated reporting will drive improved organisational performance across the range of measures but to embed sustainability as an integrated discipline is going to take hard work, a few mistakes no doubt; but ones from which we learn, and importantly, it will take generous helpings of patience.

Throughout our 125 year history we have anticipated and embraced change to better serve our members and their employers as well as the broader community. This legacy of being able to combine adaptability, while maintaining a strong adherence to the highest ethical and technical business standards, is standing us in good stead as we negotiate this important phase.

To try to change behaviour we are building Corporate and Social Responsibility (CSR) systems and processes to try to push for the collective mindset required to make sustainability part of business as usual. Our organisation is trying to embed sustainability by looking at accountability, decision making targets, measures and goals and deciding how to report on them. At a managerial level, we report on things such as electricity consumption, how we engage with our stakeholders, our supply chain, our employees and volunteers, and our community volunteering plans. Once the internal control and reporting mechanisms have become business-as-usual, our CSR Manager's challenge is to try to work herself out of her current job.

Financial reporting compliance with securities regulators and stock exchanges ensures companies have budgeting and internal control mechanisms enmeshed as part of their normal operations.

However, the absence of a compliance obligation to provide sustainability and non-financial reporting explains, to a substantial degree, why the emergence of sustainability reporting amongst leading companies has only been a voluntary initiative. But we believe

In the very near future, sustainability will be transformational not only for business, but also for how we as individuals lead our daily lives within businesses. Once we understand how to embed sustainability into key business decisions, it can then be linked to investment markets' allocation of funds in response to sustainability performance and risk.

that demand from stakeholders and the wider public, plus the developments that have occurred to meet this demand, mean that all businesses – sooner or later – will be obliged to report integrated financial and non-financial information.

There are clear benefits to business from doing so as CPA Australia has already discovered, and early adopters are likely to have a competitive edge.

Recognition of these benefits, and an eagerness to attain them, would ideally result in business desiring to communicate information willingly, regularly and transparently rather than just with a mindset of obligation to comply.

In the very near future, sustainability will be transformational not only for business, but also for how we as individuals lead our daily lives within businesses. Once we understand how to embed sustainability into key business decisions, it can then be linked to investment markets' allocation of funds in response to sustainability performance and risk.

Our organisation has managed to achieve sustainable business practices and thrive for over a century and as we celebrate our 125th anniversary this year one of our greatest challenges will be to help lead the merge of understanding of economic value with environmental and social value. ■

Sixty Years in a Glorious Profession

Having completed sixty years in accountancy profession in various capacities, including as the supreme torch bearer of the profession, the author recalls the glorious journey of the profession dotted with revolutionary changes and tough challenges in all these years. He also shares his vision about the new needs, responsibilities, opportunities and challenges of accountancy profession in present and future perspective. Read on…

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It is an amazing thought that I have completed as many as 60 years in our great and glorious profession! I have had the privilege of joining the profession soon after our dear Institute was born. The final Chartered Accountants' Examination which I took was only the second one conducted by the Institute. As a 20 year old, diffident young man from Vadodara, I could hardly believe when the Result of the May 1950 Final Examination revealed that I had stood First in India and was awarded the G. P. Kapadia Gold Medal. This great recognition by our dear Institute made me firmly resolve that I shall serve the Institute and my professional brethren with all my devotion and sincerity. Since then, it has indeed been a most exhilarating and satisfying journey. Like every journey, it had its ups and downs. But, if I had the option of living the 60 years of professional life again, I would not like to change anything! In this period, the profession and the Institute have taken giant strides. The number of members of the Institute at that time was just about 2,000. It has now grown to more than 1,70,000! It has been a period of tremendous growth, for the profession, for our Institute and for our country. It was my singular good luck that

We are living in a globalised environment in an inter-dependent world. While the political boundaries remain, the economic boundaries between nations are slowly disappearing. India is emerging as a world economic power to be reckoned with. It is already an "invitee" at "G7" meetings. Hopefully, it will soon be a member of "G8". These changes will involve new challenges and new opportunities for the profession. The Accountancy profession in India and the world over is now thinking in global terms.”

in these 60 years, I had the opportunity of serving the Profession and the Institute in various capacities. The high point was the year 1967, when I was called upon to serve the Profession as the President of our dear, Institute.

During these 60 years, there have been so many revolutionary changes. The Profession faced many challenges which it squarely faced successfully and with admirable courage. The Companies' Act, 1913 was replaced by the Companies' Act, 1956, the Indian Income-tax Act, 1922 was replaced by the Income-tax Act, 1961, the Estate Duty and Expenditure Tax faded away. The Wealth tax, the Gift Act and the Service Tax came to haunt us!, the Sales Tax gave way to VAT, and, perhaps the VAT will soon give way to GST. All these changes provided challenges and opportunities which the profession gleefully grabbed.

We are living in a globalised environment in an inter-dependent world. While the political boundaries remain, the economic boundaries between nations are slowly disappearing. India is emerging as a world economic power to be reckoned with. It is already an "invitee" at "G7" meetings. Hopefully, it will soon be a member of "G8". These changes will involve new challenges and new opportunities for the profession.

The Accountancy profession in India and the world over is now thinking in global terms. There are growing relationships among the Accounting Firms the world over, with the object of providing most efficient, cutting edge, world class services to the clients. The profession, world-wide is fast moving towards convergence with the IFRS. The IFRS is indeed, a challenge for the Industry and the profession; particularly the concept of 'fair' value presentation of assets and liabilities in the Financial Statements. Such "convergence" is imperative in the context of globalisation of the world economy. An investor anywhere in the world should be in a position to rely on the financial statements of any company in the world so as to take an informed decision on investment. This can happen only if the financial statements of companies in different countries are prepared on a uniform basis. IFRS is the answer. Our Institute has taken effective steps to prepare our Members to effectively and efficiently deal with the transition to the IFRS in the foreseeable future. I am sure we will succeed.

XBRL which is a revolution in the matter of presenting and filing financial statements for regulatory purposes is a new challenge and opportunity for the profession. The MCA has mandated through the Circular No. 9 dated 31-3-2011 and Circular No.37 dated 7-6-2011, that in the first phase, certain categories of companies (the number may be more than 25,000) will have to file the financial statements for the year 2010-2011 onwards using the XBRL format. The required taxonomy for the XBRL filing has been developed by the MCA. Our Institute and the profession should welcome the development and play a vital role in the successful implementation of XBRL. XBRL will involve more responsibilities and professional opportunities for the profession which it should welcome. XBRL is one more step in the direction of making the financial statements of companies more comparable for the purpose of analysis so that the Regulator and the Analyst can deal with them in a more meaningful and effective manner. The idea of providing assurance services in the XBRL filings is also in the pipeline.

The profession has also to keep in step with the rapid developments in Information Technology, cloud computing, remote auditing, portalised accounting, etc. The Council of the Institute will have to continuously update the education system and the syllabi for the Chartered Accountant students in tune with the changing scenario.

We have to recognise that Corporate Governance is going to be increasingly important and the regulatory environment is likely to become more and more rigorous in the times to come. In view of these facts, the Institute must take more vigorous steps to ensure that the profession is able to attract the best possible talent to the profession; we have in place an extremely efficient and effective training system, there is an ongoing, efficient programme of continuous professional education of members and the members do render world class efficient, cutting edge services.

The subject of "social responsibility of business" has been discussed widely in the past few years. On the same lines, we should give a serious thought to "social responsibility of the Accountancy Profession". The Profession's number one social responsibility is to ensure that the Financial Statements on which its members submit their reports do present a "true and fair position" of the reportee's financial health. Let us candidly admit that the "Satyam" episode did considerable damage to the profession's reputation and has, to an extent, dented the public's confidence in the reliability of "Auditors' Reports". We have to take steps to ensure that the society's confidence in the profession is restored by ensuring more vigorous training for our members, by creating a greater awareness among the members of their responsibility as auditors; and by ensuring that the members do not deviate from the path of highest professional standards, independence, integrity and sincerity in carrying out their duties. An important aspect of the social responsibility of the profession is the responsibility of reasonably well placed members towards the less fortunate members of our profession. Every member who can afford to do so should contribute generously to the Benevolent Fund of our Institute for the benefit of the less fortunate members of our profession. The Benevolent Fund should have enough resources to give a well-deserved support to our less fortunate professional brethren and also to the families of members who are no more, and are in need of support. Another aspect of the social responsibility of the profession is in the area of preservation of the environment. We should contribute whatever we can to the movement for combatting global warming and preservation of the environment by participating in and supporting all activities in these directions.

I would end by appealing to the young members of the profession to be steadfast in their commitment to excellence in professional services, to remain life long students by constantly sharpening their professional "tools", to remain abreast of new knowledge and new technology relevant to the profession, and, to serve the Nation and the Society in whatever manner they can. I would urge upon them to move forward on the straight and narrow path of integrity and honesty. They should join in the country's crusade against corruption and black money. They should never become a party to corruption by giving bribes to any officials with whom they interact in the course of carrying on the profession.

Let us all join enthusiastically in the Profession's confident march on the path of progress, development and national service. May the Accountancy profession rise to the greatest heights in the years to come in the service of the country and of the Society. "ACCOUNTANCY PROFESSION" – Excelsior!

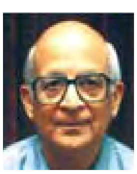
LONG LIVE OUR INSTITUTE. ■

Six Decades of Our Independence

During the first decade of India's independence, the dedicated followers of Mahatma Gandhi tried to live up to his ideals. Thereafter, the second generation only remembered him but found it difficult to implement his ideals. The importance of his ideals could not be imbibed in the second generation. We started making progress in the fields of technology and economic development but the fruits of this prosperity could not reach the poor and down trodden citizens. We are now in the third generation. Very few persons who believed in Gandhiji's ideals are now left with us. The result, as we can see today, is that while we have made considerable progress in the filed of technology and economic development, we have ignored the need for development of a healthy society. In this article, the author analyses the six decades since our Independence from professional perspective.

Mahatma Gandhi, the Father of our Nation, fought for Independence during his life time. He had shown the path of Satyagrah and non-violence and continued this struggle for independence. He selected some dedicated leaders for this struggle and ultimately succeeded in launching the final step with a slogan "Do or Die" on 9th August, 1942. This struggle succeeded in 1947 when the foreign rulers agreed to leave India. Thus, India became an independent state on 15th August, 1947.

Gandhiji fought for freedom so that India can set an example for the entire world that this is a country which can make progress by following the path of truth and non-violence. He also desired that there should be no distinction between citizens belonging to different religions. In other words, he wanted India to be a country in which there is no distinction between any caste, creed or community. His vision was that every citizen, irrespective of his or her gender, should live in peace and harmony without any fear and enjoy the fruits of prosperity. He always tried to inculcate the spirit of love, compassion and understanding in all citizens. He also emphasised on the importance of the uplift of the down-trodden and the importance of education for all citizens. Unfortunately, he could not survive long enough, after independence, to show us the way for achieving his ideals after independence.



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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 succumb even for getting legitimate things done. Those engaged in professions such as accountancy, legal, medical, education, engineering, etc. will have to take a lead and educate the people to resist and oppose corrupt and illegal activities and behaviour. It is in this field that the business community has to co-operate with the professionals.”

During the first decade, his dedicated followers tried to live up to his ideals. Thereafter, the second generation only remembered him but found it difficult to implement his ideals. His old dedicated followers had passed away by then and the importance of his ideals could not be imbibed in the second generation. We started making progress in the fields of technology and economic development but the fruits of this prosperity could not reach the poor and down trodden citizens.

We are now in the third generation. Very few persons who believed in Gandhiji's ideals are now left with us. Some of us had the privilege of participating in the freedom movement of 1942. As students studying in the school/college we could not take active part in this movement. But our parents have actively participated in this movement and tried to inculcate in us the Gandhian Ideals. The memories of those five years from 1942 to 1947 are still fresh in our minds. It is rather unfortunate that the efforts made in the last over five decades were not directed towards achieving these ideals. The result, as we can see today, is that while we have made considerable progress in the field of technology and economic development, we have ignored the need for development of a healthy society. Some of the issues, which worry us, are listed below. We should complement the media for highlighting these issues in recent years. Let us hope that their efforts succeed and we are able to improve in this direction.

Our Leaders — It is rather unfortunate that we have not been able to produce dedicated all India leaders of the stature of Mahatma Gandhi, Jawaharlal Nehru, Vallabhai Patel, Lal Bahadur Shastri and others in the last over five decades. There is no leader who commands high respect of the common man. Most of them believe that if they have to serve the people, they must get elected as Corporator, MLA or MP. For this purpose, they have to enter politics where entry is possible only by unethical means. This leads to caste based party politics, in fighting and the habit of giving promises to people which cannot be fulfilled. Then, starts fight on petty issues based on caste, religion, gender and the like. In order to retain their existing position, they have to continue this fight and the real purpose of rendering service to the society is forgotten.

Our Government — Each successive government has not been able to provide good governance as stability of the Government is always in doubt. Persons in charge of the Government, always feel unsecure. Hence most of the economic decisions are taken on party or political considerations. The ministers, MPs and MLAs are cut off from the masses and they feel that if the security provided to them, free of cost, is withdrawn they are not safe. This prevents them from understanding the real problems of the people. Therefore, they believe that people will be satisfied if they announce new welfare schemes and allocate funds without finding out whether the benefit of such schemes accrue to the deserving persons. One estimate is that out of the funds allocated to a scheme hardly 10 per cent to 15 per cent reach the people. Balance is pocketed by the intermediaries.

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 succumb even for getting legitimate things done. This cancer has spread to all government departments, public sector organisations, educational and medical institutions and it is reported that it is now spreading to judiciary too. This has resulted in fall of moral standards in the society. If this trend is not reversed our social fabric and economic development will suffer. Those engaged in professions such as accountancy, legal, medical, education, engineering, etc. will have to take a lead and educate the people to resist and oppose corrupt and illegal activities and behaviour. It is in this field that the business community has to co-operate with the professionals.

Reservation — This is another area which is dividing the society into small groups based on caste, community and religion. Our forefathers had the vision about the danger of such a divide. It is for this reason that our constitution provided for reservation for a specified period only and it was directed that it should be phased out. Instead of complying with this, our leaders have amended the constitution from time to time to continue this system. Today, we have reservation based on caste, community, religion, etc. This has spread to government and public sector jobs, legislatures, education and medical institutions, judiciary and other institutions. There are talks about introducing legislation to extend this concept to private

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sector also. This trend requires to be reversed. The present system of reservation should be phased out over a period of ten years or so if we want to prevent division of the society into small groups and prevent in fighting for rights of each group.

Terrorism — In recent years, we have suffered various terrorist attacks in different parts of the country. It is reported that this is mainly due to our disputes with our neighbouring country. We have not been able to settle these disputes for over six decades. The main dispute is about a certain territory. We must have spent billions of rupees in these decades for saving this territory. There was a demand for bifurcation of this territory and we have resisted all these years which has generated so much of hatred and disturbed our peace. There are also other areas where there is unrest due to economic reasons. Our leaders have not been able to appreciate the grievances of these people. Once the dispute with our neighbour is settled and problems of other disturbed areas are addressed the main reason for terror attacks will vanish and we can live in peace.

Social Welfare — *Roti*, *Kapda*, *Makan*, education, medical facilities and employment are the basic needs of a human being.The large majority of our population is in villages. If we examine the conditions of roads, houses, food and water supply, education and medical facilities in these villages, we will notice that these conditions are pathetic. Lot of efforts are required to be made. Mere government schemes and allocation of funds are not sufficient as the benefit of these schemes and monies do not reach the poor villagers. What is required is to empower and encourage the NGOs in this area. The system of *Gram Panchayats* is introduced, but this is again dominated by political parties. It is necessary to provide that no political party should nominate its candidates for this election. It is necessary that the social welfare activity should be left to NGOs and local social workers. The infrastructure, roads, electricity, water facilities in the villages should be provided. Further, education and medical facilities should be improved in the villages.

Role of our Profession — 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. There are others who are also tempted to convert their profession into business. If we examine the legal provisions governing our profession, we will notice that the emphasis in these provisions is that no professional should engage in any other business if he is holding a certificate to practice the profession. Such a professional cannot enter into partnership with a non-professional for carrying on a business. When a person is carrying on the 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 and ethical manner and not as a businessman.

Spirit of Trusteeship — Gandhiji has observed in his several messages that a businessman should consider himself as a trustee and not owner of the business organisation in which he is working. This equally applies to a professional. If the spirit of trusteeship is inculcated by the business community and businesses are carried on in ethical and 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. Every businessman is dependent on the professional and *vice versa* . Therefore, a Chartered Accountant should educate his client to do business in ethical and professional manner. If every professional who is engaged in a professional activity and every businessmen co-operate and inculcate the spirit of service and trusteeship they can achieve wonders and take our country to greater heights in the field of technology and economic development. This will also bridge the gap between the rich and the poor in our country.

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Profession of Politics — This spirit of service and trusteeship has to be inculcated in our politicians who are either professionals or businessmen. If they inculcate this spirit in their respective professions or businesses, they will automatically bring this culture of service and trusteeship in the sphere of governance of our country. If there is proper coordination between all these persons, our country will be able to successfully resolve the two major economic issues *viz.* corruption and proper implementation of social welfare activities. In order to get deserving candidates for our elections to Parliament and Legislative Assemblies, time has now come to recognise politics as a "profession". For this purpose, there is need to set up a regulatory body for development of this profession. Candidates possessing minimum prescribed educational qualification can join this profession. The Regulatory Body should conduct classes for political science, study of our constitution, parliamentary procedures, code of ethics, governance, public finance, etc. and hold examinations. This can be a course for one or two years. A person who qualifies should be given certificate and enrolled as a member of the "Profession of Politics". Annual fees can be charged for continuing the membership. Regulations can be made that only members of this profession can stand for election to the Parliament and Legislative Assemblies. The regulatory body should have power to take disciplinary action if any allegation of misconduct is proved and the certificate issued to him can be cancelled. Such a member can be disqualified from holding an elective position for a specified period. This will bring discipline amongst our politicians and we can expect good governance. This will also ensure that Gandhiji's concept of trusteeship is inculcated in our leaders.

These are some of the issues on which we should ponder. There may be many more issues on which rethinking is required. The new generation will have to give a serious thought to these issues and try to see that many of the ideals of Gandhiji are implemented not in the letter but in spirit. ■

Accounting Profession vis-a-vis The ICAI – Now and Then

"The ICAI today is living up to the expectation of the society and the Government. It has grown and become stronger and vibrant by astounding proportions in all these years. 80 per cent of the total 126 branches of ICAI have now building or land of their own. The Chapters abroad were not existing except for Dubai and Muscat chapters. But today 21 Chapters of the institute are established around the world. Hats off to the present generation of Presidents and council members who have contributed to the development of the profession by the use of Information Technology," says the author as he compares and analyses the developments pertaining to the profession and the ICAI since he was the supreme torch-bearer of the profession 23 years ago.

At the outset I am happy that the Institute of Chartered Accountants of India is celebrating the 'CA DAY' coinciding with foundation day of the institute on 1st July, 2011. I am aware that 23 years have passed nay, rolled over, since I was a President of the prestigious institute. I was proud that the distinguished members in the council of 30 members elected me as the Vice President in September 1985 on my maiden attempt for the coveted post in the fourth year of my council tenure. Equally proud am I that I was Vice President to one of the illustrious Presidents of the institute Mr. P. A. Nair. Also I am proud that ten members of the Council who ably assisted me became the President of the institute in the subsequent years and six presidents (including the president in office today) who succeeded me from southern region are doing yeoman services to the institute and happy that one of them Mr. T. N. Manoharan was honoured with the prestigious Padma Shree award.

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Those were the days when unanimity prevailed among the members elected from each of the region to put up only one of their Council members to offer as a candidate for election of the President. I was the sixth President elected from the southern region and am sad that five doyens of the profession who served before me as the Presidents of the institute from the southern region are no more today.

The institute had about 45,000 members in 1986 and the branches were craving for infrastructure facilities in the absence of sufficient funds.

I remember that in spite of the tight financial condition, I was able to encourage more than 15 branches to acquire land/building for their own premises. Today I am happy that out of the 34 branches in the southern region 29 branches have building of their own and 80 per cent Branches out of 126 branches have building/ land in whole of India.

The Information Technology was spreading fast all over and the institute could open a few computer centres during 1985-1986 and today all that is done in all the branches is only through computers and hats off to the present generation of Presidents and council

Initially, the professional Accountants under ICAI discipline were totally independent and above all Politics, but with the advent of political parties intrusion in the legal and other professionals, the accountants today are tempted to side a particular organisation which is not a desirable act. The professionals under the banner of ICAI shall continue to be independent and shall work together as partners in nation building. ”

members who have contributed a lot for development in this field.

The Chapters abroad were not existing despite several members of our institute serving in those countries except for Dubai and Muscat chapters. But today 21 Chapters of the institute are established around the world.

On the Technical side, the Accounting Standards were being formulated by the committee of the institute but none of the standards were mandatory. To keep up with the trend in the other developing countries, during 1985 the Council made Accounting Standards AS-5 and AS-6 mandatory for the first time and today with the advancement of finance and accounting field most of the international Standards are in existence in the form of Accounting Standards of the institute which is a colossal achievement of the technical directorate and of the Council members.

The Government through several agencies has reposed faith in the functioning of the professional accountants since the day the autonomy was given to the institute in 1949.

Lately, numerous audit reports such as Tax Audit report under the Income tax Act, certificates under various sections of the Income-tax Act and Central Excise Act are required to be compulsory obtained from the Chartered Accountant. Also the Reserve Bank of India and other Banks have entrusted several audits to be performed by the Chartered Accountants.

Recently developments in accountancy reporting such as XBRL (eXtensible Business Reporting Language) have taken root across the world as factual standards for the exchange of financial information. The XBRL is described as “a language for electronic communication of business reporting around the world.” It offers major benefits to all those who have to create, transmit, use or analyse such information. The ICAI is spearheading the XBRL initiative in India.

I am happy that the ICAI and XBRL India (a company which is a local jurisdiction of XBRL international) are rolling out various training programmes on the language and functionalities. It is desired that all the members of the institute will utilise this opportunity to get skilled in this field. Similarly the IFRS (International Financial Reporting Standards) is attempted to be in force at an early date to suit the need of global uniform acceptability and understanding of reporting.

The Accountants and Auditors today are expected to get themselves equipped with the expertise knowledge in these fields and I am happy that the Institute of Chartered Accountants of India has taken all possible steps to educate the members in this regard.

Another welcome development is the fee charged by and paid to Accountants and Auditors have been analysed and revised by the Institute and circulars have been issued regarding the fees to be paid to Auditors. It is desirable that the Government, Departments and Government Companies and listed companies shall first follow this voluntarily and compensate properly for the work done by professionals.

Similarly the payments made by auditors to the articled/trainee clerks and salary to accounting staff need a revision, which the institute is periodically revising. It was a period in the 60’s when nothing was done in this regard but today there is a sort of improvement on the part of the Institute on fixing stipends. I wonder whether there is connection between payments by auditors and fees received by auditors. This anomaly is to be set right so that the number of Qualified Professionals preferring to enter professional practice at right time will increase as against the situation existing today.

I am strongly against protests, strikes, abstention, fasting or any similar acts to demand a result from the Government or other organisations. At the same time some sort of disciplined unity is necessary on the part of the members so that the enviable profession which is not given proper treatment which its members deserve get due importance from the Government and Public.

Initially, the professional Accountants under ICAI discipline were totally independent and above all Politics, but with the advent of political parties intrusion in the legal and other professionals, the accountants today are tempted to side a particular organisation which is not a desirable act. The professionals under the banner of ICAI shall continue to be independent and shall work together as partners in nation building.

In conclusion I am happy that the ICAI today is living upto the expectation of the society and the Government and I am confident that in future under the present leadership the Council will do its best to become the leader in Global Accountancy Profession with its members spread in every part of the globe and technologically will stand a foot above all other accounting bodies. ■

Role of Chartered Accountants in the Current Economic Syndrome

The booming economy and rapid changes across all levels of businesses and society not only offer plethora of opportunities but also pose multiple tough challenges. The present day accountant handles diverse functions, as a score keeper of pecuniary transactions, controller of finance, counsellor for business decisions, supervisor of legal compliance, and negotiator with business partners/contractors, and assists the Board in a company to take the right decision. It is the primary responsibility of the accountant to install and maintain internal control systems taking advantage of the developments in the field of Information Technology so as to provide checks and balances at every stage of business operations. We as a respectable profession cannot be silent spectators to the happenings around us. In so far as money matters, we are into it and should do on our part whatever is possible to save resources and see that the Government's envisioned policy of "inclusive growth" is made possible. In the backdrop of the above we may do some introspection as to how best we can demonstrate that we are partners in Nation Building. This article delves deeper into the thought process regarding the role of Chartered Accountants in present times.

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We are witnessing the social fabric undergoing a tumultuous change. Technology moves fast nullifying time honoured myths and beliefs. Knowledge explosion by leaps and bounds takes the centre stage. Research unveils the growth potentials in every field of economic and social activity. Economic fundamentals of the country prove to be stronger, despite aberrations time and again. Manufacturing and service sectors make good stride. The resilient Indian Economy proved its ability to tide over recessionary trends with gusto. Health and education receive unprecedented attention. Successive good monsoon brightens up agriculture. Infrastructure is gaining momentum. Government is sprawling its departments to cater to the welfare of society. Larger and larger allocations are made year after year to usher in inclusive growth. Lifestyle undergoes a significant change. Cross-border acquisitions in and outside India are more pronounced. These positive notes augur well for consolidation in the professional field of accountants in the coming years. Given this kind of encouraging drift in the society, the outcome should be a harmonious and peaceful life on this planet.

The situation as testified today is just the opposite. Imperiousness and intolerance, common these days,

Often the accountant has to mix with and work in the company of heterogeneous group of people with differing levels of mind-sets and dithering moral values and ethical standards. He should conduct himself in a discreet manner and act independently and prepare the report in due compliance with the legal requirements and in accordance with the prescription of accounting standards. Leniency and implicit faith cannot be accommodated in professional work, as otherwise independence of the audit profession and diligence in the discharge of duties cannot be ensured.

takes the society in a different trajectory. Growth and inflation are at loggerheads. The RBI is faced with the unenviable task of balancing growth and inflation. Human ingenuity is such that it always centres on the self and self interest, invariably escorting to corrupt practices and dubious acts. Of late, people do understand that besides the governmental and non-governmental agencies, the corporate business houses do have a responsibility towards the society's wellness, to justify the fact that they exist not only for their own sake but to safeguard the community whose patronage and blessing in some form or the other make them feel that they are not unwanted intruders but welcome partners. There is a mounting cynical feeling when an industry or factory is to be located in some underdeveloped agrarian soil. Even infrastructural ventures have to surmount such obstructionist attitude from some local quarters if they were to make inroads into their livelihood. Securing their confidence and habilitation of lives should be top on the agenda of any such industrialisation move. The Economists and the Nation Planners should develop holistic attitude and should weigh the pros and cons in an unequivocal manner if the dream of "inclusive growth" were to become a reality. As otherwise the gulf between "Haves and Have Nots" would widen and we are all well aware of its drastic impact on the society.

We as a respectable profession cannot be silent spectators to the happenings around us. In so far as money matters, we are into it and should do on our part whatever is possible to save resources and see that the Government's envisioned policy of "inclusive growth" is made possible. In the backdrop of the above we may do some introspection as to how best we can demonstrate that we are partners in Nation Building.

What Ails the Economy

There are innumerable factors affecting the economic lives of the society. Commerce has a vital role in shaping the economic fortunes of the country and its citizens. Business decisions are normally taken for the sustainability of operations in the years to come and to enhance stakeholders' value. In some family-run businesses professional management takes the back seat which results in wastage of national resources and corporate governance is merely a compliance ritual. Over enthusiastic entrepreneurs, some start-ups and overzealous consultants dream of building castles in the air with utter disregard for the fallouts of their actions. The regulators, on their part tighten regulatory measures to arrest further damage and curb economic offenders. Economic reforms pursued in a tepid manner under pressures from various sectors lose their significance and do not at times percolate down the line to benefit the underprivileged. Funds allocated on paper either are not spent for the avowed purpose or do not in some cases reach the targeted programme. Corruption is becoming endemic. Moral values and ethical standards should be given prime importance in public spending. Corruption is not a political issue but an economic issue too. Strict on-site monitoring by the concerned authority or a Chartered Accountant should be in place to watch the progress of any economic or social programme/ project. Reports flow in belatedly which cannot rectify the situation. Committees or Enquiry Panels spend scarce resources and time probing the cases of scams and corruption. Action should be oriented towards retrieving the money lost.

Corporate entities undertake projects which overshoot the estimated cost and lead to time over-runs. Innovative accounting policies followed by some entities in boosting the top-line and the bottom line play havoc in the long run ruining the sustainability of business. Inter-corporate deals are fraught with ulterior motives of vested interests. Ultimately the malady would spread to the banking sectors increasing their bad/non-performing assets.

The chieftains of industry are well aware that investment aimed at getting tax benefits alone may not be commercially viable, a mere waste of the nation's resources. That was the case with the erstwhile Section 32A of the Income Act 1961. All investment propositions should be examined from multiple angles. A Chartered Accountant can well fit in such a job, of course with assistance from respective technocrats and market men. The Government's concern in any private investment is (a) generation of employment, (b) environment protection, (c) contribution to the exchequer and (d) wealth creation for the nation. These objectives can be analysed and presented conclusively by the accountant, if an entity wants to foray into a new venture on a mega scale. In such a situation, the need for independence of the accountant is of paramount importance who could dispassionately give his views on the project's economic viability and social good.

Given the state of affairs on the economic front, the question now arises as to who is the Conscience Keeper of the Nation? (i) The Government (ii) The Corporate Management (iii) The Professional Accountant (iv) The Regulator. Undoubtedly all are and supplementary to each other and jointly accountable to the public besides the stakeholders. That is why any new economic project whether in Public sector or Private Sector or Public Private Partnership undertaking should be scrutinised in 360 angles and the social outcome examined before final approval by all concerned.

Changing Facets of an Accountant

The present day accountant handles diverse functions, as a score keeper of pecuniary transactions, controller of finance, counsellor for business decisions, supervisor of legal compliance, and negotiator with business partners/contractors, and assists the Board in a company to take the right decision. It is the primary responsibility of the accountant to install and maintain internal control systems taking advantage of the developments in the field of Information Technology so as to provide checks and balances at every stage of business operations. He also represents in certain committees of Government, and offers valuable suggestions. Governmental investigation/inquiry committee enlists the services of chartered accounts in their probe against any fraud or irregularity. In the wake of globalisation mergers and acquisition (including cross-border) (M & A) are on the ascent. The services of Chartered Accountant are indispensable in M & A deals. As the ambit expands multi-skilling is inevitable for the Chartered Accountants.

Other duties undertaken by a Chartered Accountant include those of an Arbitrator for settling disputes, especially those connected with insolvency work such as the preparation of statements of affairs and the duties of a trustee in bankruptcy or under a deed of arrangement. As he undertakes demanding

In a business it is common to come across various vested interests that may tilt the balance, far from conforming to the standards and cause jeopardy to faithful reporting. It is our experience as to how to handle such situations in maintaining our independence and present the report according to Regulatory Frame Work. Where good advice does not carry conviction, a suitable audit remark, supported by documentation of the processes of audit work performed would become handy and helpful.

assignments, the Chartered Accountant, should develop business acumen and numerical ability, good communication skills, objectivity, independence of thought and be able to work under the pressure of deadlines, while maintaining equanimity at all times.

Financial Reporting

Either in service or practice the accountant is the mouthpiece to announce the performance of the undertaking. His report is relied upon by various stakeholders and therefore he should not swerve from value systems and ethical codes. Even while change of auditors the starting point for the new auditors is the latest audited accounts. When the final word is pronounced on the accounts it should be unassailable and should be able to bear the test of any scrutiny. Transparency in financial reporting is as important as the independence of auditors. Reporting modes are evolving aimed at transparency and instant retrieval data. Convoluted investment, cross-holdings and creation of step-down subsidiaries make it all the more difficult to decipher the real controller of the business and leaves the layman in a fix so as to understand what the numbers in the financial statement purport to convey.

Often the accountant has to mix with and work in the company of heterogeneous groups of people with differing levels of mindsets and dithering moral values and ethical standards. He should conduct himself in a discreet manner and act independently and prepare the report in due compliance with the legal requirements and in accordance with the prescription of accounting standards. Leniency and implicit faith cannot be accommodated in professional work, as otherwise independence of the audit profession and diligence in the discharge of duties cannot be ensured.

Convergence with global standards opens up a plethora of irreconcilable issues for which the ICAI is assiduously on job to iron out seeming differences and brings out draft standards for approval of members and concerned industries. Hitherto accounting was based on Historical Cost and the time is now for adoption of Fair Value, aimed at the faithful representation of figures on the financial statements for authentic assessment of the business value for any users of the financial statement. There may be scope for undue inflation of the figures. The guidelines given and procedures prescribed should be scrupulously followed. The accountant should use “best practices” in this realm of activities emulating from others who were assigned such conversions. Another vital region where disharmony could surface is Tax accounting and financial accounting. The resolution could happen as we progress with the convergence with the global accounting.

Audit and Attestation

In a business it is common to come across various vested interests that may tilt the balance, far from conforming to the standards and cause jeopardy to faithful reporting. It is our experience as to how to handle such situations in maintaining our independence and present the report according to Regulatory Frame Work. Where good advice does not carry conviction, a suitable audit remark, supported by documentation of the processes of audit work performed would become handy and helpful. As the economy moves fast on the growth path, suitable audit tools are available to track the transactions to the root to unearth any missing link which would throw light if something were amiss. Constant developments of software tools in the audit function are taking place which the auditor should use to his best advantage.

It is always better to test the accounting system installed under electronic accounting model and to ascertain the infallibility of the system and the operator's integrity. If a well proven system is in place which embodies all elements of internal control and check system leaving no scope for miscreants to feed unauthorised entry or correction thereof, it is a safeguard as a firewall for data security. The cardinal principles of internal check on mistakes and irregularities and inter-control for authenticity of entries should have been engrained in the soft ware. Care should be exercised while uploading balances from one system to another in case of change of software.

While auditing the financial statements, it is also imperative to see that the "Notes" drafted are in congruence with the figures presented in the accounts and corroborated with facts gathered from the minutes of the Boards and contracts with business partners. Tactical drafting may distort the spirit and intention of contracts which may lead to drawing wrong conclusions. This aspect needs to be carefully studied before finalising the accounts.

Internal Audit

Once relegated as a legal ritual, the real worth and ability of contribution and value addition of this function are unfolding in a large measure in a number of organisations. The Audit Committees of the Boards, of late are more concerned with the Reports of Internal Audit and the remedial action taken in regard thereto. Since it is concurrent, the slippage of revenue or wastage of resources could be stopped then and there. And thus it mitigates loss and opportunity. Proprietary angle also is brought within its ambit or charter by the forward-looking management of corporate. It is not the report but the message conveyed that is of importance to judge whether there is any derailment of operations. Corporate entities are increasingly encouraging "Whistle Blowers". Due recognition of the importance of Internal audit report will help understand the weakness in operation and to initiate remedial action. At times the reports may propel a review of corporate budget midway and take action for course correction and revising the budget.

The team of internal audit would include besides an accountant, personnel from operating team, quality control, project management, and an industrial engineer, reporting to the Board through the Audit Committee.

Ethical Standards

In these days of uncertainty of what is there in store for the future and how the humans change their life style to suit personal pursuits, organisational interest needs to be zealously safeguarded by enforcing uncompromising ethical codes on the professionals in charge of key positions. Auditor should review the entity's value systems while judging how effectively the governance norms are put in practice. Different stakeholders are likely to be impacted in a variety of manners, be it a creditor, lender, shareholder, employees, the government, the regulators and the public at large.

The budding chartered accountants should be inculcated in their young minds about the widespread ramifications if the moral value system is overlooked and the ethical standards are not applied in all its strictness. The new generation of chartered accountants who have the advantage of technology, and who have to comply with quite many economic legislations in the coming years would take the prestige of the Institute to greater heights if only they firstly well understand the ethical standards of conduct and ensure unfailing adherence at all times. Coupled with this their professional excellence, they can win accolades for the accountancy profession.

The people's perception of a chartered accountant has undergone a sea change. He is there in every walk of life where pecuniary dealings matter. His spectrum of activities spreads far and wide. The emphasis should be on moulding the up-coming chartered accountant with (a) impeccable traits of personal behaviour, (b) capacity to catch up with changing times on the technology and professional front and (c) ardent adherence to the ethical standards.

Conclusion

These thought waves are vented in these columns on the eve of celebrations of "Chartered Accountants Day" to arouse our robust enthusiasm to take up newer positions in the complex Economic Society and to prove to be the real partner in Nation Building. ■

Trends and Challenges in the Profession

The profession of Accountancy has been playing a pivotal role in various sectors contributing to the economic growth of the nation. From the traditional core areas of assurance to the modern avatar of a business solution provider, a Chartered Accountant plays a vital role linking different stakeholders in the spectrum of the fast growing Indian economy. Accounting and reporting; direct and indirect taxation; management consultancy are the most common areas in which our fraternity plays dominant lead roles in the policy formulation, implementation and advisory functions. All these areas are poised for drastic changes calling for re-orientation of knowledge and demanding transformation of the understanding and approach in these areas of practice. Technology is assuming a predominant role in many things the profession does and technological tools are evolving to improve the operational efficiency of the professionals. In this article, the author analyses the trends and challenges in the accountancy profession.

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At the macro level, one cannot fail to capture the fact that the decade ahead from now would be a promising period for India as a nation and the role of the profession would assume an altogether different magnitude and significance from what it was in the past. India would be doing everything to transform itself into a developed nation by 2020. There would be resurgence in the overall economic activity and buoyancy in many sectors. As accounting and finance professionals, Chartered Accountants both in Industry and practice, would have a pivotal role to play in multiple capacities to promote the prosperity of the business houses and thereby facilitate the economic growth of the nation. The growing trend of more members joining industry and more females enrolling and qualifying as Chartered Accountants might facilitate the accomplishment of this objective in a better manner.

XBRL Initiative

The Ministry of Corporate Affairs, vide Circular No. 9/2011 dtd. 31-03-2011 as modified by Circular No. 37/2011 dtd. 07-06-2011, has mandated that the following class of companies have to file the financial statements in XBRL from 2010-2011:

a. All companies listed in India and their Indian subsidiaries;
b. All companies having a paid up capital of ₹5 crore and above;
c. All companies having a turnover of ₹100 crore and above;

However, banking companies, insurance companies, power companies and Non-Banking Finance Companies (NBFCs) are exempted from XBRL filing till further orders.

eXtensible Business Reporting Language (XBRL) is a new reporting methodology involving technology for better, faster and smarter presentation of financial information of an entity. XBRL enables preparers of the business reports to meet business reporting demands effectively and cost efficiently. XBRL facilitates the investors to decipher the figures in the Balance Sheet and other financial statements in a uniform and harmonious manner across the globe. For this purpose, taxonomy, which is a kind of dictionary containing organised group of definitions that represent information found in a variety of business reports and the relationships of the items found in those business reports, is required to be adopted.

XBRL increases the usability of financial statement information. The need to re-key financial data for analytical and other purposes can be eliminated. By presenting its statements in XBRL, a company can benefit investors and raise its profile. It will also meet the requirements of regulators, lenders and others consumers of financial information, who are increasingly demanding reporting in XBRL. This will improve business relations and lead to a range of benefits.

XBRL facilitates the investors to decipher the figures in the Balance Sheet and other financial statements in a uniform and harmonious manner across the globe. It increases the usability of financial statement information. With full adoption of XBRL, companies can automate data collection. Our profession can play a vital role in this whole exercise by associating with the government, stock exchanges and the notified companies in its effective implementation.

With full adoption of XBRL, companies can automate data collection. For example, data from different company divisions with different accounting systems can be assembled quickly, cheaply and efficiently. Once data is gathered in XBRL, different types of reports using varying subsets of the data can be produced with minimum effort. A company finance division, for example, could quickly and reliably generate internal management reports, financial statements for publication, tax and other regulatory filings, as well as credit reports for lenders. Not only can data handling be automated, removing time-consuming, error-prone processes, but the data can be checked by software for accuracy. Our profession can play a vital role in this whole exercise by associating with the government, stock exchanges and the notified companies in its effective implementation.

Convergence with IFRS

By Notification No. G.S.R. 179(E), dated 3-3-2011, the Ministry of Corporate Affairs has notified Ind AS which is comparable with the IFRS. There have been certain carve outs and modifications as compared with IFRS. Although the roadmap for convergence with IFRS was earlier indicated to commence from 01.04.2011 in a phased manner and get completed by 2014, the actual date of applicability has been deferred and is expected to be notified separately. The primary reason for the deferral seems to be the lack of clarity on the tax implications arising out of the implementation of Ind AS. The Finance Ministry, it appears, is seized of the matter and a decision may be taken in this regard in the near future.

In view of the new set of standards, Ind AS, expected to be applicable soon, there is immense scope of practice in the field of client advisory services for a Chartered Accountant. The subject being new and the expertise being limited, opportunities are emerging in the field of training for Ind AS and even for implementation of systems and processes in the organisations that are expected to follow Ind AS in Phase-I. Over the next about 5 years, the need for convergence implementation services by way of transforming the accounting and financial reporting from I GAAP to Ind AS would be in abundance.

There seems to be a notion that only big firms or Medium firms can practice in this field. But, even Small Firms and Individuals can choose this area for

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specialisation. Again, when called upon to audit the accounts of an enterprise which has adopted Ind AS, knowledge of IFRS would be inevitable to discharge the attest function responsibility in a proper manner. Any Chartered Accountant gaining expertise over IFRS in the near future can cater to the demands of not only the entities seeking services on the domestic turf but also that of the multi-national business entities and entities in other jurisdictions as well.

Direct Taxes Code

The Direct Taxes Code Bill, 2010 was introduced in Parliament in August 2010. The Bill has been referred for consideration by the Standing Committee which has been consulting and receiving representations from various forums and bodies including ICAI. After receiving the report of the Standing Committee, the Finance Ministry is expected to finalise the Code for its enactment during this year for implementation with effect from 1st April, 2012.

Majority of our members in practice, especially in smaller places, specialise in taxation. There needs to be a paradigm shift in this segment of practice as the implementation of DTC would usher in a new era of taxation regime. Substantial segment of the present judicial precedents might become irrelevant on the implementation of DTC. The only hope is that, the room for fresh litigation under DTC may not be as fertile as it is under the existing legislation. It is good to note that, in spite of the recession followed by slowdown of the economy during 2008-2009 and 2009-2010, the revenue collection on the direct tax front has seen a phenomenal increase. Moderation of tax rates, simplification of laws and better compliance, it is expected, would propel the economy into a double-digit growth trajectory. The profession can gear up to translate this expectation into reality.

Goods and Services Tax

The Empowered Committee of State Finance Ministers is still grappling with the formulation of Goods and Services Tax (GST) model. Since GST can take shape only in concert with the States, the date of implementation is quite uncertain. However, the Finance Minister has indicated that there is considerable progress in the dialogue between the Union and the States and that the areas of divergence have been narrowed. He has also mentioned that the work is underway on drafting of the model legislation for the Central and State GST. Besides, a strong IT infrastructure is being established in the form of GST network. The National Securities Depository Limited (NSDL) has been selected as technology partner for incubating the National Information Utility that will establish and operate the IT backbone for GST.

GST, as and when introduced would bring in uniformity in the levy of tax on goods and services and the profession can plunge into this field of services in a comprehensive manner. GST is proposed to encompass all the levies that are now imposed in the nature of Excise duty, Additional Customs duty (CVD), VAT, Service tax, Entertainment taxes, Octroi, Entry taxes, Luxury tax, Cess, Stamp duty etc., Consequently, GST would be a significant contributor to the government exchequer and the role of the profession in this branch of law, would accordingly become more important.

Business Advisory

Management Consultancy practice and Corporate Advisory Services would assume greater proposition in the wide range of services to be rendered by members of the profession. Mergers and Acquisitions leading to growth and expansion of businesses would be the order of the day. As part of the expansion plan, many companies would go in for IPO to raise capital in the domestic markets. Besides, Indian companies are going global by establishing subsidiaries and acquiring businesses abroad. Indian accounting profession should also think and act global. More and more corporate entities would be raising funds in the versatile global markets and the authenticity of the financial information as certified by the profession would therefore assume paramount importance.

Further, restructuring as part of business reengineering could be of immense value addition to the business enterprises. Corporate Funding for new ventures as well as for diversification projects need to be handled by the profession by providing back to back services. Therefore, the profession needs to empower itself in all these areas to cater to expectations and do effective hand holding in execution of these various strategic plans. An audit firm can render these services at a smaller scale comfortably. When the size and magnitude keeps growing, it would be better to create a corporate entity so that massive human resource recruitment with wider horizons of expertise and capabilities becomes feasible.

Chartered Accountants can architect business growth and expansion; advocate for business reengineering; doctor the revival of sick units; engineer viable business solutions; navigate implementation of Systems and Procedures; pilot various strategic plans; negotiate for cost optimisation and thereby author business success stories in the country. Consultancy services need to be encouraged and pursued as they provide value addition to the clients and facilitate faster growth of the economy.

LLPs and MDPs

Limited Liability Partnership (LLP) as an entity has come into vogue in India with the passage of the Limited Liability Partnership Act, 2008. The provisions of the Income tax Act have also been amended to treat LLP at par with a partnership firm under the Partnership Act, 1932 for taxation purposes. LLP has the distinct advantage of a company as it restricts the liability of the partners and at the same time preserves the operational flexibility of a partnership firm. Yet another advantage of a LLP is that there is no ceiling on the number of Partners. If ICAI can come out with the necessary notification with the approval of the Ministry, members should be in a position to carry on the practice in the form of LLP.

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The concept of Multi Disciplinary Partnership (MDP) firm has also been recognised when the Chartered Accountants Act, 1949 was amended by the Chartered Accountants Amendment Act, 2006. The First Schedule of the Act (Clause (4) of Part I) was amended to permit members of the profession to enter into partnership with members of other profession as may be notified. The council deliberated in the context of such amendment and recommended to the government, way back in 2006-2007, that a Cost Accountant, a Company Secretary, an Advocate, an Engineer, an Architect and an Actuary may be notified as eligible to be admitted as partners in a CA firm.

Once the relevant notification is issued, MDP would become a reality and CA firms can admit the above class of professionals. Further, as and when ICAI enters into Mutual Recognition Agreement (MRA) with any professional body or institution situated outside India, members of ICAI will be in a position to enter into partnership even with members of such bodies/ institutions.

Composition of Membership

In the eighties, most of the membership was in practice and only a small percentage of the members were in employment. With globalisation, liberalisation and privatisation from 1991 onwards, phenomenal increase in opportunities was witnessed in the manufacturing and service sectors for CAs resulting in more and more influx into employment than in practice.

There are two revelations on analysing the membership of ICAI which stood at 1,61,516 as on 01-04-2010. Firstly, the size of the members in employment has grown to 49.45 per cent (79,873) and those in practice account for 50.55 per cent (81,643). Secondly, on analysing the membership increase of 37,970 during the last five years (from April 2005 to March 2010), it is interesting to note that 90.82 per cent (34,485) have taken up employment and only the rest have obtained certificate of practice (COP). Of course, those who are recruited by audit firms as employees are also treated as being in employment since they don’t obtain COP. If this trend continues, a decade later, the situation may be such that about 80 per cent would be in employment and those in public practice may dwindle similar to what is prevalent in developed economies.

Another trend that needs to be comprehended is the steep increase in the composition of female members and also of girls pursuing CA curriculum. In 2000, the female members of ICAI accounted for about 8 per cent whereas in 2010 it stands at 16 per cent of the overall membership. This implies that the percentage of composition of 8 per cent achieved over 50 years since inception of the profession in 1949 has been doubled over the last ten years. Between 2000 and 2010, the growth of total membership is 71,142 out of which the female membership accounts for 18,397 (26 per cent). In respect of student population, there has been acceleration in the inflow of female students who now account for about 34 per cent at CPT/PCC/IPCC levels and about 28 per cent at Final level.

ICAI may have to keep in mind the above trends and accordingly formulate policies relating to the course curriculum; continuing professional education methodology and content; formulation of various standards and on other related aspects.

Conclusion

In the present day scenario, the real challenge to the profession is to learn, unlearn and relearn. The rigorous training that we underwent, the robust education system that we qualified and the aptitude for continuous learning imbibed within us would stand us in good stead to overcome this challenge. We should aim at achieving excellence in all our endeavours. Excellence is like the summit of a pyramid – larger the base, higher could be the summit. The quality and credibility of the profession should be such that, we are in a position to build a pyramid of excellence, the summit of which is unmatched by that of any other profession.

One generation of India gave theosophy to humanity; another generation built monuments; yet another brought in agricultural revolution; later generation navigated the industrial revolution and the last one revitalised the economy with the service sector revolution. What is going to be the present generation's contribution to India is a thought worth pondering about. The response, undoubtedly, is that we should be instrumental in ensuring probity in public life by exposing the corrupt and cleansing the political and bureaucratic environment. We can do this by creating greater awareness; mobilising strong public opinion and enabling clean and patriotic persons to plunge into public life and thereby avert the leadership crisis that is engulfing the nation. ICAI, as a premier accounting body can formulate standards for ensuring accountability and transparency in public spending by the Governments and Local Bodies. ICAI can also participate in the policy formulation for curbing corruption and ensuring fiscal discipline in the utilisation of the budget allocations. Let us join hands to construct a credible economy in this incredible India as "Partners in Nation Building". ■

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Challenges Before the Profession: The Path Ahead

Ever since the economy has opened up and world has become a small village, the Institute has grown in leaps and bounds. With membership of more than 1,70,000 (during my tenure as President in 2007 it was 1,41,516) and around 7,00,000 students pursuing the course, there are several challenges. But then the opportunities are also ample, areas are many, service seekers are increasing and there is a need to substantially improve the standard of delivering the best services to the clients while keeping intact our higher ethical standards and ever increasing image of the profession. In this article, the author analyses the challenges before Indian accountancy profession and the path that needs to be followed for sustained growth of the profession and to stay ahead of the rest.

CA. Sunil Talati

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The accountancy profession and for that matter the profession of auditing is more than a century old. But it really gained momentum and recognition when the Institute of Chartered Accountants of India was founded under an Act of Parliament 62 years ago. In the 50's, when the population of India was less than 40 crore and the nation was known as underdeveloped country, from that it has now grown to more than 110 crore Indians being part of one of the fastest growing economies in the world. Agricultural incomes have gone up and the farmers are seeing better days. Trade, commerce and industry are at its peak and each year's growth is proving better than the previous one. As against this, where does the profession of accountancy stand in the country? Time, challenges, opportunities and areas were different from 1950 to 1990. But ever since the economy has opened up and world has become a small village, the Institute has grown in leaps and bounds. With membership of more than 1,70,000 (during my tenure as President in 2007 it was 1,41,516) and around 7,00,000 students pursuing the course, there are several challenges. But then the opportunities are also ample, areas are many, service seekers are increasing and there is a need to substantially improve the standard of delivering the best services to the clients while keeping intact our higher ethical standards and ever increasing image of the profession. However,

With the Foreign Consulting firms practicing in collaboration with many Indian firms with different name and different services under one roof at exorbitantly high fees it is for the professional to decide how small and medium firm of Chartered Accountants can consolidate and meet the ever increasing expectations from the business community and the dire needs of Industrialists, who are spreading their wings across the globe in various countries by acquisition and takeovers left, right and center.

the statistics of the professional speaks otherwise. Even now more than 80 per cent, i.e. around 80,000 Chartered Accountants, who are in practice, are either Proprietor or Partnership of two to three. With the Foreign Consulting firms practising in collaboration with many Indian firms with different names and different services under one roof at exorbitantly high fees it is for the professional to decide how small and medium firms of Chartered Accountants can consolidate and meet the ever increasing expectations from the business community and the dire needs of industrialists, who are spreading their wings across the globe in various countries by acquisition and takeovers left, right and centre.

I feel that there is a tremendous potential for new smart techno savvy small and medium Chartered Accountants to grow and develop the practice particularly doing away the disparity in remuneration and rewards. We daily hear about the extremely high fees being charged by advocates and substantially high fees being received by various professionals in medicine and several other professions. The standard has been by and large matched by the Chartered Accountants, who are in Industry particularly servicing in Financial Service sector, Information Technology sector and like many other areas as employees are drawing hefty packages. But what I feel is that particularly in next ten years' time to come, these small and medium Chartered Accountants need to substantially improve and increase their services and consequential financial rewards in the form of fees. That was the reason I launched and requested Council to come out with document of **Vision 2021 of ICAI.**

Having served the Council for nine years I had the opportunity to meet various classes of members across the country and in turn gained lot of experience to improvise many areas personally. But there are thousands of professionals who are still working under compromising conditions, having no time for introspection for the fees received *vis-à-vis* knowledge possessed, intellect displayed and sincere and hard working services rendered. Be it fear of losing the work, greed of increasing the volume, rapidly increasing cost not met with by appropriate increase in fees, not learning the arts and skills of billing and competition phobia are major factors or obstacles in glorifying the Practice. All these are not allowing many of my young and even senior Chartered Accountants to increase their fees and improve upon the services and areas on which they really have best experience and knowledge compared to any other equal professional in the world.

These kinds of set notions, old traditions or orthodox professional approach prevented them from getting appropriate rewards in the form of fees compared to many others including their own colleagues, who are serving in the Industry. This is one of the reasons that younger generation is not coming/intending to come in practice side which in my opinion may affect the quality of execution in many Chartered Accountants firms. Traditional areas of Audit, Tax Audit and Income Tax have become overcrowded and there is a dearth of expertise in special areas which is being monopolised by a very few.

The time now is ripe to change the basis of charging fees. When client loyalties are no longer stable as used to be in earlier days, particularly when clients are now depending on use of technology, brands, labels and techniques instead of in-depth analysis and sincere efforts, it is for all practising Chartered Accountants to analyse and decide how more time can be devoted for increasing the compliance work as expected by the Institute and more than that by the clients.

Most of the practising Chartered Accountants are tangled in the vicious circle of low fees, lower

The problem is that 80 per cent of the activities in life contributed to 20 per cent of the results and 20 per cent of events and activities would contribute to 80 per cent of the results. Therefore, it is very necessary for Chartered Accountants to concentrate on important few clients rather than more clients paying less by undervaluing our services. A Chartered Accountant must do ABC analysis and rate of client based on parameters like fees per client, quality of client, potential of growth, profile of client etc. Who is a Cynic? Man who knows the price of everything and the value of nothing). Chartered Accountant must dispense with this category of clients. Learn to pass on the client where 20 per cent of revenue is coming from 80 per cent of your time.

remuneration of staff, inadequate infrastructure facility on one side and not finding sufficient time for enrichment of knowledge, technological upgradation and increasing expertise in several areas on the other side.

How to Overcome Undercutting and Increase the Level of Fees and Services?

For a Chartered Accountant the only asset besides his brain is time, which is the key factor for his practice and client must appreciate that time must be devoted by a Chartered Accountant while applying his skill, knowledge and experience. Out of 365 days, if holidays and Sundays are deducted and even around 30 days of annual leave/vacation is deducted, the total working days would be on an average 252 days i.e. 21 working days a month. A Chartered Accountant, who has set up his practice and expects net monthly income of ₹50,000/- (after deduction of overhead expenses like electricity, vehicle, internet, books and periodicals, seminar, computer, telephone and depreciation, etc.) the rate per hour would come to ₹1,100/-. If he wants to earn ₹1 lakh then the rate per hour would be ₹1,500/- and if he expects net monthly income of ₹2 lakh the rate would be ₹2,400/- per hour. For a senior person, who deserves and desires to have ₹5 lakh per month, the rate would be ₹4,500/- per hour and for ₹10 lakh per month income, the rate works out at ₹8,600/- per hour. As against this how poorly or how low are most of the practising Chartered Accountants charging to the client? Even if we start charging half of this, the entire problem of undercutting and low income in the competitive market will be well-answered. The problem is that 80 per cent of the activities in life contributed to 20 per cent of the results and 20 per cent of events and activities would contribute to 80 per cent of the results. Therefore, it is very necessary for Chartered Accountants to concentrate on important few clients rather than more clients paying less by undervaluing our services. A Chartered Accountant must do ABC analysis and rate of client based on parameters like fees per client, quality of client, potential of growth, profile of client etc. Who is a Cynic? Man who knows the price of everything and the value of nothing). Chartered Accountants must dispense with this category of clients. Learn to pass on the client where 20 per cent of revenue is coming from 80 per cent of your time.

This will benefit and give a win win situation to both seniors and juniors. Newcomers will get from elders and seniors an attractive practice. Elders and seniors will get time to acquire new knowledge and better skills. In the times where complexities of business and regulations are multiplying, the expectations from the users of our valuable services also are increasing, we must devote more time to challenging assignments, making room for accepting new/good clients and start giving value added services to existing clients.

In spite of Institute and Council doing so many efforts endlessly every year for net working and for systematic growth of small and medium practicing Chartered Accountants, the fruits and results are not yet up to the expectations. Now that MCA has cleared the path for LLP we all must think big and in turn start acting big. Not as an answer or competition with big firms, but to really grow big and see that profession of Accountancy and Auditing in India becomes world's best.

In these times of consumer awareness, devoting proper time to deserving clients would avoid scope of litigation for him and giving all kinds of services under one roof is the need of hour.

With latest technology being what it is today, geography is no barrier. In fact geography is now history. Younger generation is using latest technology to communicate, to interact and to impress clients as well as users. We must remove the perception of audit considered "necessary evil" when it is enforced by regulators. We need to add value to the clients where they would say even if not required by law please audit the accounts for better governance and control of the business. Let us learn to increase delegation of work, put services-first attitude, systemised work procedure, do proper and regular clients' appraisal, make projects of various services, improve office areas and also best manpower, learn use of technology effectively, give personalised services by achieving specialisation in niche areas, learn the art of saying no to undeserved recipients/clients and above all please generate the concept of coming together.

In spite of Institute and Council doing so many efforts endlessly every year for networking and for systematic growth of small and medium practising Chartered Accountants, the fruits and results are not yet up to the expectations. Now that MCA has cleared the path for LLP we all must think big and in turn start acting big. Not as an answer or competition with big firms, but to really grow big and see that profession of Accountancy and Auditing in India becomes world's best. And when this will happen then I am sure you will join and rejoice in saying;

I Adore My Profession
I Salute My Institute
I Respect My Council
I am proud to be a Chartered Accountant. ■

The Next Stage in the Evolution of Business Reporting – The Journey Towards an Interlinked, Integrated Report

As key stakeholders to any company, analysts and institutional investors today are sending a strong message to CEOs, CFOs, Finance Professionals and Boards of Directors that their non-financial performance is just as important in determining their attractiveness to the market as financial metrics. They are looking today for integrated reports – interlinked reports showing operational and ESG data. This is not simply the stapling together of an annual report and a corporate social responsibility (CSR) report or sustainability report; rather, this is about companies integrating best ESG practices within their operations and measuring and reporting on those integrated practices in an aggregated, machine-readable, XBRL format. The journey towards integrated reporting represents a fundamental shift in a traditional data paradigm in which accountants will play a central role as measurers and assurers of this information. Read on to know more.

Liv A. Watson*, Brad J. Monterio**

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"Everything that can be counted does not necessarily count; everything that counts cannot necessarily be counted." - Albert Einstein

Until the last few years, typical historical, backward-looking financial reports were widely used and relied upon for much of the decision-making among executives, analysts, investors and regulators. But financial information alone is not the only indicator of a company's true performance, as we have come to find out with the increasing reliance on non-financial metrics as well as the advent of interactive data technologies such as XBRL that help us access information more easily and reliably.

The market place is increasingly paying more attention to non-financial information about organisations to better understand their performance, value and reputation – all one need do is look to the trillions in assets under management of the signatories of the UN Principles of Responsible Investing (UNPRI), or for that matter, to the number of private equity, venture capital and hedge funds dedicating significant portfolio allocations to companies that measure and report on their operations as well as their environmental, social and governance (ESG) practices. Companies that don't follow good ESG face reputation and financial risks, as evidenced by global brands such as Coke and Nike whose shares were dropped from the portfolios of asset managers in the last several years for failing to deliver upon their ESG promises.

As key stakeholders to any company, analysts and institutional investors today are sending a strong message to CEOs, CFOs, Finance Professionals and Boards of Directors that their non-financial performance is just as important in determining their attractiveness to the market as financial metrics. They are looking today for integrated reports – interlinked reports showing operational and ESG data. This is not simply the stapling together of an annual report and a corporate social responsibility (CSR) report or sustainability report; rather, this is about companies integrating best ESG practices within their operations and measuring and reporting on those integrated practices in an aggregated, machine-readable, XBRL format. This also is not just about the company's own operational and ESG performance, it's about that of the upstream and downstream supply chain participants. The journey towards integrated reporting represents a fundamental shift in a traditional data paradigm in which accountants will play a central role as measurers and assurers of this information. Accountants around the world are helping to define 'what counts' among operational and ESG information and helping organisations to develop integrated reports that accurately reflect performance and long term sustainability; as a result, they have an opportunity to help a company better relate to all stakeholders, not merely the shareholders. The use of XBRL to 'tag' operational and ESG data throughout the organisation will enable streamlined gathering, analysis and reporting of information for the integrated report.

The effort to report on operational and ESG practices is not without its challenges today. There are some key 'missing links' in the evolution to integrated reporting that must be addressed to help the market progress towards the ultimate integrated reports with user generated monitoring capabilities. If companies don't address the missing link, the stakeholders will… eventually.

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Key Missing Link: Non-Financial Information and Economic Value

Perhaps the greatest challenge is the lack of a clearly established link between ESG performance and financial or economic value. Often times, the concepts captured by ESG reporting are intangible… difficult to measure… and even more challenging to verify. Nevertheless, reliable, credible ESG information is essential to investors, regulators, governments, capital markets and the general public today. Recent headlines demonstrate this – for example, shares of oil giant BP plunged after its failure to eliminate the oil leak in the Gulf of Mexico, eliminating over $23 billion in market value in one day alone. This move by investors (both institutional and retail) to dump shares in the company provides insight into the linkage that has formed between ESG practices and financial performance. But the general marketplace has not fully grasped this linkage yet.

Previously less obvious to most investors, the capital markets and other stakeholders, this linkage is becoming part of the growing market evidence around the push for integrated reporting. Accountants have an important role to play in educating the market about this linkage. The profession will play a central role either as preparers or auditors of integrated reporting, as well as internal or external trusted advisors around ESG information and how it can be used alongside financial data for better decision making. As government mandates and private sector requirements for integrated reporting (e.g., Tata Group, Wal-Mart, P&G, Puma and others requiring thousands of their partners and suppliers to be fully sustainable) come into effect around the world, both public and privately held companies will be impacted. These best practice leaders have taken a "comply or die" approach where supply chain participants must meet their sustainability standards in order to remain a part of that supply chain.

As with the established reliability and credibility of financial reporting, there is a well understood concept of what is material in financial performance. With ESG performance, this again is murky at best. A company cannot report on everything in the ESG domains; they're simply too broad. This means that determining what is material in ESG performance will be absolutely essential to the process as the global framework for integrated reporting is established.

Accountants in industry and public practice will be at their sides as one of their most trusted advisors to help them meet many of these complex challenges.

Key Missing Link: Reliability and Market Credibility

Financial reporting has a relatively long history and reliability – there are fairly well-established standards for accounting and measurement, a trusted group of professional body of accountants to measure and assure that information, and clear oversight by established regulatory bodies. As a result, the market places trust and credibility in financial information as indicators – and predictors – of performance.

Contrast this with the area of ESG practices – a nascent area, the domains of ESG are not very well understood. There is currently no established global framework or reporting standard for ESG – in fact, there are so many competing frameworks that it is akin to total chaos from the accountant's perspective in picking which framework makes most sense. Without a clear framework and standard, there is also a severe lack of comparability and an understanding of what is good vs. bad ESG performance. The lack of a common 'lingua franca' around a generally accepted ESG reporting standard presents a significant obstacle to effective risk management. After all, can you truly manage that which you don't fully understand or that around which you do not have universal agreement? There is also no clear oversight body. As a result, the general market places less trust in ESG information than financial information today. The asset managers, analysts and regulators that 'get it' – such as in South Africa, the market with the world's first requirements for integrated reports by listed companies on the Johannesburg Stock Exchange – are true pioneers in showing the rest of the market the way towards reliable, credible ESG information and the ultimate integrated reports. With their guidance and leadership, as well as the creation of a uniform, global framework and standards for ESG reporting (as currently being undertaken by the International Integrated Reporting Committee based in London), the reliability and credibility of ESG data will grow to eventually be equal with that of financial reporting.

Key Missing Link: Materiality

As with the established reliability and credibility of financial reporting, there is a well understood concept of what is material in financial performance. With ESG performance, this again is murky at best. A company cannot report on everything in the ESG domains; they're simply too broad. This means that determining what is material in ESG performance will be absolutely essential to the process as the global framework for integrated reporting is established.

Key Missing Link: Do Accountants Get It?

The role accountants will play begs the question whether or not they understand ESG reporting. Some interested stakeholders feel accountants have much more to learn about the ESG domains in order to be seen as integrated reporting experts, whether as preparers (e.g., CFOs) or assurers (e.g., external auditors) around that information. In some cases, accountants in internal roles such as CFOs and Controllers may need to expand their body of knowledge and skill sets and collaborate with other industry experts such as engineers. Eric Israel, Managing Director at KPMG, addressed a 2010 gathering of concerned stakeholders in ESG in Amsterdam and called on CFOs to "learn more about carbon and sustainability accounting." When pressed by the audience on whether accountants 'get it' – whether they understand complex relationships between environmental, labour, social and governance issues and how to gather and report that information – Israel went on to say that the issue is more "how prepared accountants are, not if they get it." Nancy Kamp-Roelands with the European

Having worked with the XBRL standard for more than a decade, we see the significant potential XBRL can play in integrated reporting. With financial information already tagged in XBRL in the US, China, the UK, German, and Japan (and underway in many other countries, including India), it is not a large leap to see that ESG data tagged in XBRL will make the combined data set transparent, fully machine-readable over the Internet, and readily available literally at the click of a mouse or the touch of an iPad, for auditing, analysis, benchmarking or other decision making or planning.

Federation of Accountants' (FEE) Sustainability Group, remarked at that time that "we (accountants) can measure everything." Therein lays the challenge. And as Einstein's quote implies, the key to effective reporting will be to figure out which ESG elements are of value and should be counted, how they can be counted reliably and consistently, and how they should be reported so that those who make decisions based upon this information can readily uptake and understand it. Larger accountancy firms are adding domain experts, including scientists, consultants and engineers, to their sustainability teams. They recognise the opportunity – and missing link – here for the accounting profession.

The Carrot vs. the Stick – Can We Have Parallel Strategies?

The global company, Novo Nordisk, is at the cutting edge of integrated reporting. The company has been providing integrated reports since 2004 – clearly an early trailblazer and shining example of best practice. Susan Stormer, Novo Nordisk's VP of Global Triple Bottom Line Management, indicated during the 2010 GRI Conference that producing integrated reports was not easy, but that the time was now to begin 'experimenting' even without an established reporting standard. This is what leads to innovation and creativity in the process. The big stick of government mandates is not the only possible motivator to move companies along the evolutionary path to integrated reporting – large global brands have the power to drive best practices as well. The calls from corporate giants like Tata Group, Wal-Mart, P&G and Puma go a long way towards inspiring public and private companies to become more sustainable parts of larger supply chains.

Dynamic, Interactive, Integrated Reporting Data Through XBRL

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Even in the absence of widespread XBRL-enabled ESG data today, we already have evidence of how Web 2.0 and social media platforms are helping leading edge companies share their ESG information with a broader world of interested stakeholders. Rabobank, a large, cooperative bank based in the Netherlands has already produced a digital ESG report and made it available on its website. Rabobank only produces 50 print copies of its annual report, recognising the greater power of digital information to reach the masses. This is a good sign for things to come – once we have an agreed upon XBRL taxonomy for ESG information as well as a global framework for reporting, the value of digital integrated reports will improve manifold, allowing for real-time or near real-time ESG information to be available alongside financial data and eliminating the missing links. Similar to how XBRL helped unlock financial information from historical, backwards-looking, paper- or PDF-based presentation formats (that were essentially not useful to most stakeholders today since they need current information in digital format), XBRL will also help release ESG data from the prison of ineffective reports that up until now have been simply "stapled" to company financial reports.

Think about where this leads us… shifting from a historical view of outdated, limited-use information, around which assurance is somewhat meaningless, to a real-time and forward-looking view with a strong degree of assurance and reliability around digital, interactive financial and ESG information – the interactive, integrated report. This could be used for both external reporting to regulators, media, analysts and investors as well as for internal decision making for business planning, marketing, benchmarking, performance measurement, and predictive business intelligence, and supply chain management. XBRL and its ability to connect with various link-bases (e.g., back to source documentation or a reporting standard), paired with the independent assurance of an accounting professional trained to review such structured information, will bring much needed trust and confidence to ESG data. If it holds true that we fear what we don't know, XBRL can help us limit that fear, and assurance by accountants can improve trust and confidence in the things "that count." ■

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ROLE AS AN AUDITOR

In this article, a verbatim of Miss Sivabhogam's speech delivered during the *First Conference of Chartered Accountants of India* in April 1954, the author analyses the conduct and functions of an auditor with special reference to four specific domains of existence—office, professional colleagues and Institute, clients and public. Some of the suggestions may appear trivial to our readers at surface, but these are fundamentally important, practical and inspiring. A must read, indeed.

MISS R. SIVABHOGAM, B. A., F.C.A

(The author was a member of the Institute. She also contributed to the Southern Indian Regional Council as its Chairperson for three successive terms.)

When I was a young girl studying in school, my school motto was satyam vada, i.e. speak the truth. My College motto was Common Sense and Consideration. Now that I have taken the profession of a chartered accountant, I find how indispensable are the two mottos to an auditor, more so when they are read together with our Institute's motto *ya yeshu supthesu jagarthi* (This is He that is awake in those who sleep).

The Oxford dictionary gives the meaning of 'Role' as one's functions, what one is appointed or expected or has undertaken to do, and 'Auditor' as one who examines officially. It goes to mean that auditing is a profession and not a business. In a business the primary object is money or profit, whereas in the case of a profession the primary object is service, imparting knowledge to others, subordinanting the element of profit which may be incidental.

I wish to analyse the role of an auditor under four main heads:

1. An auditor in his office
2. An auditor with other co-auditors and the Institute
3. An auditor with his clients
4. An auditor with the public.

An Auditor in his Office: He has several obligations to his articled and audit clerks. The Regulations and the Articles of Agreement define the duties and the obligations. Besides what are constitutionally defined, I feel an auditor must possess amiable qualities to make himself a successful auditor. He must have direct contact with his staff. He must first of all impress on them the necessity and the importance of cheerful appearances. He must teach them how to keep an office tidy, answer a phone call, take a telephone message, answer an enquiry in the office, speak courteously with a visitor or a client…

The auditor should meet his staff at regular intervals, say, over a cup of tea and instruct them regarding their work. He must give opportunities to apply theory into practice. They should be taught the 'ticks' peculiar to the auditor in whose office they are undergoing practical training. He must at first make them do routine work and then, step by step, teach them how to do more responsible work like vouching, checking of bank statements, scrutiny of subsidiary ledgers, general ledgers, etc. When he is satisfied that they are able to follow the regular work, he should teach them how to verify the assets and liabilities of a company, go through the minutes book and draft the account statements. He should instruct them that they should have no discussion whatsoever with the clients except it be to enquire about missing vouchers or any information or explanations of items which they do not follow. The auditor must so organise the professional side of his office that the work which he delegates to others is done as he would wish to do it himself.

The clerks should be taught to write up diaries every day and what queries to be written in the audit note-book and how those queries should be solved subsequently. Though in my own office when I was an articled clerk my master had dinned into my head times without number the importance of maintaining audit note-books and diaries, I could realise the seriousness of the same only when I happened to attend a disciplinary case against a member of our Institute and how the diaries and the audit note-books, which were exhibited in the court, were responsible to save the member from being convicted.

The diaries and the audit note-books are the most important documents to an auditor. The clerks should be taught that while writing diaries they should note down the times taken to do each work. This enables the auditor to have an idea of the time taken to do each audit. The time basis is very important especially when the auditor has to give the schedule of fees as per time-sheet with regard to court investigation work. Where he accepts engagements with a proprietary concern or a partnership, it enables him to quote his fees.

While being articled clerks they should be taught to file letters, despatch letters by post and personal delivery, to send telegrams, registered letters, insured posts, to despatch parcels and to receive parcels, in other words, all the routine work conducted in the office, These points may be very elementary, but these small things go a long way to make a successful auditor.

An Auditor with other Co-Auditors and the Institute: The auditors, as a class, should be devoid of pettiness, envy and jealousy. Live and let live should be his attitude. A senior auditor has duties towards a junior auditor and *vice versa*. He must take genuine interest in them, see that they are financially well off, pass on any small audits that come in his way and recommend them to small clients. He must apprise them of his varied experiences and see that they do not commit the same mistakes that he himself had committed. He must be a ready reckoner to his juniors, almost a walking encyclopaedia, must be up-to-date with all the information of the laws and by-laws of our constitution and the interpretation of the same. He must be in touch with the modern trends in the presentation of accounts and all current thoughts on these subjects.

A junior auditor need not feel shy of his inexperiences and ignorance. He could freely converse with a senior and do all the work most cheerfully and willingly entrusted by the senior.

An auditor must be in constant touch with the co-members and also the new entrants to the profession. He must feel it his duty to deliver a series of lectures to the members and the students on the ethics of our profession. He should impress upon them the dignity and the prestige of our profession and that there should be no canvassing or undercutting. Advertisement in any form or of any kind should be strictly forbidden. The field is so vast that there is work for every member who is honest, trustworthy and painstaking.

The Institute is our *Alma Mater* and hence, the auditor should have a sense of duty towards it and zealously guard its interests. The first and the foremost aim should be to live in strict conformance with the rules and regulations and maintain the discipline himself. He should take interest in the various activities of the Institute and set apart some time for the work of the Institute. He should go through the curriculum and suggest all possible improvements. He should study the Act and the Regulations and see that our rights and privileges are properly safeguarded.

An Auditor with his Clients: It is here that the significance of our motto comes in. Sri Ramakrishna says, 'No thief can enter the house when the master is awake'. The auditor is always alert. Sir Harold Howitt in one of his lectures on "Training for Accountancy" says that the qualites required for a professional auditor are "integrity, ability, hard work, tact, common sense, balanced judgment, clear reasoning together with ability to be concise and lucid both orally and in writing." He should carry out his work in a most dispassionate manner and if there is anything to report, he should say it without fear or favour. He must be skilled in his work and should have a thorough grasp of the subject.

A knowledge of the psychology of human nature is most essential. He must help to slove their difficulties. He must not frighten them away with his destructive criticism. He must infuse confidence in them so that the clients themselves disclose all the material facts. It is here that he requires lot of tact and diplomacy. The criticism should be so very constructive as to make the client feel that the concern has been benefited by the auditor.

As an auditor to a joint-stock company his duties and functions are defined in the Companies Act. In preparing the final accounts and drafting the accounts statements, the auditor has to direct his clients to disclose the correct position for the period covered, and that the fixed, floating and nominal assets are represented at their proper value. If there is any heavy secret reserve created either by undervaluation of assets or overstatement of liabilities, such facts should be disclosed. The profits available for distribution of dividends must be indicated by taking away from the profit and loss account surplus resulting from unrealised capital appreciation. Any unusual or non-recurring sources of income must be indicated in the profit and loss account under separate heads so that the real business profits will be disclosed at their proper figures…

Though an auditor is a trustee of the shareholders, he has got equal obligations, moral and ethical, to some extent though not strictly legal to the creditors, debenture-holders, etc. The interest of the creditors, particularly loan creditors, must be safeguarded. The terms of the loan must be strictly adhered to, and as far as possible the liabilities should be properly, clearly and correctly disclosed.

An auditor should be a good report writer also. He should have good command over the language. A well-conducted investigation audit may sometimes lose its significance without a proper report accompanying it. The points to be reported should be clearly expressed and in good language. "Give unto Caesar what is due to Caesar and give unto God what is due to God" should be his frame of mind. He should distinguish between his report to the directors and that of the shareholders. He has peculiarly an enviable position in that he is supremely independent. In giving out his report boldly and fearlessly, he may lose some audits; but it should not matter. He must put duty before self and in the long run it will pay him to be truthful.

Though an auditor has no contractual obligations with any department of Government, the accounts prepared by him must be relied upon by them so that the Government may make necessary adjustments to arrive at the figures they want. If the auditor undertakes a work in relation to the taxation authorities or any other department of Government, the role of the auditor is expanded and he will be obliged to observe all the rules and regulations framed by the department concerned and prepare the accounts accordingly. If there are any controversial points, the facts must be represented clearly and the reasons underlying the decisions taken by the auditor may be given. Under no circumstances should any item be suppressed to be found out by the departments under their scrutiny.

An Auditor with the Public: The status of an auditor has been increasing by leaps and bounds and the public have always looked upon an auditor with high esteem and regard. An auditor has to be a public servant and a trustee of the people. The Chief Minister of Madras, while inaugurating the First Annual General Meeting of the Chartered Accountants of the Region, said, "Good and correct accountancy was essential to the administration of public or private affairs. You hold certainly a very responsible position in society. You can make or mar the fortunes of traders and other business men. The ethics of your profession are well known. You are the agents of the nation and not of the firm that employs you. You must be just, upright and fearless. At the same time you should be humane. Your examination should be thorough and you must come to conclusions only after such an examination. You must be men of good conduct. You should not be persuaded to do things by others; but you must be independent. You should not be harsh and take pleasure in giving pain and distress to others. All the time you must be attached to *dharma*. You must be upright and have a love for uprightness."

The public expect an auditor to be above board. He is closer to the industrial and commercial world in his profession than any other. He has an admirable opportunity to assess and pronounce upon the various problems which perplex the business world and any such pronouncement by him will be accepted by the people as a balanced one, because it would be based not only on experience but on complete independence. The vast growth in industrial organisation, the expansion of the affairs of State and the keen competition of the modern world demand men of financial skill, integrity and sound business training.

An auditor should not confine himself to his profession alone. He should come out to do public service. When called upon by the state or public bodies to serve on the various committees, to give expert evidence, to advise on problems affecting industry, commerce and finance, to conduct investigations and similar other public work, he should accept them with a feeling of gratitude that such opportunities have been given him to be useful and serviceable. Even though the services may be honorary, he should sacrifice for the sake of public cause. ■

SOME PROBLEMS FACING A PRACTISING ACCOUNTANT

During the course of his professional career, every chartered accountant meets with many problems. Some of these problems are satisfactorily solved either by his unaided efforts or with help and advice from others. These excerpts have been taken from Shri R. Venkatesan's speech given at the First Conference of Chartered Accountants of India under the session called "Role of an Accountant" in Delhi in April 1954. In this write up, the author has suggested that the Chartered Accountants should not forget or give up the ideals and standards to be obtained by the profession while facing these problems.

R. VENKATESAN, B.A., G.D.A., F.C.A.

During the course of his professional career, every chartered accountant meets with many problems. Some of these problems are satisfactorily solved either by his unaided efforts or with help and advice from others. There are, however, certain practical or personal problems which cause much doubt and distress in his mind. He feels he is taking up much responsibility and even all the clients' worries, just because he gets a fee. He is liable to be hauled up in court to answer charges of abetting others who have committed misconduct or misfeasance. To what extent can he defend himself on some out-of-date legal decisions that he is not an insurer, he is not a bloodhound, but only a watchdog, that he was not in the knowledge of day-to-day affairs of the company, that he relied on internal check, etc.? The average man in the street will not accept such excuses. He relied upon the auditor to protect his interests. As soon as a fraud is reported in a company, the shareholder asks: How is it that auditors had not found it out earlier? Even if he is told that auditros come only at the end of the year to check the accounts, he wishes to know why a concurrent audit was not done. The accounts of a company have been checked by the practitioner for several years and it is found that the cashier or other member of the staff not only has been misappropriating moneys during the period immediately preceding the discovery of the fraud but has been writing incorrect accounts for several months or for a number of years. The auditor has to admit that if he had verified the accounts with suspicion, he could have found out the fraud. He trusted the senior members of the staff of the client as they had been friendly to him, ready to supply him with information, and they did not appear to him as persons who would plan frauds. The shareholder, however, wants the auditor to be punished along with the directors.

In the profession, to make more money, you have to work harder: more clients mean more worry, unlike in commerce business, where it is possible to have large bulk sales and make substantial profits When a business is established and a product is advertised, it takes care of itself and sales get increased. Even successful practitioners feel that they would have been more successful in business. There are many who would gladly exchange the professional status for a commercial or government job fetching an equal remuneration. The practising acountant sees others who entered business as acountants and then became directors of those companies or otherwise in control of those companies often with little or no capital of their own but having others' money for use. In a contract of employment there is provident fund saved up and besides the monthly salary the senior employee or director is provided with a house to live in or a house allowance, servants, a car for his use and other amenities. Even his income-tax is often borne by the business itself. Some may say there are ups and downs in business but then the profession is allied to business and there are corresponding ups and downs in the profession also. It may also be said that there is more knowledge gained by being in practice than being an employee. This is not often correct. Surely an employee of a lagre organisation gets more experience than a practitioner with a few small clients. It takes many years for a beginner in practice to establish his profession and earn enough to maintain himself and his family, leave alone savings for the future. The need for audit and professional advice is certainly being felt more and more, not only in large business houses but by proprietary and small concerns; yet it is felt that the profession is getting over-crowded, as many new entrants are coming each year. The practising accountant is also affected owing to the policy of the Government. As a result of nationalisation of certain industries, the auditor loses practice, as the audits of such industries are taken over by the Local Fund Department. In some States, Government auditors have taken over the checking of charitable trusts, schools and co-operative societies, which were the mainstay of certain auditors.

It is all very well to say that an auditor must be fearless and report on all irregularities, but which auditor does not make a compromise of such principles, unless grave issues are involved. Even in daily life we wink at so many unlawful activities and irregularities either because they are petty or because we do not wish to involve ourselves in complicated situations. To what extent should an auditor oblige his clients? Can we take it as a rule that in small matters we should not quarrel over clients' or directors' improper acts, but then where is the line to be put? Will the non-disclosure of an extra remuneration to the Managing Director of ₹5,000 in a business of ₹5 lakh capital be termed dishonest? Conflict often arises between the auditor's real duty and what he is obliged to do under influence. It is well known that the auditor owes his appointment to directors mainly, though shareholders approve the appointment to directors in a meeting. Which company is there where no favours are shown to individuals known to directors? Is it always the lowest tender that is accepted for purchase? Is it not that friends are given the contracts and selling agencies? Is it the auditor's duty to report on such matters where part of the profits of the company is diverted to the promoters or directors or their friends? Again it is often found that directors holding salaried positions in a company vote for themselves additional allowances for entertainment, conveyance, house rent, etc. After all, most shareholders only want 4 per cent to 6 per cent per annum on their investment in the company and do not care to attend the annual general meetings. Even if the chartered accountant takes up the shareholders' cause or the public cause, there will not be much appreciation, but, on the other hand, he loses the job as the directors' nominess are able to carry the day in the annual general meetings, which are usually held in out-of-the-way places along with a meeting of the directors so that expenses may be paid to directors who alone attend the meetings.

While preparing an audit report, how often we find that auditors strain much effort to write a non-commital report or try to pass on hints rather than openly criticise. The principle seems to be neither too much infromation nor complete non-disclosure.

While verifying the accounts of a client, the auditor finds that there are some matters on which he should make comments, but if he qualifies the report usually given at the end of the balance sheet, it may attract more attention than was meant and may even lead to ruining the business. He, therefore, does not qualify the certificate, but sents a separate report to the directors of the company who, however, are not obliged to read it at the shareholders' meeting, The auditor is, therefore, in a dilemma as to whether the discovery of certain items of mismanagement is of such a serious naturer that he should modify his certificate.

In very many cases the auditor is left to himself with the books and records and he has to find out all the facts himself as the client will not give out all the details necessary; in fact, some of the clients are not frank or straightforward. Practitioners are also familiar with the complaint from the Income Tax Department that in spite of the supposed exhaustive checks by the auditors, they are not able to find excessive and unauthorised expenditure not really incurred by the clients but found in the books.

There is, of course, the other problem that where the chartered accountant knew of any false expenditure shown in the accounts with a view to reducing the income-tax burden, what should be his attitude? Such over-statement of expenses may be told him by the client or he comes to know of it by himself. A client would have been for many years honest in dealings, but he might have now been advised by someone else to exaggerate his expenses. If the auditor asks the client, there will be only one asnwer, that is, the client will beg of the auditor to be in his confidence. Would it be proper at this stage not to ask your client many questions and satisfy yourself that you are not a party to overstatement of expenses? Or should you be conscientious and give up the client? Will that be enough? Is it also your duty to inform the Income Tax authorities? It is said that we should guide our clients in securing as low an assessment as is legitimately possible. It should not be evasion by suppression of facts which ought to be disclosed to the Income-tax Department. But what about carefully considered schemes of the taxpayer, the effect of which is to artificially reduce his liability? The Insurance Department, Income Tax and other departments of the Government also want the auditor to be a policeman. They actually require that the clients should be handed over for punishment, whenever they are found to be doing anti-national activities. Surely, an auditor cannot say that it is his duty to protect a client against all acts of the Government.

In the present context of capital *versus* labour, which side is the professional accountant to join? It is common knowledge that accounts can be completely different depending, on the view with which they are prepared. A capitalist would like to charge excess depreciation, so that a secret reserve can be made with a view to transfer of profits from one year to another. It is believed that small profits in published accounts will not attract labour who may otherwise claim large amounts by way of bonuses.

When certifying the accounts of a company, should it be borne in mind by the auditor that outside interests such as bankers and propective investors will be guided by his certificate? If the position of the business is better than what is shown in the balance-sheet can the auditor courageously certify the accounts as true and correct?

As it is impossible fully to verify all the entries in the books of large business, the auditor has to confine his verification to a test check of certain books and records. What is the limit of such test checks? How much is the routine checking to be done? Legally can he protect himself that a test check alone was sufficient in the circumstances? Will it be in order for him to scrutinise the agreed balance-sheet and straightaway proceed to vouch the assets and liabilities? Can he just see the basis of valuation of assets and look up important points here and there than do regular routine work?

When there are two or more joint auditors for a company, how is the responsibility to be divided? Each auditor may have his own views or a particular comment to be reported, and it would certainly be a problem, if instead of all the auditors agreeing on the issue, one of them sided with the management against the other auditors.

The chartered accountant having a large clientele has his own problems. If it is a firm with a number of partners and qualified assistants and numerous clerks and articled clerks, the personal touch between the cleints and the senior partners is lost, and there is a considerable amount of work which cannot be attended to by the partners them-selves. Too much reliance has, therefore, to be placed on assistants or on unqualified clerks. The problem then is to find and keep honest, intelligent and reliable staff. What part of the work is then to be done by the partners? When something goes wrong, should the auditor be punished for the carelessness of his assistants?

A problem with a small practitioner is that as he cannot refuse to take untallied books for checking, he has to verify them fully to find out where the difference lies and his experience will be limited. In complicated tax problem, etc., he will need guidance...

The practitioner is sometimes confronted with the question whether he should specialise in a particular line of work, such as income-tax, costing, investigations, liquidations, etc, or whether he should do whatever job comes to him...

There are instances where the management put certian enteries in the books, and when questioned by the auditor, they produce legal opinion to prove that such entries are in order. The chartered accountent is not satisfied that it is in the interests of shareholders, but is presuaded to accept them and is told that though such entries are incorrect, they are not illegal...

It is not quite clear as to the exact scope of work to be done by an auditor in regard to stock-in-trade. Some years ago, there was a legal decision that an auditor need not take stock, but it is becoming increasingly realised now that under present conditions this decision cannot be taken at its face value. A test check at least should be done. The valuation by a managing director alone is not enough. The profits of the company depend on such valuation and surely the auditor cannot certify the accounts without verifying that the stocks have been valued correctly. He is not an expert and does not know more about the goods than those in charge of the business, yet he has to see that a consistent method is adopted from year to year.

Various items comprising stock have been purchased at different intervals and when stock statements are prepared, the problem arises as to which of the cost prices at which the goods were purchased should be taken for calculation purposes. Are we to adopt the "first in, first out" method, or the "last in, first out" method? Or, should average prices be taken?

What is meant when it is said that the basis of valuation of stock should be lower of cost or market value? Is this rule to apply to each item in the stock sheet, so that some items may be at cost, while others at market values? Or does it mean that for all items cost price and market value should be taken and then the lower of the two values is to be taken...

Occasionally an auditor is called upon to value the goodwill of a business. This is often a complicated affair and no definite answer can be given. Some would take only super profits for calculation, while others would take into account the entire profits of the concern for capitalising and deduct therefrom the assets of the business. Again, what is the rate percentage to be adopted? And how many years' purchase should form part of the goodwill value?

Is it part of an auditor's duty to see that the directors and officers of a company have complied with all the provisions of company law? If they have not filed the return of mortgages, or if the share money has not been deposited in a scheduled bank as required by the Companies Act, is it the duty of the auditor to point this out? It may be said that the auditor has to confine himself with verifying accounts and not supervising work done or to be done by the management.

To what extent can an auditor rely on returns from branches? In large concerns or banks, it is certainly not possible for the auditor to check the account of all the branches. But then, is it in order to verify the cash and investments at head office, leaving out a large volume of such items in the branches? In some concerns the branch statements are audited by chartered accountants, but it is still the practice for most professional men to sign balance sheet relying on statements signed by the agents of the branches who are part of the management.

A problem that arises in company audits is the question whether the balance – sheet is to be signed first by the dirctors or by the auditors. The directors often say that they are not experts in accounts and that they rely on the auditor's signature on the statement before signing it the mselves. The auditor can state that he is not responsible for the reliabilty of the staff and that the directors should first sign it. Similary, while checking vouchers, the auditor relies on a responsible official's singnature or initials on the voucher, but does this preclude him from going into the merits of the expenditure shown on each voucher? He is told that he should not doubt the item as the managing director has initialled it and takes responsiblity.

A problem that is allied to the above is to ascertain which of the unusual expenditure in accounts requires directors' minutes and which requires shareholders' minutes. It may be easily said that all administrative matters should be dealt with by the directors. Payment of high salaries or commission to the management and unusual heavy writing off of assets and undervaluation of stocks are also passed by the directors.

By mentioning the above problems facing a practising accountant, I do not suggest that a chartered accountant should foreget or give up the ideals and standards to be obtained by the profession. It is ncessary that the auditor should maintain his independence. It is not only from the information supplied to him that he certifies the account but it should be from his own experience of similar business. ■

ROLE OF AN ACCOUNTANT AND AUDITOR IN NATIONAL ECONOMY

Following is a reproduction of the excerpts of the speech delivered by first Comptroller & Auditor-General of Independent India (1948-54) Shri V. Narahari Rao at the First Conference of Chartered Accountants of India, in the afternoon session on 5th April 1954. While introducing Shri Rao to the august gathering at the Conference, the-then ICAI President Shri S. B. L. Vaish had said: (Shri Rao) *is…the greatest architect and authority as far as auditing is concerned in this country. He has obliged us on many an occasion in the past with his valuable advice and guidance in the matter of discharge of our duties as professional accountants*. **Shri Rao delivers a very illuminating and interesting talk on a difficult topic of the role of an accountant and auditor in economy. Read on:**

Mr. President and friends, I thank all of you for giving me this opportunity of meeting you today. I had no notice and I do not know on what subject I am to speak to you. I have no particular subject to talk to you about. When I was invited to come and spend some time with you and talk to you, I had great hesitation and I said I did not know what you wanted me talk about. I was told, "Anyhow, please come along." And so, I did not like to deny myself the pleasure of being with you. Gentlemen, I cannot say anything about my profession because I do not think I have a profession at all either of an accountant or of an auditor. I do not know whether I am an accountant or an auditor although I am believed to be functioning as both, not too badly.

As you may know, the Government auditor in other countries is not a highly technical man, in fact, not such a technical man as in India. In India, we find a great deal of trouble to produce what we call an accountant or an auditor or both. We have our difficulties and our defects. I do not think the Indian Audit Department had a more fierce critic than myself. I have not been sparing the Government or the Government officials and, of course, I regard my own department and its methods as also liable to criticism. The only thing is I do not publicly criticise my own people. It is not necessary. I do not think that anything is perfect in this world and we do not claim perfection but we do our bit. The Audit Department in this country has a history of over 100 years, I mean audit and accounts…

I do not know if many of you are interested in how the Government accounts are kept. The Government system of auditing has also come in for a certain amount of criticism not because it is basically wrong but because the times have changed and under a system of departmental control it is necessary to have this completely separated in order that it may introduce what is called "the external control". Those are very intricate matters. All the same, I recommend to you study of a book called *"An Introduction to Indian Government Accounts & Audit[1],"* because I think it is desirable that

Shri V. Narahari Rao

(The author was first Comptroller & Auditor-General of Independent India (1948-54))

[1] *Originally written by Sir Frederic Gauntlett*

you should know something about it since I hope it will be possible in due course for you to be associated with Government Accounts and Audit when the Government increases its commercial activity and establishes industrial concerns, factories and things like that with State finances. For the accounting of the transactions of factories and things of that sort, it is very desirable or it may be found necessary by my successor to utilise a number of persons trained in your profession, trained in your way rather than our way. But then, of course, you will have to learn many things relating to my way also, namely, to discharge your duties without fear or favour and even to go behind the Directors' Minutes. You don't ordinarily do this now and don't think I am blaming you for that. I have said I have not come to teach you anything because I am not an accountant or an auditor in the commercial sense, but still I claim I have a system of accounting and auditing that is good enough. But the thing is you have to know something about our side of the business when you come over. It won't do for you when you go to audit any of the factories of the State which is spending 15 to 20 crore of rupees a year, and content yourself with seeing the sanction of the Directors, for example, to the purchase of 20 trucks at a cost of X Rs. No, you have got to see deeper, go behind that and see how they should have been purchased, should satisfy yourself that the lorries and the trucks were purchased new and at the lowest price possible, you should see that they have been inspected and checked by competent people to ascertain that no old ones were painted and presented as new. There have been instances of old vehicles being painted and sold as new. Such questions would arise and you may have to go into them. I personally feel that that time would come and I hope it will come soon. You have in this country, so far as the chartered accountant's profession is concerned, more or less the British pattern and, therefore, I take it, that you do not go behind the Directors' Minutes and demand answers to your searching questions. We do it and we don't spare anybody. In the same way I wish that you should have the power to know and ask for something behind the papers, behind the Directors' sanction so that you may do your job with all the materials before you. I do not see why even in the case of companies you should not be in a position to go and say, "Well, these bad things have been done". Notwithstanding the fact that you have been appointed by the shareholders we all know that, after all, the Managing Director has a very big hand in the affairs of the Company and it is impossible to go against him. It is assuming a lot of human nature to expect the commercial auditor or the accountant to be very strict. You have a very difficult task to perform. Your task is, in this respect, more difficult than that of the Government Auditor because the Government Auditor is quite safe – at least as long as he does his job to my satisfaction. He may at times go wrong. After all, we are dealing with some 20 thousand crore of rupees and there are a few jokes against my men and those jokes are for after-dinner speeches between ourselves, while talking exclusively to ourselves. But we don't bother about that. The real trouble about the private audit is that you are not in a position to probe deeply enough and it is in the national interest that you should be in a position to do so and it is necessary, therefore, to devise some means which can ensure that independence first. You say that something has been done by establishing a Council under the Chartered Accountants Act and the gentlemen of the Council are in a position to punish anybody who has misused his position and so on. Yes they are in a position to punish, but are they in a position to secure that the poor man will not lose his job if he does his work fearlessly? (Cheers). Are they in a position to ensure that the man who prospers in the profession is not the man who breaks all the codes of ethics and all the rules and encourages black-marketing? Sincerely that is the point I would like you, gentlemen, to consider because that is very important. Otherwise, you will see that in the profession, with all the Council that you have and all the paraphernalia, there is much sorrow, many tears behind, and that should be avoided. I am saying all this because this has been the subject to which I have been giving thought for some time…

I am not boasting here about the little good that we did, but what I do want to point out is the state of mind of the men in the profession and what you can do to help to remove their apprehensions and their insecurity. I do not know whether it is proper for you to do some loud thinking here, but I have done a certain amount of thinking and I propose to you to do some loud thinking. My only desire is that this Council and the gentlemen of your profession may consider how to do it. As I told you, gentlemen, the independent spirit with which the members of my department function is largely due to the security they have and they cannot be bullied to do something wrong by the higher-ups, however high they may be. They may be dealing with high Government officials, may be even a Minister.

I do not know whether it will be possible in the case of the Chartered Accountants to have some system by which they could be treated as a service. Of course, they want independence, but all the same there may be some kind of service, of some kind of a register and it should be possible to devise a scheme of remuneration on a secure basis. Quite a lot of work has to be done. You may have a Board which will be the ultimate authority. Normally, all this might appear very strange. It might appear as if I was striking a blow at the very independence of the profession. It is not so, because I can tell you that in our own country up to 1919 the Auditor General of India did not enjoy a statutory position. That is, his office did not find any mention in the Constitution of India. Till then he was appointed by the Governors General. Perhaps the approval of the Secretary of State was taken, I am not sure. It was only from 1919 onwards that his office found mention in the Government of India Act saying that there shall be an Auditor General. Thereafter he was appointed by the Secretary of State and he made his report to the Secretary of State. He could not be removed from office and then all the safeguards were introduced one by one as in the case of the British Auditor General whose position is that he is not a servant of the Government but has a special relation to Parliament. The position of the Comptroller and Auditor General in India is the same. At one time all the superior posts, promotions and other matters were controlled by the Government of India. The result was that most of the officers regarded themselves as Government servants and they were probably nervous at times to criticise any proposal from the Government. They looked upon the whole thing with some tremor. All that has gone now and the entire control vests in the Comptroller and Auditor General, who is a high statutory authority. At one time even some officers thought that all this was a retrograde measure and that their independence would be lost, but it is only now they realize that they have got true independence because they are responsible to an authority which is independent of the Government. What you should devise in your case is that you should be responsible to an authority and that you are appointed by, and responsible for your work to that authority. Of course, you must do your work without fear and if there is anything wrong, there must be that appellate authority – it may be the Board- but it must be a statutory authority. That authority will determine the remuneration. I hope I have not offended anybody here by throwing out this suggestion but my entire object is to secure the independence and integrity for the profession. That is one way of doing that. This is very near to my heart. Otherwise, may an honest man may go under in the course of his career…

I am not suggesting that the Comptroller and Auditor General – myself or my successor – should take over the extremely difficult task of handling a large number of private accountants and auditors. You can organise yourself and vest the control in a small body of Registered Accountants or a group whatever it is called by statute. And it may be necessary to have a highly paid, what shall we call him, Controller – General plus a separate Auditor General Auditor-in-Chief for commercial undertakings – something of that sort. I have given you the suggestion for your consideration.

There is one important thing. Accounting is becoming more and more intricate with the advance of modern techniques in industry. After all, accounts follow facts. They must, therefore, go with the transactions, and an accountant must have a very good inkling – a very comprehensive idea, more than an inkling- of what he is accounting and what he is looking into. It is no use his having knowledge of one side of the things; it is no use his knowing only Stores Accounts or his knowing only how to maintain cash books or how to keep Receipt and Issue Registers and so on. He must know something of everything if it is a big thing…

We in India are resourceful enough. But the main thing that is required is a high standard of intelligence, originality, initiative and all those qualities necessary for devising a form of accounts which will be suitable for each particular kind of business…

Therefore, gentlemen, accounting is not a static profession. It is very necessary that you should have a Research Section or a Study Group and it is necessary also to devise a system of sending our bright young men abroad to countries like England, Germany, France, etc. to study the various types of manufactures and the kinds of accounts they maintain. I think our young men will learn these things very quickly, because we Indians have a very great flair for accounting and I think we can learn all those things very easily. But it is necessary to keep an open mind and be ready always to build up the system of accounts. I venture to state here that there are certain aspects of commercial accounting which need a very close study.

Well, the role of an accountant in modern India, which is fast industrialising, is very great indeed. As I said a little while ago, gentlemen, an accountant has to follow the various technical processes in terms of figures. He has to know a great deal in each sphere of activity. He has to be Jack of all trades. He has got to know something of everything. So this makes him very intelligent. In my humble opinion that is what I have found. So far as the members of my own department are concerned, I have found them invariably doing a good job in every field to which they have been sent. And I have been told by my counterparts in other countries that it is the same case with them, too. You can be captains of industries; you can be big economists, and there is no field, which is not open to an intelligent accountant and auditor. Therefore, I think there is a very great future for this profession. ■

SPEECH AT THIRD ANNUAL MEETING OF THE COUNCIL OF ICAI

This speech was delivered by the first President of The Institute of Chartered Accountants of India, Shri Gopaldas Padamsey Kapadia, at the third Annual Meeting of its Council on August 13, 1952, in New Delhi. He was unanimously requested to lead the Council of Institute for three successive terms. In a common man's language, he expresses his views about the Institute and the profession. A true visionary and a prolific writer on issues related to the accountancy profession, he always shared his vision about the profession with his accounting fraternity with all humility, through his writings and speeches. Read on.

Shri G. P. Kapadia

(He was the first member, i.e. Membership No. 1, and the Founder-President of the Institute.)

On behalf of the Council of the Institute and the profession of accountancy I extend to you[1], sir, a most hearty welcome this morning. I vividly remember my first meeting with you. I have the pleasantest memories thereof and the detailed discussion which took place is still fresh in my mind although a long time has elapsed since I first met you. This interview established complete understanding between the profession of accountancy and the official counterpart thereof which keeps a watch on the financial administration of the State. It would be impudence on my part to make a mention of or to narrate the achievements of a high personage like your good self but I cannot retrain from making a mention of the fact that your cardinal policy has been for the maintenance of the highest standards of financial integrity of administration at all levels and this has been enforced by you without fear or favour and with the utmost impartiality. We have in our own way acquitted ourselves of the responsibility put on our shoulders. In this connection I am tempted to make a reference to my observations at the last annual meeting about the exercise of the disciplinary jurisdiction by the Council of the Institute. I referred to the loose talk about the

[1] *Referring to Shri V. Narhari Rao, first Comptroller and Auditor-General of independent India, who inaugurated the third Annual Meeting (otherwise eighth meeting) of the Council as its Chief Guest.*

moral standards of the profession. I stated that the Council's attitude would be of a stout opposition to frivolous complaints and that it had been and it would be the policy of the Council to maintain the highest possible standards with regard to professional conduct of the member of the Institute and that the Council would not hesitate to take the strictest possible action for the maintenance of these standards if it found that the members of the profession have misbehaved. I also stated that those critics should wait for a while and watch the decisive action of the Council. The Council and its Disciplinary Committee have by now proved beyond the shadow of doubt that they are concerned with the maintenance of the highest standard of professional integrity and the disciplinary action taken has been taken without fear or favour but with the utmost impartiality. It is, therefore, but natural that you, sir, made a reference in the very fine message to our journal *The Chartered Accountant*[2] that you have a natural sympathy and affinity with the profession of Chartered Accountants and the Institute.

I should also recollect the discussion between us as regards the nationalisation of certain industries and the State participation in big undertakings. If in course of time this natural tendency is allowed to develop further and the whole sphere as to the conduct of audit of such undertakings or of industrial enterprises is divested from the normal channel of the practising members of the profession, it would indeed create an unhappy situation. It is rather with the fusion of your well–organised department and the profession of accountancy that satisfactory results could be had. I am sure that with you as the head of this independent machinery which keeps a watch over the State finance, a situation will not develop whereby the profession of accountancy will have any fear as to the normal channels of its pursuits being taken away from it. The profession can be more helpful to your Department in many ways. I am glad to note and state, sir, that as a result of the policy now laid down by you, more and more assistance is taken of Chartered Accountants. I also look forward to the day when it well be found possible to have Chartered Accountants recruited to higher posts so that they occupy in course of time key positions. A Chartered Accountant moulded with the administrative experience of your Department will be a real asset to the country. He can give his contribution and introduce the professional men's touch which to my mind is very essential for a practical approach.

Your message to *The Chartered Accountant* makes a mention of the fact that Chartered Accountants in their role as Auditors are expected to discharge their duty with the highest sense of rectitude and integrity. You are only too aware of the fact that 'watch dogs' may not be liked by certain types of people and it is this dislike and the resentment towards the professional people possessing a high sense of duty and integrity which have prompted the Company Law Committee to suggest radical changes so that the position of the profession stands further strengthened. The Committee in its Report states that the two basic qualifications of auditors needed for the purposes of the company law are (a) that they should be professionally competent, and (b) that in the performance of their duties, they should show integrity and independence of judgment. No law, however well designed can ensure these qualities. For, technical competence depends upon training and experience, while the moral calibre of men depends on the traditions of their business, service or profession, and their mental attitude towards such traditions. The Chartered Accountants Act provides for the attainment of necessary training and experience and with regard to the moral calibre, the Council has already treated the first three years for the creation and promotion of proper traditions for the profession There could be only one expectation as to the mental attitude of the members of the Institute towards the traditions which have been created and that is the utmost respect and regard for the moral standards and the ethics of the profession.

You have also made a mention of the role which a Chartered Accountant has to play in the field of trade and commerce and private industry. You have rightly said that the Chartered Accountant plays a most important role in the interests of national life and economy. In the past this recognition was not available. This was possibly due to the fact that the attention of the public was not focused on the profession as it should have been. The Chartered Accountants during the last few years have so acquitted themselves

[2] *Journal of the Institute.*

that they have established for themselves a place in the commercial sphere. The profession is so linked up with commerce and industry that a detached consideration of each without the other cannot arise. As between the State and the public the profession can act as an impartial authority. The view of the profession will not have the business bias which may at times be found to exist in respect of certain legislations. At the same time the profession would not be touched by any particular type of approach made by the State if that approach does not appear to be fair to the subjects.

There is one more matter to which I should also make a reference today. My recent experience as a result of the visit to the United Kingdom and the Continent has confirmed the view that it is by absolute loyalty to your own Institute that the Institute can develop. It is fact that in spite of all efforts, the Public Accountants Bill in England did not make any progress and the accountancy institutes over there are determined to preserve their separate identity at all costs. Although there are one or two bodies which are not so zealous about this matter, the chartered bodies are very particular as to the preservation of their individuality. On the Continent also I found the same atmosphere and even where I found more than one Institute in existence, each one tried to protect it very carefully. In our country, on the other hand, we have the very happy situation of having only one body with a statutory sanction behind it. The Institute of Chartered Accountants of India is the only body of its type of an all-India character and its unique character has perhaps given an impetus for other attempts of that nature being made. The Institute with this unique character has completed its first three years of its existence and although I make the statement with all humility, I make it with the fullest confidence; the foundations of the Institute have been truly and very well laid. With this experience I cannot refrain from making a mention of the fact that it is only through loyalty to our very Institute that its members can achieve its objectives. The homage which has to be paid is a homage to The Institute of Chartered Accountants of India and to no other. There must be an absolute singleness of purpose in this behalf and with this objective only, i.e., for the preservation, maintenance and further strengthening of this very Institute that the profession's real progress can be achieved and the final goal reached.

A year back we had the good fortune of getting blessings from the Hon'ble Finance Minister for the Government of India and he also stated that the Institute has been put on sound footing. He also welcomed the full co-operation to Government in meeting its various demands. With regard to this question I must also quote the Hon'ble Minister of State for Finance, Shri Mahavir Tyagi, who has recently stated that "the members of the accountancy profession have always played an important part in the country's economic and industrial development." In his words "they have played even a more important role in the matter of co-operation and cordial relations with the Income-tax Department." We get further encouragement from his statement that he expects the members of the Institute to continue this healthy attitude and build for themselves and the Institute a tradition which will be the envy of other professions. We, Sir, are determined to proceed on the lines on which we have started and I do feel that the work which we have so far done and the ideals which we have kept always before our eyes have carried us a long way to the realisation of what the Hon'ble Minister of State has stated in his recent Message. With regard to this aspect of the matter as to co-operation, I give you my solemn assurance that my profession will extend to your Department the fullest cooperation which may be called for from time to time and I do expect encouragement at your hands. This encouragement will further strengthen the position of the profession and enable it to play its role in the economic structure of the country still better. In the words of the Vice-President[3], "the profession is, as it ought to be, concerned, not with ideologies of an abstract type but with figures in their naked form. Away from the public gaze, a Chartered Accountant occupies an important place in the economic and fiscal fields of the country". He is very right when he says that the Chartered Accountant occupies this place "away from the public gaze". The Chartered Accountant's work is work of a quiet nature. Studious and stupendous and in this quiet manner we shall go on marching forward and forward towards further progress. ■

[3] *Shri S. B. L. Vaish, the-then Vice-President of ICAI.*

Journey Down the Memory Lane Through Glorious Sixty Years of Western India Regional Council

The process of formation of the Regional Councils was initiated at the Council Meeting held on 24th and 25th February, 1951. Thereafter, a referendum was invited from the respective regions for the formation of the Regional Councils. Subsequently, the decision to form the Regional Councils was taken at the meeting of the Council held in August, 1951 and a notification to that effect was issued on 22nd September, 1951. The Western India Regional Council, which was formerly known as Region-1 covering Bombay Region was formed along with the other Regional Councils. Elections to the First Regional Councils was announced in November, 1951, which was scheduled to be held on 1st April, 1952. Following decentralisation of the regions in the year 1980, the membership strength of the Western Region as on 1-4-1981 was 8,662 which today (as on 1-6-2011) has crossed 59000 mark. As the WIRC celebrates Diamond Jubilee, we bring an account of the glorious journey of WIRC through sixty years of its existence.

The Formative Decade : 1951-1961

Shri Ambalal S Thakkar
First Chairman of WIRC of ICAI

The first meeting of the Regional Council of the erst while Bombay Region (now known as Western India Regional Council) was held on 4th October, 1952, wherein the following first office bearers were elected:

1) Shri Ambalal S Thakkar - Chairman
2) Shri P. G. Bhagwat - Vice Chairman
3) Shri R. P. Shah - Secretary
4) Shri A. V. Deshpande - Treasurer

Till the time the above office bearers took charge, the Regional Council was chaired by the illustrious member and first President Late Shri G. P. Kapadia. S/Shri B. N. Pardiwala, S. N. Desai and S. V. Ghatalia were the Vice Chairman, Secretary and Treasurer respectively during the interim period.

During this decade first three Regional Councils were formed, which saw some of the erstwhile doyens of the CA Profession being elected to the Regional Council at Bombay. Notable among them were Shri R. C. Cooper, Shri M. P. Chitale, Shri B. N. Pardiwala, Shri S. V. Ghatalia, Shri. N. M. Raiji and Shri V. B. Haribhakti.

Significant Achievements through the Formative Decade :-

- CA Students Society, Bombay was formed in February, 1953 which was emulated by other regions. This set the tone for formation of the formal student associations, across the regions, which was officially constituted on 1st April, 1957. The membership of the Society was made mandatory for any student entering articles or audit service on or after 1-4-1957.
- During the meeting of the Central Council held on 3rd April and 4th April, 1959, it was decided that the entire Editorial Board of the "Chartered Accountants Journal" shall consist of Council members from the Western Region.
- The desire of then members to have an inde-pendent premises of the Regional Council resulted in the appointment of the Building Committee at its meeting held on 11th June, 1955.
- During this formative decade, itself, the WIRC had set the precedence of organising various quality seminars, conference and workshops for the benefit of the members and students.

The Second Decade: 1962-1972

Significant Achievements through the Second Decade:-

- The seed which was planted during the formative decade of acquiring independent premises, saw it bearing fruit, with the Regional Council acquiring the office premises at Cuffe Parade, then known as "Beach Manor" during the year 1961-1962. This premises was inaugurated

2011 2012 DIAMOND JUBILEE YEAR

on 4th September, 1962 by the worthy hands of the then Chief Minister of Maharashtra Shri Y. B. Chavan and the same was christened as "Anveshak".

- The vision of the Regional Council members of the formative decade to spread the network of the Region, witnessed the formations of the first two Branches of Western Region, viz; at Ahmedabad and Pune. These two branches started functioning with effect from 1-4-1962.
- During this decade, the WIRC continued to engage in organising "focus driven" seminars, conference and other activities for the members and students.
- The First Western India Regional Conference was organised at Mumbai during the year 1968-1969. Seven hundred members participated in this conference, which was inaugurated by the leading industrialist late Shri Arvind Mafatlal.
- During this decade, WIRC started the process of making representations to various State Governments and other regulatory bodies in connection with matters of professional interest to the members within the Region.
- Representations made to Minister of Cooperation, Government of Gujarat for taking away the audit of Co-operative societies from the CAs. Similarly representations were made to the Registrar of Cooperative Societies to change the policy for empanelment of Chartered Accountants in Maharashtra.

The Third Decade : 1972-1982

Significant Achievements Through the Third Decade

- The first conference of Chartered Accountants in Mofussil Maharashtra was organised at Pune in 1972-1973, which was inaugurated by the then Minister of Finance, Maharashtra State, Shri M.D. Chaudhary.
- The year 1973 marked the beginning of the silver jubilee year of the Institute. A fellowship meeting was held at Taj Mahal Hotel to commemorate the same. This meeting was addressed by the former Chief Justice Shri Mohd. Hidayatullah.
- A Lady member Smt T.P. Tarapore, chaired the Western India Regional Council for the first time in its history during the year 1973.
- During the year the 1974-1975, the WIRC Newsletter came into existenance. During the first year the Newsletter carried an annual subscription of ₹5/-. The same was made available free of cost to the members following the permission from the Government.
- During the year 1976-1977 the first study circles of Mumbai city viz. Malad, Goregaon, Borivali, Mandvi and Vile Parle were formed.
- The construction work of the new building at Anveshak started at the beginning of this decade was ultimately completed during the year 1981-1982 and the occupation certificate was obtained for five floors.
- The seed was sown for setting up of CA Students Hostel by the end of this decade.
- The tail end of this decade also witnessed the setting up of the Decentralised Office at Mumbai.
- During this decade, too, WIRC relentlessly continued its coordinated efforts in organising standouts seminars, conference, and refresher courses across the region.

The fourth Decade : 1982-1992

Significant Achievements Through the Fourth Decade

- The first year of this decade saw the advent of Computer Education and hence various introductory courses in Computers were started on a continuous basis.
- The J.S. Lodha reading room and Library were made operational during the first year of this decade, too.
- The 100th issue of the WIRC Newsletter was published during 1983-1984.
- This decade witnessed the WIRC being adjudged as best region of the Institute for the first time in 1986-1987 and the same was repeated during the years 1988-1989 and 1989-1990.
- During the year 1986-1987, an unprecedented and highly successful workshop on tax reforms was organised by WIRC, which was inaugurated by the Former Prime Minister, Late Shri V.P. Singh, then, in his capacity as Union Finance Minister. This event was given front page pictorial coverage by all national economic dailies.
- A full fleged reference library was set up at Aykar Bhawan in the year 1987-1988.
- The J.S. Lodha Auditorium was inaugurated in the year 1989-1990.
- The foundation stone was laid for the CA Students Hostel, by Shri S K Dasgupta, then President of the Institute.

The Fifth Decade : 1992-2002

Significant Achievements Through the Fifth Decade :

- The Regional Conference organised during the year 1993 was inaugurated by the Hon'ble Prime Minister, Dr. Manmohan Singh, then, in his capacity as Union Finance Minister.
- Shri H.R. Bhardwaj, then Union Minister of Law, Justice and Company Affairs inaugurated the Company Law Refresher Course.
- This decade also witnessed mission statements being issued by the Chairmen at the beginning of the year, which enabled "focus driven" activities being organised during the decade.
- The first overseas Study Tour-cum-Residential Refresher Course was organised at Mauritius in the year 1994.
- The long cherished dream of CA Students Hostel was fulfilled during the year 1995. The hostel was inaugurated by the Deputy Chief Minister of Maharashtra Shri Gopinath Munde on 26th November, 1995.
- Campus Interview for newly qualified students was introduced during this decade
- During this decade the WIRC was adjudged the best region during the years 1993, 1995 and 1997, 2001 and 2002.
- During the year 2001, representations were made to Co-operative department, Maharashtra State and representations on Sales Tax Audit made to Government of Maharashtra and Government of Gujarat.
- During the tail end of this decade, i.e from the year 2002, the concept of organising "Sub-Regional Conferences" was introduced by WIRC. In fact, WIRC was first regional council to do so.

The Sixth Decade : 2003-till 31-3-2011

Significant Achievements Through the Sixth Decade :

- With the Continuing Professional Education (CPE) being made mandatory, it was required for all the Chartered Accountants to attend programmes to log in the necessary hours to complete the CPE requirement. Hence, at WIRC, the decade commenced with a flurry of events organised not only at J.S. Lodha auditorium, but also at various other locations.
- The need of the hour was to provide maximum opportunities to the members to attend CPE programmes. Hence in addition to the conventional seminars, new type of programmes like intensive study courses, refresher courses, modular courses in different formats were designed and structured. Unlike during the earlier decade, these programmes were organised even on week days during evening hours.
- Infrastructure initiatives also witnessed a tremendous spurt, during this decade not only in Mumbai, but across the region.
- The major path breaking initiative was the decision of the Central Council to purchase plot of land at most happening international financial hub, Bandra Kurla Complex in the year 2005. The new building of the Institute is in the advance stage of completion.
- Various IT initiative were also taken during this decade, the notable among them being revamping of the website of the WIRC to make it more "user friendly", the effective use of mail and SMS alerts for dissemination of programme information, organising various IT focused programmes like Information system audit, CAAT, ERP training, cyber crimes, XBRL etc. Not to be left out, hands on training on various computer application was also organised senior members.
- The ambit of the activities of the WIRC increased manifold during this decade ranging from organising CPE programmes, research pub-lications, representation to various government authorities, brand building, public relations, community service, partner in nation building.
- During this decade, WIRC and its branches also has undertaken various international initiatives by organising a number of international conferences, undertaking various international study tours to various countries.
- Representation to various government and other regulatory bodies on matters affecting the professions was made on a regular basis at various levels. As a result of these continuous efforts, in the end of the decade, the co-operative department in Maharashtra reposed confidence in WIRC to undertake the task of preparing of panel of auditors for Urban Co-operative banks and Urban Credit Societies as also partnering with the WIRC for organising training programmes for Urban Co-operative Banks.
- This decade also witnessed an enlargement of the Network of WIRC, with the increase in the number of branches up to 27 and also CPE study circles, study chapters and study groups being formed at various places. ■

Having Taken Accountancy Profession to Newer Heights, SIRC Enters Diamond Jubilee Year

The Southern India Regional Council of the Institute of Chartered Accountants of India (SIRC of ICAI), which came into existence on 1st April 1952, has entered its Diamond Jubilee year. Excelling in development of the accountancy profession and service to society in the region ever since its birth, the SIRC has achieved many a milestone in these 60 years. The Southern India Regional Council has the second highest number of branches with 34 Branches, 12 CPE Study Circles, 10 CPE Study Chapters and 6 CPE Study Groups in its fold. The membership of 457 in the year 1952 when the Regional Council was formed has risen to 39,517 members as on 1st May, 2011 and the number of students which was around 1,500 has risen manifold in the Southern Region, which comprises the states of Tamil Nadu, Andhra Pradesh, Karnataka, Kerala and Union Territory of Pondicherry. To mark this occasion of SIRC entering Diamond Jubilee year, following is the brief account of highly commendable journey of SIRC over last six decades.

Preamble:

The Institute of Chartered Accountants of India was formed by an Act of Parliament and came into existence on 1st July,1949. In April 1952, five Regional Councils were established at Bombay, Madras, Calcutta, Kanpur and Delhi.

The Southern India Regional Council of the Institute of Chartered Accountants of India (SIRC of ICAI) which came into existence on 1st April 1952 had Shri R.N. Rajam Iyer as the first Chairman of the Regional Council.

Shri R.N.Rajam Iyer
April-May 1952
First Chairman of SIRC of ICAI

Initially the Southern India Regional Council functioned at No. 334, Thambu Chetty Street, Chennai - 600 001 before moving into its own premises at the present place in Nungambakkam in the year 1962. It had the ground and first floor and the SIRC Office functioned in the first floor after letting out the ground floor to the Income-tax Department and the Company Law Board.

On 1st October, 1974, the functioning of the Institute was decentralised and the first level decentralisation took place at Chennai and members and students related enrolment and other related activities were carried out within the jurisdiction of the Southern Region. Since then, there has been creation of additional infrastructure facilities one after the other to cater to the ever increasing members' and students' strength.

On decentralisation of the functions of the Head Quarters Office, the Decentralised Office Sections and SIRC were functioning since 1974.

2011 2012
60
DIAMOND JUBILEE YEAR

The membership of 457 in the year 1952 when the Regional Council was formed has risen to 39,517 members as on 1st May 2011 and the number of students which was around 1,500 has risen in the Southern Region, which comprises the States of Tamil Nadu, Andhra Pradesh, Karnataka, Kerala and Union Territory of Pondicherry.

The Southern India Regional Council has the second highest number of branches with 34 Branches, 12 CPE Study Circles, 10 CPE Study Chapters and 6 CPE Study Groups into its fold.

Infrastructure Development and Milestones:

The premises of the Institute at Chennai has a total area of 21 grounds and 1981 sq. ft.

In order to cater to the needs of members and students, from October 1974, the ground floor of the main building was utilised for the ICAI activities and the offices of the Income Tax Department got shifted to their own premises.

In the year 1975, Building Project was launched and the Foundation Stone for the Research Block/ Silver Jubilee Building (subsequently renamed as P. Brahmayya Memorial Hall) was laid by the then President of the Institute Shri N. C. Krishnan on 17th January, 1975. The ground floor was inaugurated by the then Governor of Tamil Nadu His Excellency Shri K. K. Shah on 10th September, 1975. The first floor and the second floor in the existing building was constructed and inaugurated by Justice M. N. Chandurkar, then Chief Justice of the Madras High Court on 9th August, 1987 in the gracious presence of Shri R. Balakrishnan, the then President of the Institute. The reading hall in the second floor was refurbished and inaugurated by Shri R. Bupathy, then President of the Institute on 1st July, 2003.

Due to the ever increasing students' strength, new building construction was taken up and the new annexe building was constructed. The Foundation Stone for the multi storeyed building was laid by Shri. A. H. Dalal, Past President, ICAI in the gracious presence of Shri. K. M. Agarwal, then President, ICAI and Shri N. C. Sundararajan, then Vice President, ICAI on 3rd March, 1991. The Anantharamakrishnan Hall in the new annexe building was inauguration by Shri. A. Sivasailam, Chairman, Amalgamations Group in the gracious presence of Shri. N. C. Sundararajan then President, ICAI and Shri N. P. Sarda, the Vice President, ICAI on 7th January, 1993. The A. Dasaradhami Reddy Hall was inaugurated by Shri. N. P. Sarda, then President, ICAI on 8th February, 1993. The B. P. Jain Hall was inaugurated by Shri. Rahul Roy, then President, ICAI in the gracious presence of Shri. S. P. Chajjed, then Vice President, ICAI on 23rd April 1998. The Golden Jubilee Hall was inaugurated by Shri. G. Sitharaman, then President, ICAI in the gracious presence of Shri. N. D. Gupta, then Vice President, ICAI on 25th August, 2000.

Besides further improvements were made within the existing buildings which are -

- ✓ The EDP Centre names as Madras EDP Centre was inaugurated by Shri. K. M. Agarwal, then President, ICAI in the gracious presence of Shri. N. C. Sundararajan, then Vice President, ICAI on 15th October, 1990.
- ✓ The Students' Association Room in second floor new annexe building was inaugurated by Shri. G. Sitharaman, then Vice President, ICAI on 1st December 1999.
- ✓ The Proof of Concept Laboratory (POCL) was inaugurated by Shri Sunil Goyal, then President, ICAI on 17th December, 2004.
- ✓ The service centre "Canopy" was inaugurated by Shri. R. Bupathy, then President, ICAI on 31st January, 2004.
- ✓ The Data Centre was inaugurated by CA. R. Bupathy, then President, ICAI in July 2003.
- ✓ The Management Development Programme (MDP) Centre and Chennai Computer Centre in the third floor of new annexe building was inaugurated by Shri. T. N. Manoharan, then President, ICAI in the gracious presence of Shri. Sunil Talati, then Vice President, ICAI on 17th February 2006.

Important Events:

- ✓ The Silver Jubilee of the Institute was celebrated at Chennai which was inaugurated by the then Governor of Tamil Nadu Shri K. K. Shah on 1974.
- ✓ The 40th Year of Independence of India was celebrated at Chennai by the then Governor of Tamil Nadu Dr. P. C. Alexander on 1988.
- ✓ The Golden Jubilee Year of the Institute was celebrated and inaugurated by the then Honourable Chief Minister of Tamil Nadu Dr. Kalaignar M. Karunanidhi in the year 1998.
- ✓ The valediction of the Golden Jubilee Year was celebrated and inaugurated by the then Honourable Minister for Electricity Arcot N. Veeraswamy in the year 1999.
- ✓ The Golden Jubilee of the Southern India Regional Council was celebrated and Shri N. D. Gupta, then President, ICAI inaugurated on 5th April, 2001. Shri Ashok Chandak, then Vice-President, ICAI unveiled the Golden Jubilee of SIRC logo.
- ✓ The Diamond Jubilee of the Southern India Regional Council was celebrated and Shri S. Viji, Chairman, Sundaram Finance Limited and Managing Director, Brakes India Limited inaugurated. Shri G. Ramaswamy, President, ICAI unveiled the Diamond Jubilee of SIRC logo in the gracious presence of Shri Jaydeep N. Shah, Vice-President, ICAI.

Firsts in SIRC:

- ✓ The Southern India Regional Council was the FIRST to conduct coaching classes in last 50's at Thambu Chetty Street, Madras.

- ✓ The Southern Region was chosen FIRST to start the decentralisation of Institute activities in the year 1974.
- ✓ The Southern Region was the FIRST to commence the Pilot Course on Academy of Accounting and subsequently as a full-fledged Academy of Accounting for the students.
- ✓ SIRC was the FIRST to conduct the Chartered Accountants Day at Chennai on 1st July, 1973.
- ✓ SIRC was the FIRST to bring out the Newsletter on 1st July, 1975.
- ✓ SIRC brought out the Silver Jubilee Issue of the SIRC Newsletter on 1st July, 1999 when the Honourable President CA. G. Ramaswamy was then the Chairman of SIRC.
- ✓ The Southern Region was the FIRST to introduce the Computer Centre in mid 80's.
- ✓ SIRC has the distinction of having the largest number of professional gathering viz., at the 40th Regional Conference of Chartered Accountants held at Chennai in the year 2008 and RECORDED IN THE LIMCA BOOK OF RECORDS.
- ✓ The FIRST Women Chartered Accountant is from Chennai (Southern Region) – Ms. R. Sivabhogam.
- ✓ In all the Regional Councils, the SIRC is the FIRST region to have had a lady Chairperson – Ms. R. Sivabhogam occupied the position for three consecutive years viz., from 1955 –1958.
- ✓ The FIRST qualified Management Accountant is from Chennai (Southern Region)
- ✓ The FIRST recipient of the Students' Association was awarded to SICASA in the year it was instituted in the year 1999.

Awards:

- ✓ SIRC was adjudged the BEST REGIONAL COUNCIL during the years 1987, 1992, 1998, 1999, 2001 (jointly with WIRC) and 2008 (jointly with WIRC).
- ✓ The Southern India Chartered Accountants Students' Association was adjusted the Best Students Association during the years 1999, 2000, 2001 and 2007.

Dignitaries gracing the various occasions of SIRC Programmes:

- ✓ Honourable Mr. Pranab Mukherjee, Union Minister of Finance was the Chief Guest at the 42nd Regional Conference of SIRC of ICAI
- ✓ Honourable Dr.Y.S. Rajasekara Reddy, then Chief Minister of Andhra Pradesh was the Chief Guest at the 41st Regional Conference at Hyderabad.
- ✓ His Excellency the Governor of Tamil Nadu Mr. Surjit Singh Barnala was the Chief Guest at the 40th Regional Conference of SIRC of ICAI
- ✓ His Excellency the then Governor of Karnataka CA. Rameshwar Thakur, Past President of ICAI was the Chief Guest at the 39th Regional Conference of SIRC of ICAI
- ✓ Honourable Mr. N. Chandrababu Naidu, the then Chief Minister of Andhra Pradesh was the Chief Guest at the 36th Regional Conference of SIRC of ICAI
- ✓ Honourable Mr. Yashwant Sinha, then Union Minister of Finance was the Chief Guest at the 33rd Regional Conference of SIRC of ICAI.
- ✓ Honourable Mr. N. Chandrababu Naidu, the then Chief Minister of Andhra Pradesh was the Chief Guest at the 32nd Regional Conference of SIRC of ICAI
- ✓ Honourable CA. K. Rahman Khan, Deputy Chairman of Rajya Sabha was the Chief Guest in many of the programmes of SIRC of ICAI
- ✓ Honourable Mr. K. Kamaraj & Honourable Mr. M. Bhaktavatsalam the then Chief Ministers of Madras also graced programmes organised by SIRC of ICAI.

Many distinguished personalities from the position of Union Ministers, Governors, State Ministers, Chief Justice and Judges of High Courts and leading industrialists participated in many of the functions of SIRC during the last 60 years.

* - *The list is only illustrative*

Students' Association:

The Southern India Chartered Accountants Students' Association with headquarters at Chennai has its branches in all the 34 places where the branches of SIRC is functioning.

Coaching Classes:

The Coaching Classes being run by the Regional Council in Chennai and other places in Southern Region are highly acclaimed by the students and Chennai is considered as the Mecca for CA students.

ICAI Road:

It is to the credit of the Institute that the roads in which the Salem and Tuticorin Branches of SIRC of ICAI are situated are named as ICAI Road by the respective Corporations. ■

EIRC- A Heritage of Service that Thrives On

On 1st July, 2012, Eastern India Regional Council of the ICAI is destined to complete its 60th Year. In 1952, Eastern India Regional Council (EIRC) of ICAI saw the light of the day. The jurisdiction of EIRC spreads to the states of Assam, Tripura, Sikkim, Arunachal Pradesh, Meghalaya, Nagaland, Orissa, West Bengal, Manipur, Mizoram and the Union Territory of Andaman & Nicobar Islands. A series of programmes has been lined up to celebrate this great occasion. Throughout the entire Diamond Jubilee year, programmes would be organised on many economic, social and professional topics covering at the same time contemporary and emerging issues. The cherished dream of EIRC is to kindle the spark within – to bring members and students of ICAI closer – to make them not only good professionals but also good human beings. To mark this great occasion, presented herewith is the brief round-up of the remarkable journey and outstanding initiatives and achievements of EIRC.

It was 1st July, 1949. The Institute of Chartered Accountants of India (ICAI) came into being as a Statutory Body under the Chartered Accountants Act, 1949. The primary aim of the Institute was and still is the regulation of the Profession of Chartered Accountancy in India.

In 1952, Eastern India Regional Council (EIRC) of ICAI saw the light of the day. The jurisdiction of EIRC spreads to the states of Assam, Tripura, Sikkim, Arunachal Pradesh, Meghalaya, Nagaland, Orissa, West Bengal, Manipur, Mizoram and the Union Territory of Andaman and Nicobar Islands.

EIRC or for that matter any other Regional Council i.e. SIRC, CIRC, NIRC and WIRC acts under the directions of the Council to offer services for the quality upliftment of its members and students.

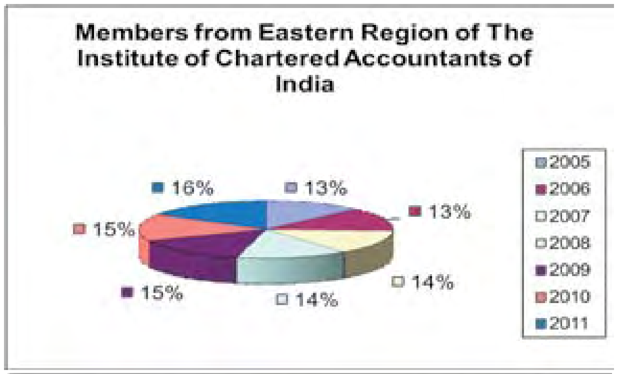
On 1st July, 2012, EIRC is destined to complete its 60th Year. Celebration of the completion of the Diamond Jubilee year would commence right from 1st July, 2011. To celebrate the beginning in a manner that would tell, EIRC has planned to organise a cultural programme on a grand scale. Apart from that, throughout the entire Diamond Jubilee year, Programmes would be held on many economic, social and professional topics covering at the same time contemporary and emerging issues.

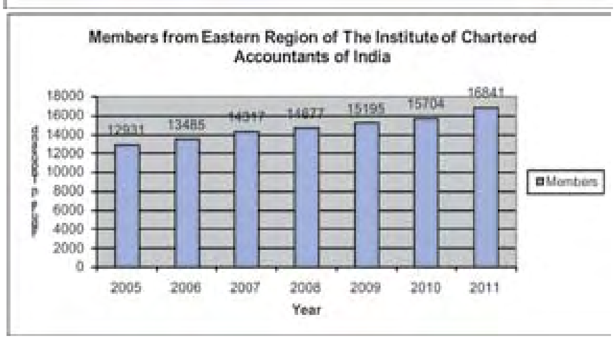
The cherished dream of EIRC is to kindle the spark within - to bring members and students of ICAI closer– to make them not only good professionals but also good human beings.

With the active cooperation of members and students this society would be a better place to live in. Its time to take stock of activities, performance and outcome and plan appropriately for the future.

Members and Students – Growing Strength

At present, the number of ICAI members from Eastern Region stands at 16,841 as on 1st April, 2011. Over the years there has been a rising trend. The accompanying graph would bring into sharp focus the growth trend. The number of students stand at 40,000





CPE Programmes – An Effort to Close the Knowledge Gap

EIRC believes that acquisition of knowledge is a continuous process and Chartered Accountants must be willing participants in this process in order to remain professionally viable and meaningful. With a view to help members updating their knowledge EIRC organises CPE programmes on professional topics which are at once varied and numerous. Able and effective speakers are invited from all places of the country.

Convocation – Day of Reckoning

Every six months Convocation of ICAI is organised in Kolkata with active support and cooperation of EIRC. It is an occasion when new members of the Institute get their membership certificates. Invariably dignitaries of ICAI – President, Vice President and Chairman of Board of Studies are present. It is the time to inculcate the sense of belonging among the newly enrolled members. It is the time when they are told that the Institute belongs to them and it is up to them to carry forward the high ideals of the Institute. Ever since the Convocations were introduced four years ago, around 1,500 members have got their Certificates in Kolkata.

GMCS Programmes – A Boon for Communication

Students of Chartered Accountancy Course, after appearing in Final CA exam or before that or even after passing CA Final, are required to undergo compulsorily 15 days training in General Management and Communication Skill, before becoming members of ICAI. The purpose is to make professionals – of today and tomorrow – more articulate in communicating professional issues. Since 2002, when the scheme was put in place by ICAI, EIRC has been organising such courses. In the last nine years 165 batches of approximately 50 students each have been completed. Faculties are drawn from CA Professionals and other subject experts, academics and the like. Concerted efforts by EIRC have resulted in bringing to the professional fields people with professional skill and communication zeal.

Orientation Programme – Catching Students Young

In 2009, ICAI introduced Orientation Programme with five days span for new entrants in CA Course. Students are required to undergo this course before starting Articleship. As usual, in Kolkata, Orientation programme has been organised with equal enthusiasm from Day 1 of its introduction. So far 127 batches have been completed.

Celebration of Important Days – A Pious Duty

Every year EIRC celebrates with full gusto the CA Day on 1st July. While in the morning, Institutes' flag is hoisted, students take part in elocution and quiz contest, as the day progresses. In the evening, erudite speakers are invited to take part in deliberations which aim at making CAs socially more accountable and professionally more acceptable. Apart from 1st July, EIRC hold programmes on Republic Day, 26th January, and Independence Day, 15th August. Such Programmes which are attended by members and students alike succeed in inculcating and cultivating the sense of patriotism in our minds – a sense without which any profession is bound to fail.

Interaction with Government Authorities - A Way to Sow Professional Input

Through representation and extension of invitation in different programmes to Ministers and Bureaucrats, EIRC keeps in touch with authorities that be. Such interaction helps in mutual understanding of government Policy on the one hand and professional needs on the other.

Games and Entertainment – Avoiding Being Dull

EIRC is alive to the English adage that ***"all work and no play make Jack a dull boy".*** In order to refresh body and mind of the students and professionals, EIRC organises every year games for students, Cricket Matches for members, Holi and Diwali get-togethers as also evenings for music and songs.

Holistic Approach – the EIRC way

The approach of EIRC is a holistic one to life, profession and society. Every member of ICAI in the Eastern part of the country contributes in his/her small way to the success of EIRC. It is the staunch belief in "Do what you believe in" and "Believe in what you do" that has been the root of success of EIRC. This tradition of success must thrive on.

From the Pages of History

As we thumb back the pages of History we recall that the **Golden Jubilee Conference** which was a pat of the All India Golden Jubilee celebration programme of ICAI was held in Kolkata on 4th to 6th December, 1998.

Dr. A.R. Kidwai, the then Honourable Governor of West Bengal inaugurated the Conference. The three day Conference was attended by Past Presidents, Central Council Members, members of different Regional Council including EIRC. Members and Students of ICAI also mustered strong. With the presence of dignitaries from overseas countries the Conference, the theme of which was **"Economic Development and the Service Sector Issues in Transparency and Accountability"** met with huge success. And at the root of success lay the untiring effort of EIRC.

Two other dates also come to mind: the 10th December, 1975 and the 14th April, 1977. The foundation stone of the present EIRC Building was laid by Honourable Mr. Justice Sankar Prasad Mitra, the then Chief Justice, Calcutta High Court on the 10th December, 1975. Later, the Building was inaugurated by Hon'ble Shri A.L. Dias, the then Governor of West Bengal on 14th April, 1977.

The current Chairman of EIRC (2011-12) is CA Sushil Kr Goyal. ■

Paving the Path of Progress since 1951, CIRC Celebrates Diamond Jubilee with Professional Camaraderie

Facilitating professional growth in large parts of the country for decades, the Central India Regional Council (CIRC) of the ICAI has entered its Diamond Jubilee Year. Having commenced its journey in the year 1951 with a small membership of around 300 professionals, the CIRC today has 23,500 members and one lakh students. Having the distinction of being the biggest Region in terms of its geographical spread, the CIRC covers 38 per cent of total area of the country and covers around 42 per cent population of the country. A range of activities and programmes have been lined up to celebrate the proud and historic occasion of Diamond Jubilee. Following is a brief report on CIRC of the ICAI.

The Central India Regional Council commenced its journey in the year 1951 with a small membership of around 300 professionals. The first Chairman of CIRC was Late CA.K. K. Mankeshwar, from Nagpur. In those times, the working of the Institute of Chartered Accountants of India (ICAI) was Centralised and was managed from the Head office at New Delhi. The membership of the CIRC doubled to 600 within a decade i.e in the year 1961–1962. CA.P. S. Bhargava from Kanpur became the Chairman of CIRC in 1961-1962 and is still actively gracing the programmes organised by the CIRC.

Some of the office bearers of the CIRC have also held the apex positions in the Institute. In the year 1953-1954 late CA. S.B.L.Vaish belonging to Central Region became the President of the ICAI. In 1971-1972, late CA. A. B. Tandon from Central Region was elected the President of the ICAI. CA. Sunil Goyal from our Region was elected President in the year 2004-2005.

In 1979, the scope of activities of the CIRC increased significantly due to decentralisation. A new dimension was thereafter again added in 1981 when the Board of Studies was also added to the CIRC.

The CIRC was awarded the 'Best Region Award' in the year 1991 and the 'Highly Commendable Performance Award' in the year 2008 and also 2010.

The CIRC includes and controls the activities of the Institute in seven states viz. Uttar Pradesh, Uttaranchal, Madhya Pradesh, Chattisgarh, Bihar, Jharkhand and Rajasthan. As such, it covers 38 per cent of total area of the country and covers around 42 per cent population of the country. Today, the Central Region has the distinction of being the biggest Region in terms of its geographical spread. The CIRC has its Office at Kanpur and also has two Decentralised offices at Jaipur and Indore respectively. In addition, it has 39 branches, 8 CPE Chapters, 25 CPE Study Groups, 7 CPE Study Circles and 12 branches of CICASA, having around 23500 members and one lakh students. Out of the 39 branches of the CIRC, 20 branches have their own building.

Development of the profession and maintenance of highest standards of integrity and competence has always been the prime objective of the CIRC. With the help of above mentioned network, Team CIRC organised some landmark events in the Region including three International Conferences, CAPA/SAFA Conferences, International RRCs, National Conferences, Regional Conferences, Sub Regional Conferences, Regional Seminars, Workshops, Computer Programmes for Senior Members etc. One of landmark achievements for CIRC is the acquisition of land for the Regional Office at Lakhanpur, Kanpur apart from existing building at Civil Lines, Kanpur.

The spirit of Team CIRC, enthusiasm, sincerity and hard work have been driving factors behind the CIRC's remarkable achievements for uplift of the profession in the region. The current chairman of the CIRC (2011-2012) is CA. Vivek Khanna. ■

Upholding Excellence and Professional Glory, NIRC Celebrates 60th Year of Its Existence

It is a matter of great pride for accountancy professionals as the Northern India Regional Council (NIRC) of the ICAI enters its 60th year of existence. NIRC is celebrating its Diamond Jubilee this year with great hope and glory. In this regard, a range of major activities focused on members and students have already been planned and efforts are being made to organise the same in magnificent, splendid and impressive way. It is also a matter of great honour, full of pride and appreciation that NIRC of the ICAI was adjudged as the `Best Regional Council' by the Institute for four times. Following is the brief report about the NIRC of ICAI.

The Northern India Regional Council (NIRC) is a constituent body of the Institute of Chartered Accountants of India (ICAI). The NIRC was set up on 1st April, 1952 [then known as Delhi Regional Council and comprising the then States of Delhi, Punjab, Ajmer, Himachal Pradesh, Patiala and East Punjab States Union. Presently it represents over 33,526 Chartered Accountants members and 1,60,000 students spread across the States of Punjab, Haryana, Himachal Pradesh, Jammu and Kashmir, NCT of Delhi and Union Territory of Chandigarh.

The functions of the NIRC of the ICAI are managed through the Regional Council and its various Committees. The Regional Council consists of 12 Elected Members, Central Council Members of Northern Region and Central Council Members nominated by the Government of India whose addresses belong to northern region. The Regional Council Headquarters is at New Delhi and it has 18 Branches, 44 CPE Study Circles and 4 CPE Chapters under its jurisdiction.

The NIRC of the ICAI plays a leading role in holding of talks, conducting refresher courses, organising various seminars, workshops and lecture meetings covering diverse areas of professional interest for the benefit of the members and students. It also organises various programmes for the benefit of the public at large. It also organises regular classes, Orientation Programme, General Management and Communication Skills Course (GMCS), Elocution and Quiz Contests for the students pursuing Chartered Accountancy from the region. Various cultural and social events are also organised by the NIRC. These events are being organised across the region on various occasions.

The NIRC of the ICAI also publishes a monthly Newsletter for the benefit of its members and students wherein all information related to the forthcoming programmes, meetings and law updates are included. It also includes write ups/articles on Corporate Laws, Service Tax, Income Tax and other allied laws. The useful and important information focused on students of CA Course are also disseminated through the Newsletter. The website of NIRC www.nirc-icai.org is being regularly updated with various useful information, which includes background materials of various seminars, workshops, lecture meetings for the benefit of the members and students.

It is a matter of great pride as the NIRC of the ICAI enters its 60th year of existence. NIRC is celebrating its Diamond Jubilee this year with great hope and glory. In this regard, a range of major activities focused on members and students have already been planned and efforts are being made to organise the same in magnificent, splendid and impressive way.

It is also a matter of great honour, full of pride and appreciation that NIRC of the ICAI was adjudged four times as the `Best Regional Council' by the Institute. The first Chairman of the NIRC was late CA. P.R. Mehra (1951-1952). The current Chairman of the NIRC (2011-2012) is CA. Rajesh Sharma.

Membership

	As on 1st April, 2011
A Fellows	
- In Full-time Practice	11502
- In Part-time Practice	752
- Not in Practice	2706
- Total	**14960**
B Associates	
- In Full- time Practice	4236
- In Part-time Practice	952
- Not in Practice	13378
- Total	**18566**
TOTAL (A+ B)	**33526**

Facilitating Professional Excellence and Growth Across India, Many Branches of ICAI Celebrate Golden and Silver Jubilee

A glorious tradition of professional excellence was institutionalised in the country on 1st July, 1949 with the birth of Institute of Chartered Accountants of India (ICAI) by an act of Parliament. Continuing with a journey full of milestones ever since, the ICAI has completed 62 years of a nationally- beneficial existence. The ICAI and accountancy profession is today an integral part of India's success story, with the distinction of being second largest accounting body in the world with more than 1,70,000 members across the globe. The persistent pursuit of perfection, integrity, skills and knowledge has placed ICAI and accountancy profession in an exalted position in present professional order of the country. In the last 62 years the CA profession has undergone a paradigm shift. From traditional bean counters, the Chartered Accountants have now metamorphosed into a multi-dimensional professional offering complete business solutions. The role of CA is shifting from backroom to boardroom. He is no longer a statistician but a strategist. The triumph of accountancy profession in all these decades has been unparallel. All this has been made possible by the tireless efforts of the Central Council, five Regional Councils and 126 branches spread across the country. A number of these branches under various regional councils of the ICAI have played a pioneering role in the service in the nation and profession. Many of the these have completed/entering 50 years and 25 years respectively of their existence and are celebrating the occasion with professional gaiety, bonhomie and with the spirit of service to the society and nation. Following is the report/history of some of such illustrious branches of the ICAI.

BRANCHES CELEBRATING GOLDEN JUBILEE

Ahmedabad Branch of WIRC

CA. H.M. Talati,
First Chairman of Ahmedabad branch

It was 1st April, 1962 when the Central Council bestowed a great gift to the zCity of Ahmedabad by formation of Ahmedabad Branch of WIRC of ICAI. The First Chairman of Ahmedabad Branch was Mr. H. M. Talati. Mr. H. M. Talati after serving as Chairman of the Branch for two years was also elected as Central Council Member for three consecutive terms from 1964 to 1973.

At that time there were no office premises, no staff and no manpower available to the Branch. Ahmedabad Branch was normally functioning at the Office of the Chairman and the Secretary of the Branch would regularly visit Chairman's Office and all the works were done by the Office bearers and Managing Committee Members.

In initial years from 1962 to 1976, which can be described as the formative years in as much as the Institute, Regional Councils and Branches were trying to consolidate their position in the ever demanding Society, Ahmedabad had hardly 100 Chartered Accountants, which increased to around 600 in 1976 and reached the figure of 1000 in the year 1980.

Thereafter, one of the Chartered Accountants offered his Office premises at Lal Darwaja, which is even today the heart of the City of Ahmedabad and it was somewhere in1977-1978 that a small premises of 200 Sq. ft. was taken on lease at Capital Commercial Centre, Ashram Road from where the Branch functioned till 1985.

It was in that year that an old residential property was purchased where the Branch started functioning in a larger premises up to 1992 and it was in the year 1993 the Branch decided to or ganise a Fund Raising programme under the aegis of the then Chief Minister Shri Amarsinh Solanki and famous Singer Pinaz Masani. After the substantial collection from the members and of course from the grant from the Institute, a majestic four-story building was constructed during the year 1993 which was inaugurated in the year 1997. The Branch functioned with its full capacity utili sing maximum space for ten years and it was during the tenure of Mr. Sunil Talati as President of I.C.A.I. in the year 2007 that the building was renovated and given the State of Art look with all infrastructure facilities installed and a plot of land admeasuring more than 1,000 Sq. Yd. was purchased keeping in mind the ever growing demand of the Professionals in the Mega City of Ahmedabad.

The Branch is now serving more than 5000 members in Ahmedabad of which 2,600 are in practice. The most heartening point of Ahmedabad Branch is that it is the only Branch that has been served by the three generations, who have rendered the services in as much as Mr. H.M. Talati, now 87 years, as First Chairman; then Mr. Sunil Talati, Past President of ICAI 2007-2008, has also served the Branch from 1979 to 1982 and in this year his son Aniket Talati is serving the Branch as Office bearer. The Branch is not only taking care of Chartered Accountant residents of Ahmedabad but also of nearby villages and towns and thus effectively serving and catering more than 7000 Members. The branch, since last 15 years, in the new premises is regularly organising Flag Ceremony on 26th January, 1st July and 15th August and best of the CPE Programmes are also organised in Branch premises. Ahmedabad Branch is one of the oldest branches.

Pune Branch of WIRC

CA. (Late) P.D Khadilkar,
First Chairman of Pune branch

Pune Branch of WIRC of ICAI was established in April 1962 with a membership strength in few hundreds and students in about couple of thousands. The Branch has entered the GOLDEN JUBILEE YEAR in April 2011 with the membership of about 6,000, including 250 Members from Industry, and 12,000+ students.

The Branch gratefully acknowledges the dedication and integrity of its past Chairmen during the first couple of decades, who laid the solid foundation for the Branch. This initial period demanded the Chairmen to contribute personally right from lending their personal office premises to their staff members. Nevertheless, in spite of the constraints of space or economics, there was never any dearth of the activities conducted by the Branch, for the advancement of the profession of the Accountancy.

In the year 1985-1986 the Branch purchased own premises admeasuring about 1,600 sq.ft. in an apartment in the busy commercial area of Pune City. Recently the branch has acquired its own independent building admeasuring about 8,200 sq.ft. at the most convenient place for students and members. The ICAI BHAVAN is well equipped with all essential infrastructures viz. “CA. P.C. Parmar Auditorium” with state of art audio-visual system and teleconferencing facility, the fully-furnished “CA. B.R. Pandit Conference Hall”, “CA. B. K. Khare Students’ Facilitation Centre”, full-fledged ITT Laboratories and cafeteria. The Branch could not have succeeded in this Endeavour without the valuable contributions from the CA fraternity and well wishers in and around Pune, who generously donated for their “Mother’s House”.

The Branch was awarded highly commendable Performance Award of the WIRC for the year 1992-1993, and again for the year 2009-2010.

Apart from the dedicated teams of the various Managing Committees under the able leaderships of their respective chairmen, the Pune Branch is lucky enough to have the most devoted and dedicated representatives at Central and Regional council as well.

The Branch strives to follow its industrious tradition of fifty years, in organising the programmes and activities round the year, and the ambit covers all the important segments such as finance, banking, co-operation, IFRS, Direct and Indirect Taxation, Accounting Standards, Internal Audit, Soft Skills and Stress Management, CFO meet, industry specific programmes etc., for the benefit of its professional and corporate members and students. The branch is having its own Women Cell and WICASA. The branch has successfully arranged number of National and Regional conferences for the members and students.

Bangalore Branch of SIRC

Late Sri. P Sambaiah, *First Chairman of Bangalore branch*

The Bangalore Branch is one of the most dynamic and vibrant Branches in the country. Initially the branch was started with a membership of 110 on 1st April, 1962. At present Bangalore branch caters to the need of over 8,000 members and over 25,000 students. Branch can feel proud of not only the quantity but also the quality of its members. CA. K. Rahman Khan, Deputy Chairman, Rajya Sabha, CA.B.P.Rao, Past President of ICAI (1994-1995) and CA.T.V. Mohandas Pai, Director-HR, Infosys Technologies are the products of this esteemed Branch.

Late Sri. P Sambaiah was the first Chairman of the Branch. The Branch moved to the existing premises in the year 1993. Many a time Bangalore Branch has been adjudged as the Best Branch.

Annually the Branch conducts IPCC Orientation Programme for nearly 1,700 students, Course on General Management and Communication Skills for approximately 600 students, Information Technology Training for around 2000 students. The Branch has hired two premises at the South of Bangalore, to cater the needs of our Students and Members at large. The Branch conducts CPE programmes of around 350 CPE hrs per year, which enables the members to improve their knowledge and also to complete their CPE requirements. Apart from these, SICASA of Bangalore Branch is also very vibrant in conducting many of the activities for the overall development of the CA students' community. In addition to CPE Programmes, Branch conducts Cultural Activities, National Day Celebrations, CA Day Celebrations, Annual Sports meet, Social Service Programmes, International Study Tours, Residential Programmes, etc.

The Branch has grown from strength to strength under the able leadership of the Past Chairmen and the Managing Committee Members. It can boast of a good library, computer center, MDP Hall and an Auditorium apart from good office and Boardroom. The Branch's Management Development Programmes and other programmes, newsletter, seminars and conferences have set new benchmarks in the functioning of the Branches of ICAI. The mission of the Branch is to render quality service to the members, students and society at large.

The Past Was Glorious, Present is Challenging and The Future Looks Exciting.

Coimbatore Branch of SIRC

CA. M.S. Srinivasan Iyengar, *First Chairman of Coimbatore branch*

The Coimbatore Branch of Southern India Regional Council of the ICAI was established on 1st April, 1962 with strength of 60 members. Today it is one of the most vibrant Branches in India with more than 1,400 members and 10,000 students. CA. M.S. Srinivasan Iyengar was its first Chairman.

The Branch organises regular Seminars, Conferences, Meetings and Workshops for Members and Students. The Branch is accredited by the ICAI to conduct Oral Coaching Classes for CPT, IPCC and Final. Information Technology Training (ITT) Centre is functioning for the 100 hours IT Training of IPCC Students. Orientation programme for IPCC Students, Campus Interviews and General Management and Communication skills course for the newly qualified Chartered Accountants, ISA Practical Classes for Members are the major activities of the Branch. The Branch is also conducting CA Awareness Programmes in colleges and schools regularly.

The Coimbatore Branch of SICASA is attached to the Branch and is conducting various programmes for the betterment of the CA students community. The Coimbatore Branch of SICASA received the All India Best Branch Award during the Year 2010.

The Coimbatore Branch has produced many Rank Holders in Foundation, Intermediate, CPT, PCC, IPCC and Final examinations of ICAI. The Coimbatore Branch of SIRC of ICAI has received Best Branch Awards from the Southern India Regional Council, Chennai. It has also received the all India Best Branch Award during the year 1997 and Highly Commendable

Performance Award at National Level for the year 2008-2009.

The year 2011-2012 is an important year for the Coimbatore Branch of SIRC of ICAI because members from the Branch have occupied the highest positions of ICAI, namely CA. G. Ramaswamy as the President of ICAI, CA. K. Shanmukha Sundaram as Chairman of SIRC and CA. S. Murali as the Secretary of SIRC.

CA. G. Ramaswamy is the first Chartered Accountant to become the President of ICAI from Coimbatore Branch, similarly Members namely CA. K. Ramasamy, CA. A. Arjunaraj and CA. G. Ramaswamy have served as the SIRC Chairmen and CA. Priya Bhansali has served a term as Central Council Member from the Branch.

The Branch has acquired 65 cents of Land and the Building Construction is in progress which will be completed by November 2011 tentatively.

Hyderabad Branch of SIRC

Late CA. Mohamed Ahmed Mohiaddin,
First Chairman of Hyderabad branch

The Hyderabad Branch of SIRC of ICAI came in existence on 1st April 1962. Late CA. Mohamed Ahmed Mohiaddin was its first Chairman. The Branch has moved to the own premises on 5th April 1992. The Branch has got state of Art infrastructure facility that includes Air conditioned Library, Conference Hall, ITT Labs, Teleconference room and Class Room with back up power. Branch is under video surveillance. The Hyderabad Branch is catering the needs of over 5,000 members and over 24,000 students. The Branch is very active in conducting seminars, conferences, workshops for both members and students. The Branch was recently honoured with Best Branch award shared with Bangalore Branch in SIRC. To facilitate and navigate the monthlyprogrammes and activities of the Branch, a website has been set up exclusively for the benefits of members and students at large. The programmes are communicated to members and students through monthly newsletter, SMS, email and hosted on the Branch website.

Madurai Branch of SIRC

Madurai Branch was came into existence on 1st April, 1962 in the Temple City of Tamil Nadu and at that time it was being run from a small rented premises. CA. K. Subramanian was the first Chairman of Madurai Branch (1962-1971). The long felt need of the members and students to have own set up with proper infrastructure for the best interest of the profession got materialised in 1987-1988, in which 34 cents of land were purchased at P&T Nagar Road, Visalakshipuram with the efforts of members at the helm of affairs at that time along with senior members and past chairmen. The Foundation Stone was laid down by the then President of ICAI CA. R. Balakrishnan on 22nd August, 1987. The Ground Floor was constructed during 1997 and the same was opened by the then President of ICAI CA. T. S, Viswanath on 6th January, 1997. Total construction area of the Ground Floor is 2,497 sq.ft of which about 2,000 sq.ft is for the Meeting Hall.

Infrastructure: The First Floor of the Building construction was commenced during 2001 and was opened on 11th February, 2003 by the then President of ICAI CA. R. Bupathy. The First Floor Consists of Computer Lab, Library hall, Chairman and Secretary Cabins. The Meeting Hall was fully Air Conditioned and the Computer Lab was converted into full fledged ITT Lab in 2006 and the same was inaugurated by the then President of ICAI CA.T.N. Manoharan.

Members Strength: Madurai Branch has the places namely Virudhunagar, Sivakasi, Srivilliputhur, Rajapalayam, Karaikudi, Ramanathapuram, Sivagangai, Paramakudi, Aruppukkottai, Thirumangalam, Dindigul, Theni and Palani within its jurisdiction and the number of members is around 750.The Students strength is about 1,800. Madurai Branch is the second largest branch in Tamil Nadu.

Golden Jubilee Year: The Madurai Branch has been administered by 34 chairmen and has entered the Golden Jubilee Year on 01/04/2011 under the Presidentship of CA. G. Ramasamy. The Branch is now headed by CA. V. Sivakumar and his team. CA. P. V. Rajarajeswaran, SIRC Member is the ex-officio member of the branch nominated by SIRC. A number of programmes have been lined up to celebrate the Golden Jubilee year.

BRANCHES CELEBRATING SILVER JUBILEE

Anand Branch of WIRC

CA. M. A. Shah,
First Chairman of Anand branch

Anand Branch of WIRC of ICAI was established in the year 1986 and covers a geographical area spanning three adjacent districts of Anand, Kheda and Panchmahals. The Branch initially started in rented premises of approx 150sq. ft.

The year 2005 was a watershed year for the branch when, with collaborative efforts of the members and the Institute, a floor was purchased in a commercial building of approx 2,500 sq. ft. in the heart of Anand City. The building floor was beautifully furnished into ICAI BHAWAN having a library, office, Students IT lab, reading room and a conference hall with a capacity of approx 80 persons.

The Branch serves 150 members and approx 500 students in the region. Another notable feature of the Branch is that since its inception branch committee members are selected unanimously rather than elected, a culture that is proposed to be continued in the foreseeable future.

The First Chairman of the Anand Branch CA. M. A. Shah says in his message:

"My Son, CA. Dilip Shah, was the Chairman of the WIRC in 1986 and he wanted to see a branch opened at Anand. The then President of ICAI CA. P. A. Nair agreed to the proposal and the movement was set. The Panchmahal District was put under Anand Branch (Nadiad and Anand were then a single district called Kheda) to get the requite cut-off numbers required for starting a branch. And thus began the journey which continues unabated till today…."

Jalgaon Branch of WIRC

CA. D.H. Boravale,
First Chairman of Jalgaon branch

It is a memorable year for the Jalgaon Branch as it is entering its 25th year of its existence, the Silver Jubilee year. The Jalgaon Branch was established on 19th August, 1987. The first meeting was held under the guidance of CA. R. Balkrishan, president of ICAI, with our first Branch chairman CA. D.H. Boravale and other esteemed members. The Branch was established with just 50 members and today it has a strength of 220 members and 450 students.

Proposed ICAI Bhavan at Jalgaon

Milestones: It is the eternal law of life that, every beginning has an end and every end results into a new beginning. A notable feature of the Jalgaon branch is that, since its inception, Year by year the management committee is rotating handing charge to upcoming new members but branch has never needed an election. The Branch works smoothly by young and enthusiastic management under the guidance of the senior members. In the Year 2000-2001, the Exam center was started at Jalgaon Centre with great support of Jalgaon Branch. On 22nd December 2008, WICASA –Western India Chartered Accountants Students Association was formed, with the purpose of guiding and improving the skill of CA students. A number of programs are organised for the benefit of the students.

Branch Activity: Since its formation, the Branch has conceptualised and conducted a variety of Knowledgeable and informative seminars for its members and students. Amongst them, the most noteworthy have been:

- The 3rd Sub Regional Conference in 1999, at Jain Hills.
- The 9th Sub Regional Conference in 2002, at the JDCC Hall, Jalgaon, with a record participation of 854 members from Maharashtra, Gujrat, Goa, etc.
- Following the latest Amendments, the Branch is organising monthly Study Circle Meetings and Seminars, conducted by eminent faculties, local and outside. The purpose of these Seminars is to upgrade and solve queries regarding Audits and related subjects.

- The Branch has also started a CPE Teleconferencing Programme for its members.
- For the first time in Jalgaon, WICASA Sub-Regional Conference was held on 16th and 17th July 2010, at Senate Hall, North Maharashtra University, Jalgaon
- The Branch has its own IT Lab, with a capacity of over 20 students.
- The Branch regularly conducts IT Training, Orientation Programs, and GMCS Programs for the final year students.

Achievements: The Jalgaon Branch is the proud recipient of the 'Highly Commendable Award' in the small branch category in the western region of ICAI since the last four years.

About ICAI Bhavan and Future Planning: The construction of the ICAI Bhavan in Jalgaon is the Dream Project of the branch. The Foundation Stone was laid in June 2010 by the then WIRC Chairman CA. Sanjeev Lalan. The construction began in July 2010 and with the work continuing in full swing, the ICAI Bhawan is expected to be ready by the end of this year. The Branch also plans to organise Sub Regional Conference in November/December 2011.

Sangli Branch of WIRC

To safeguard the common interest and to bring the members in main stream of the Institute activities, the members of Sangli desired to set up branch for Sangli District. After the required number of 50 members was reached a proposal was forwarded to the Central Council through Western India Regional council and was accepted by the Central Council of ICAI in 1987. Late CA S. B. Abhyankar was the first Chairman of Sangli Branch.

The Sangli Branch of WIRC of ICAI was officially inaugurated by CA. R Balakrishnan, the then President of the ICAI in a grand function organised on 20th August, 1987. Up to 1994 the branch used to function from the professional office of respective chairman and no independent premises were available for the branch. Under the leadership of CA. Vikram Limaye the members thought that the branch must have its own premises and during the year 1997 with the contribution from members and matching contribution from Head Office branch acquired premises at Anandi Vilas Apartments, in South Shivaji Nagar, Sangli from where the branch presently functions. The premises was inaugurated by CA. Y.M. Kale, the then President of ICAI. The present branch premises include a seminar hall, which is also used as reading room for CA students. Having felt the need to accommodate the increasing number of fraternity, the branch has finalised a suitable plot and ICAI has sanctioned a proposal to acquire the plot and construct ICAI Bhavan. Construction activity of proposed ICAI Bhavan will commence shortly. The branch is regularly organising various CPE programmes and has also undertaken social activities such as providing relief to flood affected people in July-August 2005 flood in Sangli city. CA Rajendra Babulal Kothari is the present chairman of the Branch.

Palghat Branch of SIRC

CA. N.N. Ramachandran,
First Chairman of Palghat branch

Palghat Branch of SIRC was set up in 1987. At present members strength is 186 with 60 members in practice. Palakkad Town and suburbs come under this Branch. Has own building of about 4000 sq.ft in land measuring 17.5 cents in heart of Palakkad Town. Equipped with air-conditioned Conference Hall, ITT Lab, Chairman's Chambers, Fully furnished guest room for faculty, Library and Office Room. Digital Library was commissioned in 2011. About 500 students come under its jurisdiction. It has a good record in conducting academic programmes including CPE programmes of the Institute. The branch has facilities for viewing Tele/Video Conferencing programmes of the ICAI and its Board of Studies. ITT Centre has given training to 16 batches of students, and 2 orientation proramme of ICAI had been conducted. Examination Centre of ICAI is also there at Palakkad for the students. The branch has received many commendation awards both from SIRC and ICAI New Delhi in various years. It is regarded as a well knit, cohesive branch fully supported by the ICAI and members of the Councils.

Pondicherry Branch of SIRC

Realising a long cherished dream, the Pondicherry

CA. M. V. Ramaswamy,
First Chairman of Pondicherry branch

Branch of SIRC of ICAI was founded in 1985 under the Chairmanship of CA. M.V. Ramaswamy. The vision was humble and unassuming. As the branch grew, so did its dreams. Today, the branch has emerged as one of the premier branches in the Southern region brimming with a host of Students and Members activities. From its humble beginnings, the branch today boasts of its own building complete with all infrastructure like Air Conditioned Conference Hall, Library, ITT Centre, etc.,

Pondicherry has a deep connection with the Institute. The present ICAI logo was conceptualised by Sri Aurobindo at the request of CA. C.S. Shastri, a noted Chartered Accountant of that time.

The branch conducted its Silver Jubilee Celebrations during the year 2010-2011. As part of the same, a Regional Residential Seminar was organised at Auroville, Pondicherry on 21st and 22nd August 2010, which was inaugurated by Shri V Vaithialingam, Chief Minister of Pondicherry.

As of 2011, the branch has a member strength of 212 members. Pondicherry has also been serving as an examination centre since 2006. The Branch has commenced Coaching Classes for CPT, ITT Course and Orientation for students from 2010.

Vellore Branch Of the SIRC Of ICAI

Vellore Branch of the SIRC of The Institute of Chartered Accountants of India was inaugurated on 30th August, 1987, by Hon'ble CA. R. Balakrishnan, the then President (1986–1987) of the Institute. This Branch has contributed two Presidents, CA. V. Rajaraman (1980-1981) and CA. T. N. Manoharan, Padma Shri Awardee (2006-2007), to the Institute.

Housed currently in the ICAI Bhawan located at 16, Honnegar Street in Krishna Nagar of Vellore, this Branch started its activities in a rented building with 125 members. Members of the Vellore Branch, presently 189 in number that includes 11 female members, are from Vellore town, other towns like Gudiyattam, Pernambut, Ambur, Vaniyambadi, Tirupathur, Arcot, Ranipet and Walajapet from the Vellore district, and other neighbouring towns like Kancheepuram, Tiruvannamalai and Arni. Members from Chittoor and Tirupathi from Andhra Pradesh got separated from Vellore Branch, when the Tirupathi Branch was opened in the year 2009–2010. CA. S. Mohan is the present Chairman of the Branch.

The foundation stone for the own building of the Branch was laid by ICAI past-President CA. T.N.Manoharan, Padma Shri Awardee, the then Central Council member, and was eventually inaugurated on 13th June, 2008, by the then President CA. Ved Jain along with the ICAI past-President and then ICAI Vice-President CA. Uttam Prakash Agarwal. The Vellore Branch has a fully air-conditioned seminar hall and computer centre. It has quite a resourceful and one of the best libraries that our Branches have at present. This Branch has its own examination centre since 2005. This Branch houses a chapter of the SICASA since January 2009. It has now got a changed website.

The Branch will soon start coaching classes for the students of CPT and IPCC. It also plans to organise more of the CPE activities including residential programmes for members and more of the SICASA activities for students.

Bhilwara Branch of CIRC

Bhilwara is the "Manchester" of India. It is the biggest centre of Manufacturing of Synthetic Fabric.

That sky is the limit for Bhilwara's growth, prosperity, development, thereby golden rise of profession of Chartered Accountants.

Bhilwara Branch of CIRC was established in the year 1987. CA. R. L. Nolkha was nominated as First Chairman of the Branch. The strength of Members was 50 and students/Articles was around 100 at that initial stage. There was no independent branch office for the branch. There was no Examination Centre at Bhilwara. In the year 2001, Bhilwara was first time allotted as Examination Centre, qualifying the minimum number of students. That overwhelming response of students, within no span of time, bound to open two Examination Centers at Bhilwara. At present more than 5,000 students are pursuing accountancy course. The strength of Members reached to 371 till April 2011

The Branch is successfully conducting, organising GMCS, Orientation Classes, ITT since couple of years. Most of members are providing voluntary services as faculty. Looking to the working of the branch, CIRC has given many awards to the branch.

The branch has successfully got allotted 27,000 Sq. Ft. Land at the Lower Price from Urban

Improvement Trust, Bhilwara. The construction is in full swing. The Branch will have its own building, equipped with every possible facilities and infrastructure — modern big Auditorium having capacity of 500 persons, Mini Auditorium/Seminar/Conference Hall having capacity of 150 persons, IT Labs, Class Rooms, Library, Coaching Rooms, Administrative Blocks, Spacious Parking Space. At present CA. Ajay Kasliwal is the chairman of the branch.

Ranchi Branch of CIRC

Late CA. Upendra Narain,
First Chairman of Ranchi branch

Ranchi Branch of CIRC of ICAI has entered its Golden Jubilee Year this year. The then ICAI president CA. R Balakrishna inaugurated the branch on 16th May, 1987. At that time this branch was 58th branch of the Institute and the 15th of the CIRC. It was because of herculean effort put in by late CA. Upendra Narain, the then chairman, that the branch was founded. At that time there were only 53 members and the student's strength was less than 100. The phenomenal growth of the profession in the last two decades has resulted increased the membership strength of the branch to 500 members and students strength to more than 6000.

The branch is one of the most active professional education providers in the town. Since 1999, the branch is managing examination centre to conduct CA exams. Since then the number of students enrolled for the examination in this centre has shown an increasing trend. Students appearing from Ranchi have secured ranks in almost every exam.

Branch Infrastructure: The members under the branch, following their enduring efforts, purchased a land for branch premises in 1987. The day 23rd August, 1990 was remarkable as the then president CA. A. H. Dalal laid the foundation stone of the branch building. The branch building was completed and was inaugurated on 15th December, 2009. This Ground+three building is equipped with all facilities that are required for its members and students.

Services Rendered: The branch has been regularly organising seminar, conferences, workshops, etc. for its members. It also conducts classes for various post qualification courses. Very soon e-library facilities and IFRS Course will be provided at the Branch Premises. The branch is also conducting counselling, publication sale, GMCS, etc. for CA students. Various training programmes, meets, contests, etc are organised regularly.

The branch has achieved newer heights over the years and this has been appreciated with the awards that have been given to the branch, for example the second best branch award in 2006, best commendation certificate and best branch in 2007 and CIRC commendation in 2009.

Yamuna Nagar Branch of NIRC

It is a matter of pride for the members of Yamuna Nagar branch of the NIRC of ICAI as the branch celebrates its Silver Jubilee. The branch plans to celebrate the occasion in the spirit of continued service to the profession and society at large.

Yamuna Nagar branch has 143 members and 490 students are pursuing CA course under this branch. Due to globalisation and cross-border flow of investments, there have been extremely significant changes in the various fields related to profession and the branch has been playing a crucial role all these years in preparing the members and students for present as well as future. The branch has spacious building in the heart of the town which includes big lounge/hall for seminars, one IT lab for computer training along with separate rooms for members, staff and study room for the CA students.

The branch is regularly holding seminars for the members every month along with cultural and sports activities. IT training, Oriental Programs for IPCC and GMCS classes are organised for the students at branch as per the guidelines of the ICAI. Examination centre is also going on smoothly at Yamuna Nagar. The branch has received various awards including best branch of the NIRC. CA. Ashwani K. Agarwal is the current chairman of the branch. ■

What the Leading Visiting Dignitaries Said About Accountancy Profession

The Institute of Chartered Accountants of India (ICAI) has completed 62nd Year of its glorious, highly purposeful and nationally beneficial existence on 1st July, 2011. As such, the ICAI and the accountancy profession it regulates, have, all along these 62 years, won the acknowledgement, accolades and admiration and advices of the leading lights of the times. We dug up our archives to pick related quotations of some of such personalities from their interviews and write-ups in this journal, and messages and speeches delivered during different programmes of ICAI between June 2010 and June 2011. Following are their selected words of wisdom in quotes.

CA. Rameshwar Thakur, Governor of Madhya Pradesh and Past President of ICAI

"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"

(8th June 2010, in a Message published in the Journal)

Mr. Vinod Rai, Comptroller & Auditor General of India

"The contribution of the ICAI in regulation of the accounting profession and providing leadership has been exemplary. The members of the ICAI should continue to uphold high standards and discharge their professional duties with due diligence. Each member of the Institute must play a role in enhancing professionalism, credibility and ethics. Maintaining independence and ensuring compliance of reporting obligations under the relevant statutes, laws and standards is of utmost importance. The accounting profession is in a very dynamic phase in its history. It is imperative to keep pace with the rapid developments and adopt globally accepted best practices. The ICAI as a premier accounting body has, therefore, its role cut-out… Auditing is a significant tool for ensuring good governance. There is an urgent need of performance audit whereby it is ensured that the money spent by the Government should be spent for the purpose it is allotted, and it is also accounted for. The services of chartered accountants are crucial support for the government in its various endeavours, including efforts for good governance. "

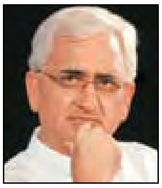
(In an interview to ICAI published in July 2010 Journal and address at ICAI international conference on 5th January, 2011)

CA. Rahman Khan, Deputy Chairman Rajya Sabha

"The institute and the profession will face new challenges, particularly when India is embarking on high growth rate and also emerging as economic power... 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. We as a Professional Fraternity should look beyond the profession. Wherever there is growth and development, there is need for financial prudence and fiscal discipline. 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… Only chartered accountants can help the Government plug leakage and misappropriation of funds and ensure value for money to the ordinary citizens. The Government accounting reforms are still pending and it is only the accountants who can facilitate flawless transition from cash based to accrual accounting in Government."

(In an interview to ICAI published in July 2011 journal, and address at ICAI International Conference on 4th January, 2011 in New Delhi)

Mr. Salman Khurshid, the then Union Minister of State for Corporate Affairs



"After the software revolution in our country, what we need today is to unlock the huge potential of our accountants for the world, which will be required in larger and larger number, particularly when IFRS is accepted globally… We work closely with ICAI and admire the work done by ICAI. We are willing to be your partners and to push your ideas. With an outstanding performance record of the ICAI, I would like to see ICAI taking the lead. This is the reason why they are the nodal agency for what I call the accountancy revolution in India (Convergence)… Indian accountancy profession is among the professions that we would want the world to look at. The world must recognise Indian accountancy profession's special ability and talent. We are there to ensure that... IFRS is the next big revolution happening in India after software revolution and it will offer vast opportunities for Indian CAs across the world, and India has special DNA for accountancy. Good things like good wine take time to mature and the time has to come to celebrate Indian accountancy profession."

(In an interview to ICAI published in July 2011 journal, address at CA Day Function on 1st July 2010 and address at ICAI International Conference on 4th January, 2011 in New Delhi)

Mr. Ashok Chawla, the then Finance Secretary, Government of India

"The profession that you belong to, I think, is one of the most important stakeholders in business, industry, finance in the entire economic architecture, whether it is at the corporate level, whether it is at the level of a country, whether at the level of the entire world… Your institute is also unique. It is a statutory body and also a self-regulating organisation. It is not just a body of the profession, not just the body of the member who practice this profession, this is also a body to set standards… You are, therefore, responsible for the way the business and this entire profession are going to look like in the next 50 years. It is a great responsibility that you discharge to the institute, to the world of business and to the country."

(18th June 2010, in his address to the Council of the ICAI)

CA. Y.H. Malegam, the then Chairman NACAS and Past President of ICAI

"There is perhaps no single technical challenge presently facing the profession which is more important than the convergence with International Financial Reporting Standard (IFRS). This challenge, therefore, needs a response which is well-orchestrated well-calibrated and which is responsive to the concerns of industry and members of the profession… Convergence with IFRS has created understandable nervousness both in industry and the profession. Without underestimating; the problems involved, it is perhaps true to say that much of this nervousness arises out of a fear of the unknown. It is, therefore, necessary to have a clear understanding of the issues involved and the steps which are necessary in this connection"

(July 2010, in an article published in Journal)

Mr. Dhanendra Kumar, the then Chairman Competition Commission of India

"In today's business, Chartered Accountants and business are so closely intertwined that it is not possible to imagine one without the other…Under the Competition Act, 2002 Act, the Commission has to undertake suitable measures for competition advocacy, creating awareness and imparting training about competition issues. This work can best be undertaken by Chartered Accountants who are the brains and key functionaries involved in any business activity. The Commission views the fraternity of Chartered Accountants as the most significant group of its friends and stakeholders who can play a really significant role in propagation of competition culture in the market as envisaged in the Act."

(July 2010, in a write-up published in journal)

Robert L. Bunting, the then President of IFAC

"The financial reporting and disclosure of most governments globally still has considerable room for improvement. And given the dire fiscal positions of many governments, the need to improve the management of public sector resources has never been greater… Fortunately, though—using a relatively straight forward, if politically delicate, fix—governments today have an opportunity to dramatically improve their resource management in the future: A switch from cash-based to accrual-based accounting."

(July 2010, in a write-up published in journal)

Mr. Pranab Mukherjee, Union Finance Minister

"Let me complement ICAI for their initiative to work with financial institutions in streamlining and fine tuning the financial reporting, auditing and accounting architecture of India. Such efforts create greater awareness among stakeholders about the challenges and opportunities that we have before us and help in identifying issues that need to be addressed for accelerating and sustaining the development tempo… The use of standardised accounting practices helps in mitigating the problem of information asymmetry between various stakeholders such as managers, owners and creditors. While managers have the incentive to be more forthcoming on good news about the company's performance and prospects, they may want to hold back bad news. The accountants as information intermediaries between managers and shareholders need to identify and recognise losses at an early stage, thereby mitigating asymmetry in information… ICAI needs to be lauded for taking various initiatives for the implementation of Indian Accounting Standards converged with IFRS in letter and spirit."

(At the 42nd Annual Conference of SIRC of ICAI at Kochi on 27th November 2010, and address at ICAI International Conference on 4th January, 2011)

Mr. Ian Ball, CEO of International Federation of Accountants

"After financial meltdown, the role of accounting profession has come to be widely debated among many circles including policy makers and the regulators. It is the duty of the profession to respond to the debate for which the world at large is looking forward to. There is a need for strengthening the regulators and improving the quality of financial reporting by the corporate as well as the government… Financial information, structures and strategies need to be re-looked into. Business processes also need a re-look and review while financial information needs greater scrutiny."

(5th January 2011, at the International Conference organised by ICAI in New Delhi)

Mr. Arun Maira, Member of Planning Commission

"Accounting profession plays a vital role in good governance of society. The world faces the challenge of governance and sustainability and entire people should be included in growth process of the country. Accountants have to ensure growth on sustainable basis taking into account the national assets which is 'people'. Accountancy profession should keep in mind the interests of the society at large. Three L's, i.e. Localisation, Lateralisation and Learning are catalysts for change. Inclusive growth should be the target of the economy and accountants should strive to ensure the same. Accounting for the society is the way for growth of the profession."

(5th January 2011, at the International Conference organised by ICAI in New Delhi)

Mr. C.R. Sundaramurti, Comptroller General of Accounts of India

"The World Bank Report enlists the aspects of good governance as public sector management, accountability, transparency, human rights, legal and regulatory framework and participatory approaches. The CGA is taking cue from these aspects… As part of reform measures taken by CGA at micro level, a pilot project has been undertaken in two departments with the help of the ICAI… There is a need for paradigm shift in the Internal Audit and Internal Control System to make them more risk-oriented, in order to add value to the process of governance. Ultimately, the vision is to make Internal Audit an inherent part of management report."

(6th January 2011, at the International Conference organised by ICAI in New Delhi)

Ms. Diana Hillier, Deputy Chair, International Auditing and Assurance Standards Board

"Emergence of knowledge economy is posing newer challenges to auditors. The focus of the IAASB had been on helping the auditors in coping with these challenges. I congratulate the Institute of Chartered Accountants of India (ICAI) for completing its convergence process with Clarified ISAs… I seek inputs of ICAI regarding the proposed strategy and work program of the IAASB that included monitoring of the ISA implementation, promoting benefits of adoption of ISAs, assisting in the implementation of the ISQC 1."

(6th January 2011, at the International Conference organised by ICAI in New Delhi)

Mr. Graham Meyer, CEO of Institute of Chartered Accountants in Austria

"There is a need to improve the quality of the auditing standards. ISA 315, Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment covered the significant aspects relating to risk assessment…There are three stages in the risk, first, Risk Assessment, covering the aspects relating to risks arising out of the material misstatements, second, Risk Responses covering aspects relating to responses to the risks of material misstatements and the third, Reporting, covering aspects relating to giving appropriate audit opinion."

(6th January 2011, at the International Conference organised by ICAI in New Delhi)

Differences Between IFRSs and Ind AS

This note is issued by the Institute of Chartered Accountants of India (ICAI) to bring out the differences between the IFRSs[1] as applicable on 1st April, 2011 and the corresponding Indian Accounting Standards (Ind ASs) placed by the Ministry of Corporate Affairs (MCA), Government of India, on its website after recommendation of the same by the National Advisory Committee on Accounting Standards (NACAS) and the ICAI.

The Ind ASs placed on the MCA website when notified under Section 211 (3) (c) of the Companies Act, 1956 by the MCA will be applicable to the companies from the date specified in the said notification. Section I of the note contains IFRSs deferred by the MCA. Section II contains carve outs from IFRSs in the relevant Ind ASs. Section III contains 'Other major changes in Indian Accounting Standards vis-à-vis IFRSs not resulting in carve outs'. Section IV contains a comparative chart of IFRSs and corresponding Ind ASs indicating, inter alia, IFRSs in respect of which no corresponding Ind AS has been formulated and reasons therefor.

I. IFRSs deferred by the MCA

1. **Ind AS 11, *Construction Contracts***

   IFRIC 12 and SIC 29, *Service Concession Arrangements* and *Service Concession Arrangements: Disclosures*, respectively, which are included as Appendices A and B to Ind AS 11, *Construction Contracts*, respectively, would not be notified along with the other standards and their application has been deferred.

   Reasons

   MCA received feedback regarding the adverse consequences which may ensue to the Indian companies in the event of immediate adoption of the IFRIC 12. Hence, MCA decided that Appendix A to Ind AS 11, corresponding to IFRIC 12, *Service Concession Arrangements* should be deferred and the same may be examined and applied with or without modification later.

   Appendix B to Ind AS 11, corresponding to SIC 29, *Service Concession Arrangements: Disclosures*, is related to IFRIC 12. Therefore, it has also been deferred.

2. **Ind AS 17, *Leases***

   IFRIC 4 *Determining Whether an Arrangement contains a Lease*, which is included as Appendix C to Ind AS 17, *Leases* would not be notified alongwith the other standards and its application has been deferred.

   Reasons

   MCA received feedback regarding the adverse consequences which may ensue to the Indian companies in the event of immediate adoption of the Appendix C to Ind AS 17, corresponding to IFRIC 4. Hence, MCA decided that the Appendix should be deferred and the same may be examined and applied with or without modification later.

3. **Ind AS 106, *Exploration for and Evaluation of Mineral Resources***

   Ind AS 106 corresponding to IFRS 6, *Exploration for and Evaluation of Mineral Resources*, would not be notified immediately as it is under consideration of the Government.

   Reasons

   MCA is of view that the standard is open-ended offering freedom to companies to follow virtually any policy they like. The standard does not prescribe any standardisation. In such circumstances, the standard does not serve any useful purpose and may create a wrong impression in the mind of the stakeholders that the entity concerned has complied with a strict standard when in fact, the company is free to apply any accounting treatment it wants. This may even be counter productive from a regulatory point of view by giving a false sense of correctness. Hence, this Ind AS may not be notified immediately.

[1] The term 'IFRS' includes not only the International Financial Reporting Standards (IFRSs) issued by the IASB, it also includes the International Accounting Standards (IASs), IFRICs and SICs.

II Carve Outs

A. Carve-outs which are due to differences in application of accounting principles and practices and economic conditions prevailing in India.

1. **Ind AS 21, *The Effects of Changes in Foreign Exchange Rates***

As per IFRS

IAS 21 requires recognition of exchange differences arising on translation of monetary items from foreign currency to functional currency directly in profit or loss.

Carve out

Ind AS 21 permits an option to recognise exchange differences arising on translation of certain long-term monetary items from foreign currency to functional currency directly in equity. In this situation, Ind AS 21 requires the accumulated exchange differences to be amortised to profit or loss in an appropriate manner. IAS 21 does not permit such a treatment.

Reasons

(i) There is significant fluctuation in the value of US dollar *vis-à-vis* rupee. India plans for a large expenditure on infrastructure. This may need a very large inflow in the foreign borrowings. These borrowings are denominated in foreign currencies unlike developed countries where borrowings are denominated in localcurrencies.

(ii) Unlike currencies of many advanced countries, rupee is not fully convertible.

(iii) Hedging is not possible for the full period for which the loan is taken. Hedging is available for shorter periods but not for longer periods, and the duration of the borrowings is very long.

(iv) Indian companies are not permitted to prepay the foreign currency loans.

(v) Other countries such as South Korea have also been raising these issues.

(vi) It is not appropriate to recognise the exchange differences immediately which arise as a result of items which are to be paid/realised in foreign currency, after a long term nature.

2. **Ind AS 28, *Investment in Associates***

As per IFRS

IAS 28 requires that difference between the reporting period of an associate and that of the investor should not be more than three months, in any case.

Carve out

The phrase 'unless it is impracticable' has been added in the relevant requirement i.e., paragraph 25 of Ind AS 28.

Reasons

Since the investor does not have control over the associate, it may not be able to influence the associate to change its accounting period if it does not fall within 3 months.

Apart from this, another reason can be a situation, e.g., where an entity is an associate of two investors and difference between the reporting dates of the associate and the investors is more than three months and the reporting dates of the two investors are also different. In that case a problem will arise that in respect of which investor the associate will have to change its reporting period.

3. **Ind AS 28, *Investment in Associates***

As per IFRS

IAS 28 requires that for the purpose of applying equity method of accounting in the preparation of investor's financial statements, uniform accounting policies should be used. In other words, if the associate's accounting policies are different from those of the investor, the investor should change the financial statements of the associate by using same accounting policies.

Carve out

The phrase, 'unless impracticable to do so' has been added in the relevant requirements i.e., paragraph 26 of Ind AS 28.

Reasons

Since the investor has significant influence and not control over the associate, it may not be able to influence the associate to change its accounting policies.

4. **Ind AS 32, *Financial Instruments: Presentation***

Carve out

An exception has been included to the definition of 'financial liability' in paragraph 11 (b) (ii), Ind AS 32 to consider the equity conversion option embedded in a convertible bond denominated in foreign currency to acquire a fixed number of entity's own equity instruments as an equity instrument if the exercise price is fixed in any currency. This exception is not provided in IAS 32.

Reasons

This position is not appropriate in instruments such as FCCBs since the number of shares convertible on the exercise of the option remains fixed and the amount at which the option is to be exercised in terms of foreign currency is also fixed; merely the difference in the currency should not affect the nature of derivative, i.e., the option.

5. **Ind AS 39, *Financial Instruments: Recognition and Measurement***

As per IFRS

IAS 39 requires all changes in fair values in case of financial liabilities designated at fair value through Profit and Loss at initial recognition shall be recognised in profit or loss. IFRS 9 which will replace IAS 39 requires these to be recognised in 'other comprehensive income'.

Carve out

A proviso has been added to paragraph 48 of Ind AS 39 that in determining the fair value of the financial liabilities which upon initial recognition are designated at fair value through profit or loss, any change in fair value consequent to changes in the entity's own credit risk shall be ignored.

Reasons

It is felt that recognition of gain in profit or loss or in 'other comprehensive income' on deterioration of own credit risk is not proper because such deterioration ordinarily occurs when an entity is incurring losses. Thus, if an entity is allowed to recognise gain on deterioration of its own credit risk, it will book gains when its performance is not upto the mark. In the recent financial crisis in USA, it was noted that some banks booked gains while they were incurring losses due to the crisis.

6. **Ind AS 103, *Business Combinations***

As per IFRS

IFRS 3 requires bargain purchase gain arising on business combination to be recognised in profit or loss.

Carve out

Ind AS 103 requires the same to be recognised in other comprehensive income and accumulated in equity as capital reserve, unless there is no clear evidence for the underlying reason for classification of the business combination as a bargain purchase, in which case, it shall be recognised directly in equity as capital reserve.

Reasons

It is felt that recognition of such gains in profit or loss would result into recognition of unrealised gains as the value of net assets is determined on the basis of fair value of net assets acquired.

7. **Ind AS 101, *First-time Adoption of Indian Accounting Standards***

(i) Presentation of comparatives in the *First-time Adoption of Indian Accounting Standards* (Ind AS) 101 (corresponding to IFRS 1)

As per IFRS

IFRS 1 defines transitional date as beginning of the earliest period for which an entity presents full comparative information under IFRS. It is this date which is the starting point for IFRS and it is on this date the cumulative impact of transition is recorded based on assessment of conditions at that date by applying the standards retrospectively except to the extent specifically provided in this standard as optional exemptions and mandatory exceptions. Accordingly, the comparatives, i.e., the previous year figures are also presented in the first financial statements prepared under IFRS on the basis of IFRS.

Carve out

Ind AS 101, requires an entity to provide comparatives as per the existing notified Accounting Standards. It is provided that, in addition to aforesaid comparatives, an entity may also provide comparatives as per Ind AS on a memorandum basis.

Reason

This would facilitate smooth convergence with IFRS as comparatives are not required to be in accordance with the Ind ASs. It is also felt that since Ind AS 101 would not be considered to be in existence for the comparative period, requiring comparatives to be prepared on the basis of Ind AS may not be legally defensible.

(ii) Presentation of reconciliation

As per IFRS

IFRS 1 requires reconciliations for opening equity, total comprehensive income, cash flow statement and closing equity for the comparative period to explain the transition to IFRS from previous GAAP.

Carve out
Ind AS 101 provides an option to provide a comparative period financial statements on memorandum basis. Where the entities do not exercise this option and, therefore, do not provide comparatives, they need not provide reconciliation for total comprehensive income, cash flow statement and closing equity in the first year of transition but are expected to disclose significant differences pertaining to total comprehensive income. Entities that provide comparatives would have to provide reconciliations which are similar to IFRS.

Reason
This would facilitate smooth convergence with IFRS.

(iii) Cost of *Non-current Assets Held for Sale and Discontinued Operations* on the date of transition on *First-time Adoption of Indian Accounting Standards* (Ind AS)

Carve out
Ind AS 101 provides transitional relief that while applying Ind AS 105 - *Non-current Assets Held for Sale and Discontinued Operations*, an entity may use the transitional date circumstances to measure such assets or operations at the lower of carrying value and fair value less cost to sell.

Reason
This would facilitate smooth convergence with IFRS.

(iv) Foreign currency gains/losses on translation of long term monetary items

Carve out
Ind AS 101 provides that on the date of transition, if there are long-term monetary assets or long-term monetary liabilities mentioned in paragraph 29A of Ind AS 21, an entity may exercise the option mentioned in that paragraph regarding spreading over the unrealised Gains/Losses over the life of Assets/Liabilities either retrospectively or prospectively. If this option is exercised prospectively, the accumulated exchange differences in respect of those items are deemed to be zero on the date of transition.

Reason
Exemption given as a consequence of optional treatment prescribed in Ind AS 21, *The Effects of Changes in Foreign Exchange Rates*, in context of exchange differences arising on account of certain long-term monetary assets or long-term monetary liabilities.

(v) Financial instruments existing on transition date

Carve out
Ind AS 101 provides that the financial instruments carried at amortised cost should be measured in accordance with Ind AS 39 from the date of recognition of financial instruments unless it is impracticable (as defined in Ind AS 8) for an entity to apply retrospectively the effective interest method or the impairment requirements of Ind AS 39. If it is impracticable to do so then the fair value of the financial asset at the date of transition to Ind-ASs shall be the new amortised cost of that financial asset at the date of transition to Ind ASs.
Ind AS 101 provides another exemption that financial instruments measured at fair value shall be measured at fair value as on the date of transition to Ind AS.

Reason
This exemption would facilitate smooth convergence with IFRS.

(vi) Definition of previous GAAP under Ind AS 101 *First-time Adoption of Indian Accounting Standards*

As per IFRS
IFRS 1 defines previous GAAP as the basis of accounting that a first-time adopter used immediately before adopting IFRS.

Carve out
Ind AS 101 defines previous GAAP as the basis of accounting that a **first-time adopter** used immediately before adopting Ind ASs for its reporting requirements in India. For instance, for companies preparing their financial statements in accordance with the existing Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 shall consider those financial statements as previous GAAP financial statements.

Reason
The change makes it mandatory for Indian companies to consider the financial statements prepared in accordance with existing notified Indian accounting standards as was applicable to them as under Companies (Accounting Standards)

Rule, 2006 as previous GAAP when it transitions to Ind AS as the law prevailing in India does not recognise the financial statements prepared in accordance with Accounting Standards other than those prescribed under the Companies Act.

(vii) Cost of Property, Plant and Equipment (PPE), Intangible Assets, Investment Property, on the date of transition of First-time Adoption of Indian Accounting Standards.

Ind AS 101 provides an entity an option to use carrying values of all assets as on the date of transition in accordance with previous GAAP as an acceptable starting point under Ind AS

Reasons
The existing Indian notified Accounting Standards are not significantly different from IFRS as all the standards have been based on IFRS. It will minimise the cost of convergence.

B.Carve-outs for specific industries

1. Ind AS 18, *Revenue*

As per IFRS
On the basis of principles of the IAS 18, IFRIC 15 on *Agreement for Construction of Real Estate,* prescribes that construction of real estate should be treated as sale of goods and revenue should be recognised when the entity has transferred significant risks and rewards of ownership and has retained neither continuing managerial involvement nor effective control.

Carve out
IFRIC 15 has not been included in Ind AS 18, *Revenue*. Such agreements have been scoped out from Ind AS 18 and have been included in Ind AS 11, *Construction Contracts*.

Reasons
(i) IFRIC 15, would have required the real estate developers to recognise the revenue in their financial statements based on the completion method i.e., only in the last year of the completion of the project. In that case, the profit and loss account of the developers will not truly reflect the performance of the business, as during the years the real estate project continues, no revenue will be recognised. In other words, profit and loss account will not reflect proper measure of performance of business.

(ii) Some countries such as Malaysia have also decided not to apply IFRIC 15 for the time being. Similarly, while Singapore has decided to issue IFRIC 15, it has provided specific guidance in the context of legal situations prevailing in that country.

2. Ind AS 18, *Revenue*

Carve out
A footnote has been added in paragraph 1 to Ind AS 18, *Revenue,* that for rate regulated entities, this standard shall stand modified, where and to the extent the recognition and measurement of revenue of such entities is affected by recognition and measurement of regulatory assets/liabilities as per the Guidance Note on the subject being issued by the Institute of Chartered Accountants of India.

Reason
Rate regulated entities such as electricity companies are subject to tariff fixation by the relevant authorities. Tariff is fixed on the basis of certain costs which are different from the expenses recognised in financial statements. Such differences may result into certain regulatory assets and regulatory liabilities which are presently not recognised as per the IFRS. Such entities feel that such assets and liabilities exist and, therefore, should be recognised in financial statements. IASB had earlier taken up a project on this subject which has been dropped from its Agenda. ICAI is developing a Guidance Note on the subject.

3. Indian Accounting Standard on *Agriculture* (Corresponding to IAS 41)

As per IFRS
IAS 41, *Agriculture*, requires measurement of biological assets, viz., living animals and plants at fair value and recognising gains and losses arising on such measurement in profit or loss, unless ascertainment of fair value is unreliable.

Carve out
It has been decided to revise the Standard and not to issue the standard as it is.

Reasons
(i) There is difficulty in identifying the attributes of biological assets, the cost of fair valuation, and high volatility of significant qualitative factors (not within the control of the entity) leads to greater subjectivity in estimating fair value.

(ii) The quoted market price for bearer biological assets (e.g. long-term assets that produce each year such as tea, coffee, rubber and palm oil trees) is not easily available, since these are not traded in the open market.

(iii) Present value (PV) method is to be adopted for estimating fair value of biological assets such as forests. Making appropriate estimates of future price and costs levels are key factors for a reliable fair value measurement of standing forests. Due to the long-term nature of the period of cash flows, small fluctuations in the assumptions may have a significant effect on the calculated fair value.

(iv) Fair value of biological assets may not be relevant because most plantations are rarely sold. Fair valuation may give the impression that the value of the company increases when in reality nothing has changed.

(v) Considering the high volatility of prices for the end products, the fair value adopted as cost as per IAS 41, may result in very significant impact on the profitability of the companies.

III Other major changes in Indian Accounting Standards vis-a-vis IFRSs not resulting in carve-outs

1. Ind AS 1, *Presentation of Financial Statements*

1. With regard to preparation of Statement of profit and loss, IAS 1, *Presentation of Financial Statements*, provides an option either to follow the single statement approach or to follow the two statement approach. While in the single statement approach, all items of income and expense are recognised in the statement of profit and loss, in the two statements approach, two statements are prepared, one displaying components of profit or loss (separate income statement) and the other beginning with profit or loss and displaying components of other comprehensive income. Ind AS 1 allows only the single statement approach.
2. IAS 1 requires preparation of a Statement of Changes in Equity as a separate statement. Ind AS 1 requires the Statement of Changes in Equity to be shown as a part of the balance sheet.
3. IAS 1 gives the option to individual entities to follow different terminology for the titles of financial statements. Ind AS 1 is changed to remove alternatives by giving one terminology to be used by all entities.
4. IAS 1 permits the periodicity, for example, of 52 weeks for preparation of financial statements. Ind AS 1 does not permit it.
5. IAS 1 requires an entity to present an analysis of expenses recognised in profit or loss using a classification based on either their nature or their function within the equity. Ind AS 1 requires only nature-wise classification of expenses.
6. IAS 1 contains Implementation Guidance. Ind AS 1 does not include the same because various enactments have prescribed formats, e.g., Schedule VI to the Companies Act, 1956.

2. Ind AS 7, *Statement of Cash Flows*

1. In case of other than financial entities, IAS 7 gives an option to classify the interest paid and interest and dividends received as item of operating cash flows. Ind AS 7 does not provide such an option and requires these items to be classified as items of financing activity and investing activity, respectively.
2. IAS 7 gives an option to classify the dividend paid as an item of operating activity. However, Ind AS 7 requires it to be classified as a part of financing activity only.

3. Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*

Ind AS 8 has been amended to provide that in absence of specific Ind AS on the subject, management may also first consider the most recent pronouncements of International Accounting Standards Board and in absence thereof those of the other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature and accepted industry practices.

4. Ind AS 16, *Property, Plant and Equipment*

Language of paragraph 8 has been changed to clarify more precisely that *'servicing equipment'* also qualifies as property, plant and equipment when an entity expects to use them during more than one period.

5. Ind AS 19, *Employee Benefits*

1. According to Ind AS 19 the rate to be used to discount post-employment benefit obligation shall be determined by reference to the market yields on government bonds, whereas under IAS 19, the government bonds can be used only where there is no deep market of high quality corporate bonds.
2. To illustrate treatment of gratuity subject to ceiling under Indian Gratuity Rules, an example has been added in Ind AS 19.
3. IAS 19 permits various options for treatment of

actuarial gains and losses for post- employment defined benefit plans whereas Ind AS 19 requires recognition of the same in other comprehensive income, both for post-employment defined benefit plans and other long-term employment benefit plans. The actuarial gains recognised in other comprehensive income should be recognised immediately in retained earnings and should not be reclassified to profit or loss in a subsequent period.

6. Ind AS 20, *Accounting for Government Grants and Disclosure of Government Assistance*

1. IAS 20 gives an option to measure non-monetary government grants either at their fair value or at nominal value. Ind AS 20 requires measurement of such grants only at their fair value. Thus, the option to measure these grants at nominal value is not available under Ind AS 20.
2. IAS 20 gives an option to present the grants related to assets, including non-monetary grants at fair value in the balance sheet either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset. Ind AS 20 requires presentation of such grants in balance sheet only by setting up the grant as deferred income. Thus, the option to present such grants by deduction of the grant in arriving at the carrying amount of the asset is not available under Ind AS 20.

7. Ind AS 21, *The Effects of Changes in Foreign Exchange Rates*

1. When there is a change in functional currency of either the reporting currency or a significant foreign operation, IAS 21 requires disclosure of that fact and the reason for the change in functional currency. Ind AS 21 requires an additional disclosure of the date of change in functional currency.
2. The following examples have been included in Ind AS 21, *The Effects of Changes in Foreign Exchange Rates*, as Appendix B:
   1) An example to clarify the provisions of paragraph 14.
   2) An example to clarify impairment loss in Paragraph 25.
   3) An example to clarify paragraphs 33 and 37.
   4) The date of change of functional currency should also be disclosed in paragraph 57.

8. Ind AS 23, *Borrowing Costs*

IAS 23 provides no guidance as to how the adjust-ment prescribed in paragraph 6(e) is to be deter-mined. Ind AS 23 provides guidance in this regard.

9. Ind AS 24, *Related Party Disclosures*

1. In Ind AS 24, disclosures which conflict with confidentiality requirements of statute/regulations are not required to be made since Accounting Standards cannot override legal/regulatory requirements.
2. Paragraph 24A (reproduced below) has been included in the Ind AS 24. It provides additional clarificatory guidance regarding aggregation of transactions for disclosure.
   "24A Disclosure of details of particular transactions with individual related parties would frequently be too voluminous to be easily understood. Accordingly, items of a similar nature may be disclosed in aggregate by type of related party. However, this is not done in such a way as to obscure the importance of significant transactions. Hence, purchases or sales of goods are not aggregated with purchases or sales of fixed assets. Nor a material related party transaction with an individual party is clubbed in an aggregated disclosure."
3. In the definition of the ***'close members of the family of a person'***, relatives as specified under the meaning of 'relative' under the Companies Act, 1956, has been included.

10. Ind AS 27, *Consolidated and Separate Financial Statements*

1. Paragraphs 8, 10 and 42 have been deleted and paragraphs 9, 11, 39 and 43 have been modified as the applicability or exemptions to the Indian Accounting Standards is governed by the Companies Act and the Rules made thereunder.
2. A sentence has been added in paragraph 9 of Ind AS 27, *Consolidated and Separate Financial Statements* requiring that for companies the form of consolidated financial statements as given in Appendix C to this standard shall be applied to the extent circumstances admit.

11. Ind AS 29, *Financial Reporting in Hyperinflationary Economies*

Ind AS 29 requires an additional disclosure regarding the duration of the hyperinflationary situation existing in the economy.

12. Ind AS 33, *Earnings per Share*

1. IAS 33 provides that when an entity presents both consolidated financial statements and separate financial statements, it may give EPS related information in consolidated financial statements only, whereas, the Ind AS 33 requires EPS related

information to be disclosed both in consolidated financial statements and separate financial statements.

2. Paragraph 2 of IAS 33 requires that the entire standard applies to :
   (a) the separate or individual financial statements of an entity:
      (i) whose ordinary shares or potential ordinary shares are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets) or
      (ii) that files, or is in the process of filing, its financial statements with a Securities Regulator or other regulatory organisation for the purpose of issuing ordinary shares in a public market; and

   (b) the consolidated financial statements of a group with a parent:
      (i) whose ordinary shares or potential ordinary shares are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets) or
      (ii) that files, or is in the process of filing, its financial statements with a Securities Regulator or other regulatory organisation for the purpose of issuing ordinary shares in a public market.

   It also requires that an entity that discloses earnings per share shall calculate and disclose earnings per share in accordance with this Standard.

   The above have been deleted in the Ind AS as the applicability or exemptions to the Indian Accounting Standards is governed by the Companies Act and the Rules made there under.

3. Paragraph 4 has been modified in Ind AS 33 to clarify that an entity shall not present in separate financial statements, earnings per share based on the information given in consolidated financial statements, besides requiring as in IAS 33, that earnings per share based on the information given in separate financial statements shall not be presented in the consolidated financial statements.

4. In Ind AS 33, a paragraph has been added after paragraph 12 on the following lines -

   "Where any item of income or expense which is otherwise required to be recognised in profit or loss in accordance with accounting standards is debited or credited to securities premium account/ other reserves, the amount in respect thereof shall be deducted from profit or loss from continuing operations for the purpose of calculating basic earnings per share."

5. In Ind AS 33 paragraph 15 has been amended by adding the phrase, **'irrespective of whether such discount or premium is debited or credited to securities premium account'** to further clarify that such discount or premium shall also be amortised to retained earnings.

13. Ind AS 34, *Interim Financial Reporting*

A footnote has been added to paragraph 1of Ind AS 34, *Interim Financial Reporting* that Unaudited Financial Results required to be prepared and presented under Clause 41 of Listing Agreement with stock exchanges is not an 'Interim Financial Report' as defined in paragraph 4 of this Standard.

14. Ind AS 40, *Investment Property*

IAS 40 permits both cost model and fair value model (except in some situations) for measurement of investment properties after initial recognition. Ind AS 40 permits only the cost model.

15. Ind AS 101 *First-time Adoption of Indian Accounting Standards*

1. Paragraph 3 of Ind AS 101 specifies that an entity's first Ind AS financial statements are the first annual financial statements in which the entity adopts Ind ASs in accordance with Ind ASs notified under the Companies Act, 1956 whereas IFRS 1 provides various examples of first IFRS financial statements.
2. Paragraph 4 of IFRS 1 provides various examples of instances when an entity does not apply this IFRS. Ind AS 101 does not provide the same.
3. IFRS 1 requires specific disclosures if the entity provides non-IFRS comparative information and historical summaries. Such disclosures are not required under Ind AS 101.

16. Ind AS 103, *Business Combinations*

IFRS 3 excludes from its scope business combinations of entities under common control. Appendix C of Ind AS 103 gives guidance in this regard.

Notes:

1. Differences between Indian Accounting Standards (Ind-ASs) and corresponding IFRSs are given in Appendix 1 at the end of each Indian Accounting Standard.
2. Apart from the changes in IFRSs as a result of carve-outs and other changes as described in above section, changes consequential thereto have also been made in all Ind ASs, wherever required.

IV. Comparison of IFRS as applicable on 1st April 2011 with Ind AS, placed at MCA's website

S No.	IFRS /IAS No.	Corresponding Indian Accounting Standard	Name
1.	IAS 1	Ind AS 1	*Presentation of Financial Statements*
2.	IAS 2	Ind AS 2	*Inventories*
3.	IAS 7	Ind AS 7	*Statement of Cash Flows*
4.	IAS 8	Ind AS 8	*Accounting Policies, Changes in Accounting Estimates and Errors*
5.	IAS 10	Ind AS 10	*Events after the Reporting Period*
6.	IAS 11	Ind AS 11	*Construction Contracts*
7.	IAS 12	Ind AS 12	*Income Taxes*
8.	IAS 16	Ind AS 16	*Property, Plant and Equipment*
9.	IAS 17	Ind AS 17	*Leases*
10.	IAS 18	Ind AS 18	*Revenue*
11.	IAS 19	Ind AS 19	*Employee Benefits*
12.	IAS 20	Ind AS 20	*Accounting for Government Grants and Disclosure of Government Assistance*
13.	IAS 21	Ind AS 21	*The Effects of Changes in Foreign Exchange Rates*
14.	IAS 23	Ind AS 23	*Borrowing Costs*
15.	IAS 24	Ind AS 24	*Related Party Disclosures*
16.	IAS 26	*	*Accounting and Reporting by Retirement Benefit Plans*
17.	IAS 27	Ind AS 27	*Consolidated and Separate Financial Statements*
18.	IAS 28	Ind AS 28	*Investments in Associates*
19.	IAS 29	Ind AS 29	*Financial Reporting in Hyperinflationary Economies*
20.	IAS 31	Ind AS 31	*Interests in Joint Ventures*
21.	IAS 32	Ind AS 32	*Financial Instruments: Presentation*
22.	IAS 33	Ind AS 33	*Earnings per Share*
23.	IAS 34	Ind AS 34	*Interim Financial Reporting*
24.	IAS 36	Ind AS 36	*Impairment of Assets*
25.	IAS 37	Ind AS 37	*Provisions, Contingent Liabilities and Contingent Assets*
26.	IAS 38	Ind AS 38	*Intangible Assets*
27.	IAS 39	Ind AS 39	*Financial Instruments: Recognition and Measurement*
28.	IAS 40	Ind AS 41	*Investment Property*
29.	IAS 41	**	*Agriculture*
30.	IFRS 1	Ind AS 101	*First-time Adoption of Indian Accounting Standards*
31.	IFRS 2	Ind AS 102	*Share based Payment*
32.	IFRS 3	Ind AS 103	*Business Combinations*
33.	IFRS 4	Ind AS 104	*Insurance Contracts*
34.	IFRS 5	Ind AS 105	*Non current Assets Held for Sale and Discontinued Operations*
35.	IFRS 6	Ind AS 106	*Exploration for and Evaluation of Mineral Resources*
36.	IFRS 7	Ind AS 107	*Financial Instruments: Disclosures*
37.	IFRS 8	Ind AS 108	*Operating Segments*
38.	IFRS 9	***	*Financial Instruments*

* Ind AS corresponding to IAS 26 *Accounting and Reporting by Retirement Benefit Plans* has not been placed on MCA's website as this standard is not applicable to companies

** Ind AS corresponding to IAS 41, *Agriculture,* is being redrafted.

*** It has been decided that Ind AS corresponding to IFRS 9, *Financial Instruments,* should not be issued since it was felt that it was incomplete; instead of this standard, Ind AS 39 has been issued.

Comparison of IFRICs/SICs as applicable on 1st April 2011 with corresponding Appendices to Ind ASs

S No.	IFRIC/SIC No.	Corresponding Appendix included in Ind AS	IFRIC/SIC
1.	IFRIC 1	Appendix A to Ind AS 16	Changes in Existing Decommissioning, Restoration and Similar Liabilities
2.	IFRIC 2	#	Members' Shares in Co operative Entities and Similar Instruments
3.	IFRIC 4	Appendix C to Ind AS 17	Determining whether an Arrangement contains a Lease
4.	IFRIC 5	Appendix A to Ind AS 37	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
5.	IFRIC 6	Appendix B to Ind AS 37	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment
6.	IFRIC 7	Appendix A to Ind AS 29	Applying the Restatement Approach under Ind AS 29 Financial Reporting in Hyperinflationary Economies
7.	IFRIC 9	Appendix C to Ind AS 39	Reassessment of Embedded Derivatives
8.	IFRIC 10	Appendix A to Ind AS 34	Interim Financial Reporting and Impairment
9.	IFRIC 12	Appendix A to Ind AS 11	Service Concession Arrangements
10.	IFRIC 13	Appendix B to Ind AS 18	Customer Loyalty Programmes
11.	IFRIC 14	Appendix A to Ind AS 19	Ind AS 19— The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
12.	IFRIC 15	##	Agreements for the Construction of Real Estate
13.	IFRIC 16	Appendix D to Ind AS 39	Hedges of a Net Investment in a Foreign Operation
14.	IFRIC 17	Appendix A to Ind AS 10	Distributions of Non-cash Assets to Owners
15.	IFRIC 18	Appendix C to Ind AS 18	Transfers of Assets from Customers
16.	IFRIC 19	Appendix A to Ind AS 32	Extinguishing Financial Liabilities with Equity Instruments
17.	SIC-7	###	Introduction of Euro
18.	SIC-10	Appendix A to Ind AS 20	Government Assistance—No Specific Relation to Operating Activities
19.	SIC-12	Appendix A to Ind AS 27	Consolidation—Special Purpose Entities
20.	SIC-13	Appendix A to Ind AS 31	Jointly Controlled Entities— Non-Monetary Contributions by Venturers
21.	SIC-15	Appendix A to Ind AS 17	Operating Leases—Incentives
22.	SIC- 21	Appendix A to Ind AS 12	Income Taxes—Recovery of Revalued Non-Depreciable Assets
23.	SIC-25	Appendix B to Ind AS 12	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders
24.	SIC-27	Appendix B to Ind AS 17	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
25.	SIC-29	Appendix B to Ind AS 11	Service Concession Arrangements: Disclosures
26.	SIC-31	Appendix A to Ind AS 18	Revenue—Barter Transactions Involving Advertising Services
27.	SIC-32	Appendix A to Ind AS 38	Intangible Assets—Web Site Costs

Appendix corresponding to IFRIC 2 is not issued as it is not relevant for the companies

On the basis of principles of the IAS 18, IFRIC 15 on Agreement for Construction of Real Estate prescribes that construction of real estate should be treated as sale of goods and revenue should be recognised when the entity has transferred significant risks and rewards of ownership and retained neither continuing managerial involvement nor effective control. IFRIC 15 has not been included in Ind AS 18 to scope out such agreements and to include the same in Ind AS 11, *Construction Contracts*

Appendix corresponding to SIC 7 is not issued as it is not relevant in the Indian context.

Certificate Courses Offered by ICAI

In order to empower our members and facilitate them with contemporary advanced and professional knowledge and skills, we have started many certificate courses towards the post-qualification skill development of our members. Following are the certificate courses that have been launched by different Committees of the Institute for our members to enable them to keep up with the constantly emerging demands of the globalised market and to enhance their knowledge as well as competency:

Certificate Course on Arbitration

The Committee on Economic, Commercial Laws & WTO of the Institute offers a six-day Certificate Course on Arbitration to familiarise the members with the relevant laws which impact the arbitration process and the practical procedural aspects to position them as multidisciplinary consultants in the global service market. The members who undergo the course successfully and pass the evaluation test are awarded the Certificate of Participation, 20 CPE Credit hours and their names are included in the ICAI Panel of Arbitrators hosted at the www.icai.org. The course is of 40 hours spread over six days.
Contact: +91-11-30110499
E-mail: cecl@icai.in ; ctlwto@icai.in

Certificate Course on Derivatives

The Committee on Financial Markets and Investors' Protection offers an eight-day Certificate Course on Derivatives. The course covers financial derivatives such as forward contracts, futures contracts, options, swaps and other recently introduced derivatives. The course objective is to enable candidates to have a detailed understanding of derivatives and their relationships with the underlying assets, to enable them to use these instruments in a wide range of hedging, trading and arbitrage purposes; etc. It follows pragmatic approach and discusses both the derivative markets and the derivative products and their use. The emphasis is on the successful execution of financial strategies using derivatives as product. The Course is spread over eight days (40 to 50 hrs). Classes will be on weekends.
Contact: +91-120-3045905/945
E-mail: cfmip@icai.org

Certificate Course on Enterprise Risk Management (ERM)

The Internal Audit Standards Board of the Institute offers a five-week Certificate Course on Enterprise Risk Management to facilitate the members with the contemporary, advanced and professional level knowledge regarding enterprise risk management systems. The Board decided to start the new batches of the Certificate Course on Enterprise Risk Management at Delhi, Mumbai, Chennai, Kolkata, Hyderabad (Residential Course at Centre of Excellence). The course is of 200 hours spread over a five week/six class room, divided as: self-study: 100 hours, classroom teaching: 50 hours, e-learning: 20 hours, and case-study preparation and presentation: 30 hours.
Contact: 0120-3045949.
Email: cia@icai.org

Certificate Course on Forensic Accounting and Fraud Detection using IT and CAATs

The Committee on Information Technology of the Institute offers a 100-hour Certificate Course on Forensic Accounting and Fraud Detection, using IT and CAATs, which is in increasing demand considering rising incidents of cyber crimes and frauds. It is about a practice of utilising accounting, auditing, CAATs/data-mining tools, and investigative skills to detect fraud/ mistakes. Learning outcomes are assessment of the damages, fact finding to see whether fraud/embezzlement has taken place, collection of evidences, and investigating and analysing financial evidences. The Course duration is 100 hours spread over six weekends. The CPE credit of 20 hours will be given to the member-participants.
Contact: +91-11-3210621/619
E-mail: cc.fafd@icai.in

Certificate Course on Forex and Treasury Management

The Committee on Financial Markets and Investors' Protection offers a four-month Certificate Course on Forex and Treasury Management which covers foreign exchange market, money market, bond market operations and related financial products. It therefore analyses the international finance environment within which banks, other intermediaries and companies operate and how it affects their operations in treasury. The course examines alternative strategies and techniques that can be employed to manage the risks associated with international business transactions and other treasury operations. It also provides an overview of the structure and key functions of the treasury to enable in developing skill sets which would be required for making sound financial decisions

in an international context. Next batches of the course are starting at Delhi and Mumbai from 16th July, 2011 and 23rd July, 2011 respectively
Contact: +91-120-3045905/945
E-mail: cfmip@icai.org

Certificate Course on Indirect Taxes

Appreciating the increasing complexities and the changing facade of the indirect taxes, a Certificate Course on Indirect Taxes is being launched by the Indirect Taxes Committee for the members, which would facilitate them in the industry as well in practice to acquire specialised knowledge and keep themselves updated. Indirect Taxes constitute more than 60 per cent of the government revenue. Typically, each type of indirect tax is governed by its own Statutes, Rules and Procedures. Each one of these has its own peculiarities, complexities and disputes. Additionally, there are several instances of overlaps between the central and state taxes of service tax and VAT. Regular changes in these laws have rendered it necessary for members to continuously update themselves. The first batch of the course will be organised at Bangalore from 9th July, 2011.
Contact: +91-120-3045906
E-mail: idtc@icai.org

Certificate Course on Internal Audit

The Internal Audit Standards Board of the Institute has proposed to launch the Certificate Course on Internal Audit. Internal Audit has been a core competence area of chartered accountants. Chartered Accountants have created a niche of their own in multi disciplinary internal audit teams. To maintain that niche, it would be necessary for them to periodically assess their knowledge, skill up gradation requirements and undertaking such upgradation at the earliest. This course not only aimed disseminating the technical developments among the members, but also at providing practical implementation guidance to them. The modalities of the course are being worked out and the dates and location of the course, as and when finalised, would be hosted on the Institute's website very soon.
Contact: +91-120-3045949
E-mail: cia@icai.org

Certificate Course on International Taxation

The Committee on International Taxation of the Institute offers a Certificate Course on International Taxation which is designed to provide a visible means of having acquired specialised knowledge in all aspects of the international taxation. As far as possible the emphasis is on a problem-solving approach to assist management decision-making and managing the practice of international taxation. The course aims at enhancing the knowledge as well as competency level of the members of the Institute to enable them to compete in the global market. It also recognises the need of practical exposure along with theoretical knowledge and provides workshop sessions of 100 hours.
Contact: +91-120-3045923/ +91-9310532063
E-mail: citax@icai.org

Certificate Course on Master in Business Finance

The Committee on Management Accounting conducts a one-year Certificate Course on Master in Business Finance which aims at providing advanced knowledge and skills on different specialised areas of Business Finance like Capital Market, Investment Banking, Fund Raising and Fund Management, Corporate Valuation, Merger & Acquisition, Banking, Forex Market, Treasury Management, Risk Management, etc. The course duration is approximately one year. Classes will be held in Delhi and Mumbai on second and fourth Saturdays (2 p.m. to 8 p.m.) and Sundays (9 a.m. – 2 p.m.). Further, there will be two week long residential programmes at the Centre of Excellence in Hyderabad, and the classes are likely to commence in the second week of July 2011.
Contact: +91-120-3045905/+91-9350799912/+91-9350799927
E-mail: cma@icai.in , cma@icai.org

Certificate Course on Valuation

The Corporate Laws and Corporate Governance Committee of the Institute offers a seven-day Certificate Course on Valuation to enable our members to gain acumen, expertise and in-depth knowledge on various methods of valuation, empower them with the technical skills as well as analytical and decision-making discretion in the valuation job, to provide thorough knowledge of the global best practices as well as procedural and documentation aspects of the valuation job and to provide expertise on the legal and regulatory framework of the valuation job in the cross-border transactions. The Course currently organised at four major metros is being extended to tier-II cities. The role of valuers is to provide fair value of assets/liabilities to enable the client to make appropriate decisions in a compatible fashion. Its relevance is universal in both developed and emerging economies. Details regarding the commencement of fresh batches will be hosted at the Institute's website. The course is spread over seven full-day held on fortnight basis on Saturdays and Sundays between 10 a.m. to 5 p.m.
Contact: +91-120-3045969, +91-9350799929
E-mail: valuation@icai.org

For other details including aims, objectives and detailed course structure on any of the Certificate Courses offered by the Institute, please visit the website: http://www.icai.org/new_post.html?post_id=3581.

Know Your Ethics*

Ethical Issues in Question-Answer Form

Q. Can a Chartered Accountant advertise his professional attainments or services?

A. Yes, after the 2006 amendment of the CA Act, a proviso has been inserted in Clause (7) of Part-I of the First Schedule as an exception to the provision of the Clause, which says that a member in practice may advertise through a write- up setting out the services provided by him or his firm and particulars of his firm subject to such guidelines as may be issued by the Council. Thus, this is an exception to the provision of Clause (7), which says that a member shall be deemed to be guilty of professional misconduct, if he advertises his professional attainments or services. Here the attention is drawn to the Clause (6) of the Part-I of the First Schedule which says that if Chartered Accountant solicits clients or professional work either directly or indirectly by circular, advertisement, personal communication or interview or by any other means it would be treated as professional misconduct. So if proviso to Clause (7) and wordings of Clause (6) are compared, it appears that an impossible situation is created since Clause (6) prohibits advertisement and Clause (7) allows advertisement. However, there is no contradiction as in Clause (6) only the advertisement for soliciting of clients or professional work is prohibited. Thus other advertisements which do not solicit clients or professional work are not covered under this Clause. Whereas, Clause (7) prohibits Chartered Accountant from advertising his professional attainments or services, but the proviso permits to advertise through a write- up setting out the services provided by him or his firm and particulars of his firm subject to such Guidelines as may be issued by the Council. Thus advertisement, in a limited way through a write –up, as per the Council Guidelines and not soliciting of clients or professional work is permitted. The Advertisement Guidelines of the Council (refer pages 309- 312 of the Code of Ethics, 2009) are as under:-

GUIDELINES FOR ADVERTISEMENT FOR THE MEMBERS IN PRACTICE

ICAI Guidelines No.1-CA(7)/Council Guidelines/01/2008, dated 14th May,2008

(Issued Pursuant to Clause (7) of Part I of the First Schedule to the Chartered Accountants Act, 1949.)

The Members may advertise through a write up setting out their particulars or of their firms and services provided by them subject to the following Guidelines and must be presented in such a manner as to maintain the profession's good reputation, dignity and its ability to serve the public interest.

1. The Member(s)/Firm(s) should ensure that the contents of the Write up are true to the best of their knowledge and belief and are in conformity with these Guidelines and be aware that the Institute of Chartered Accountants of India does not own any responsibility whatsoever for such contents or claims by the Writer Member(s)/ Firm(s).

2. Definitions

   For the purpose of these Guidelines:

   (i) The "Act" means The Chartered Accountants Act, 1949.

   (ii) "Institute" means the Institute of Chartered Accountants of India.

   (iii) "write up" means the writing of particulars according to the information given in the Guidelines setting out services rendered by the Members or firms and any writing or display of the particulars of the Member(s) in Practice or of firm(s) issued, circulated or published by way of print or electronic mode or otherwise including in newspapers, journals, magazines and websites (in Push as well in Pull mode) in accordance with the Guidelines.

   (The terms not defined herein have the same meaning as assigned to them in the Chartered Accountants Act, 1949 and the Rules, Regulations and Guidelines made there under.)

3. The write-up may include only the following information:

(A) For Members

   (i) Name .... Chartered Accountant
   (ii) Membership No. with Institute
   (iii) Age
   (iv) Date of becoming ACA
   (v) Date of becoming FCA
   (vi) Date from which COP held
   (vii) Recognised qualifications
   (viii) Languages known
   (ix) Telephone/Mobile/Fax No.

* Contributed by the Ethical Standards Board of the ICAI

(x) Professional Address
(xi) Web
(xii) E-mail
(xiii) C A Logo
(xiv) Passport size photograph
(xv) Details of Employees (Nos. -)
 (a) Chartered Accountants -
 (b) Other Professionals –
 (c) Articles/Audit Assistants
 (d) Other Employees
(xvi) Names of the employees and their particulars on the lines allowed for a member as stated above.
(xvii) Services provided
 (a) ……………………………
 (b) ……………………………
 (c) ……………………………

(B) For Firms
(i) Name of the Firm …………………… Chartered Accountants
(ii) Firm Registration No. with Institute
(iii) Year of establishment.
(iv) Professional Address(s)
(v) Working Hours
(vi) Tel. No(s)/Mobile No./Fax No(s)
(vii) Web address
(viii) E-mail
(ix) No. of partners
(x) Name of the proprietor/partners and their particulars on the lines allowed for a member as stated above including passport size photograph.
(xi) CA Logo
(xii) Details of Employees (Nos. -)
 (a) Chartered Accountants -
 (b) Other professionals –
 (c) Articles/Audit Assistants
 (d) Other employees
(xiii) Names of the employees of the firm and their particulars on the lines allowed for a member as stated above.
(xiv) Services provided:
 (a) ……………………………
 (b) ……………………………
 (c) ……………………………

The write-up may have the Signature, Name of the Member/ Name of the Partner signing on behalf of the firm, Place and Date.

4. Other Conditions
(i) The write-up should not be false or misleading and bring the profession into disrepute.
(ii) The write-up should not claim superiority over any other Member(s)/Firm(s).
(iii) The write-up should not be indecent, sensational or otherwise of such nature which may likely to bring the profession into disrepute.
(iv) The write-up should not contain testimonials or endorsements concerning Member(s).
(v) The write-up should not contain any other representation(s) that may like to cause a person to misunderstand and/or to be deceived.
(vi) The write-up should not violate the provisions of the 'Act', Rules made there under and 'The Chartered Accountants Regulations, 1988'.
(vii) The write-up should not include the names of the clients (both past and present)
(viii) The write-up should not be of font size exceeding 14.
(ix) The write-up should not contain any information other than stated in Para 3 hereinabove.
(x) The write-up should not contain any information about achievements/award or any other position held.
(xi) The particulars of information required at para (ii) of 3(A) and para (ii) of 3(B) above is mandatory. ■

Corrigendum

In the answer of the question "*Whether a member can act as insurance agent and arrange business for the Insurance Companies?'* published in the May, 2011 issue at page 53 , the words *"No, a member is not permitted to render Insurance Financial Advisory Services."* may be read as *"No, a member is permitted to render Insurance Financial Advisory Services only "*. The inconvenience is regretted.

Legal Decisions[1]

DIRECT TAXES

Section 147 of the Income-tax Act, 1961 – Income Escaping Assessment

Case being one where notice was issued beyond a period of 8 years, but within a period of 16 years, satisfaction of Board that it is a fit case for issue of notice is a prerequisite;, where a record stamp endorsement was made without assigning any reason and it was signed by under Secretary, satisfaction suffered from non-application of mind and would not meet perquisite condition for issuing notice beyond 8 years [Assessment Year 1965-66]

The Central India Electric Supply Co. Ltd. v. Income Tax Officer, January 28, 2011 (DEL)

Where the notice was issued beyond a period of 8 years, but within a period of 16 years, the satisfaction of the Board stating that it is a fit case for issue of such notice, is a prerequisite.

The satisfaction was stated to be contained in a proforma where against the column as to 'Whether the Board was satisfied of the reasons Recorded', an endorsement was made 'Yes. The Board is satisfied', which was signed by the Under Secretary and further this satisfaction was in the form of a rubber stamp and it was held that the endorsement suffered from non-application of mind apart from the fact that nothing had been placed on record to show that the Under Secretary had been authorised to record such satisfaction of the Board.

Rubber stamping of underlying material is hardly a process which can get the imprimatur of the Court as it suggests that the decision has been taken in a mechanical manner. The least, which is expected, is that an appropriate endorsement is made in this behalf setting out brief reasons. Reasons are the link between the material placed on record and the conclusion reached by an authority in respect of an issue, since they help in discerning the manner in which conclusion is reached by the concerned authority.

The 'rubber-stamp' reason given mechanically for the supersession of each officer does not amount to 'reasons for the proposed supersession'.

In Union of India v. M.L. Capoor AIR 1974 SC 87, the Supreme Court has held that the reasons are the links between the materials on which certain conclusions are based and the actual conclusions. They should disclose how the mind is applied to the subject matter for a decision whether it is purely administrative or quasi-judicial. They should reveal a rational nexus between the facts considered and the conclusions reached. Only in this way can opinions or decisions recorded be shown to be manifestly just and reasonable. Where this is absent, there has not been proper application of mind by the Board.

Section 148 of the Income-tax Act, 1961– Income Escaping Assessment – Issue of Notice

In matters of enhancement of compensation where none could contemplate in advance as to what would be fate of appeal proceedings and final picture emerged only when Supreme Court pronounced its judgment and on receipt of enhanced compensation, appellant disclosed same in its return, it was unjust to say that assessee had failed to disclose amounts in both returns originally filed [Assessment Year 1965-66]

The Central India Electric Supply Co. Ltd. v. Income Tax, January 28, 2011 (DEL)

Two units of the appellant-assessee company, engaged in the generation and supply of electricity, was acquired by the State Government in 1964. The compensation for compulsory acquisition was fixed. The assessment was completed at the behest of the assessee at a total loss of ₹56,611 for the assessment year 1965-66 which was not allowed to be carried forward due to closure of business. The appellant company made a claim for higher compensation for land. The matter was taken up to arbitrator, umpire, the High Court and the Supreme Court one by one. In 1985, the Supreme Court modified the Order of the High Court by reducing the amount of compensation awarded by the High Court.

The assessee received some payment in the previous year 1978-79. Since the amount of enhanced compensation was deposited by the assessee in a nationalised bank, the benefit of Section 54E was claimed by the assessee. The benefit of section 54E was not available in assessment year 1965-66. A notice under Section 148 of the IT Act was issued. The assessee filed its return in 1982 declaring a loss of ₹56,611 as assessed

[1] *Readers are invited to send their comments on the selection of cases and their utility at eboard@icai.org.*

originally on 13.01.1969. It was claimed by ITO that since income had accrued to the assessee company under the head of 'Long Term Capital Gains' (LTCG) on transfer of assets in respect of its two units, it was liable to tax in the same assessment year when the transfer took place and escaped assessment. The ITO found that the assessee failed to disclose the aforesaid amounts in both the returns filed on 07.10.1965 and 16.02.1967 and computed a sum of ₹8,91,746/- under Section 143(3) as the income chargeable to tax.

The High Court of Delhi held that the ITO did not have reason to believe that income chargeable to tax had escaped assessment. All the necessary facts were, in fact, set out and the factum of the litigation pending and reference to the Award formed a part of the Report of the Board of Directors, which was filed along with the returns. What would be the final compensation to be determined in the matter as the issue was *sub judice*. There had been modifications of the Awards by the Courts and the matter only culminated into a final quantification when the Supreme Court decided the matter.

The twin condition of the satisfaction of the ITO, i.e., (i) there must be a reason to believe that income chargeable to tax has escaped assessment; and (ii) the ITO must also have reason to believe that such escapement of income from assessment is by reason of omission or failure on the part of the assessee to disclose fully and truly material facts necessary for assessment of that year, have to be satisfied.

In the present case, there was no lack of disclosure by the assessee. This was, of course, apart from the fact that the assessee could hardly disclose as to what would be the compensation, which he might get ultimately if the plea of enhancement was sustained.

It is not the duty of the assessee to pin-point what inferences have to be drawn by the assessing authority as long as full, complete and truthful disclosure has been made of 'primary facts', which, in fact, was made in the present case. Thus, there was nothing, which was not set out, which ought to have been set out as the factum of appeal pending was disclosed.

There is no finality emerging in matters of enhancement of compensation as none of the parties could contemplate in advance as to what would be the fate of the appeal proceedings. The facts of the present case showed that the Award was interfered with in appeal and again by the Supreme Court. The final picture emerged only when the Supreme Court pronounced its judgment. On receipt of the enhancement compensation, the appellant disclosed the same in its return. That was the stage when enhanced compensation had to be included in the assessment year in question, which was done by the appellant. The appellant had made the relevant disclosure in the returns for the relevant assessment year when the enhanced compensation was received. The amount was invested by the appellant in Bonds, which entitled it to certain benefits in view of the provisions of Section 54E. Just because such benefit was available to the appellant for that year in question, which might not have been available for the assessment year 1965-66, could not be a reason for the assessing authority to re-open the assessment for the year 1965-66.

Therefore, the notice issued under section 148 was to be quashed.

Section 254 of the Income-tax Act, 1961 – Appellate Tribunal – Orders of

Where delay in disposal of relevant appeals is not attributable to assessee, Tribunal has power to extend stay beyond period of 365 even after insertion of Third proviso to section 254(2A) w.e.f. 1.10.2008 [Assessment Years 2000-01 to 2002-03]

Tata Communications Ltd. v. CIT, March 29, 2011 (ITAT-MUM) (SB)

As a result of dismissal of the appeal filed by the revenue and upholding of the order passed by the Tribunal, the question referred to in the case of Ronak Industries Ltd. (S.A.No. 137/M/09, dated 22-5-2009) has been answered by the Bombay High Court holding that the Tribunal even after the 2008 amendment has the power to grant the stay beyond the period of 365 days in the cases where the delay is not attributable to the assessee and this is the ratio which has been laid down in the said decision by the jurisdictional High Court, which is binding on this Special Bench.

Respectfully following the said decision of the Bombay High Court in the case of Ronak Industries Ltd., (supra), it was to be held that in the case like the one in hand where the delay in the disposal of the relevant appeals is not attributable to the assessee, the Tribunal has the power to extend the stay beyond the period of 365 even after the insertion of Third proviso to section 254(2A) w.e.f. 1.10.2008.

Section 255 of the Income-tax Act, 1961– Appellate Tribunal – Procedure of

When matter is referred to Special Bench, entire appeal is open before Special Bench and it is not confined only to question framed (e.g., a question of law framed) [Assessment Years 2000-01 to 2002-03]

Tata Communications Ltd. v. CIT, March 29, 2011 (ITAT-MUM) (SB)

In appeal, the Special Bench of Tribunal decided the question of law referred to it and thereafter proceeded to decide the case on merit. The revenue objected to it and argued that the Special Bench should be confined only to the question framed.

While constituting this Special Bench, the President, ITAT had not only referred the stay applications filed by the assessee but even the corresponding appeals pending before the Tribunal to the Special Bench with a liberty to either consider and decide only the question referred or even to dispose of the stay applications and the appeals. While constituting this Special Bench, the President, ITAT had passed a specific order whereby the stay applications had also been referred to the Special Bench for hearing and disposal.

The Tribunal held that even the provisions of section 255(3) specifically provides that the President, ITAT may for the disposal of any particular case constitute a special bench consisting of three or more members. The Delhi Special Bench of the ITAT in the case of National Thermal Power v. IAC, 24 ITD 1 held that the entire appeal, however, is open before the Special Bench and it is not confined to the question framed like a question of law framed and referred to the High Court under section 256. The special bench of the Tribunal at Mumbai in the case of ACIT v. DHL Operations, BV (2007) 13 SOT 581 held that section 255(3) further provides, inter alia, that the President, ITAT, may constitute a Special Bench for disposal of a particular case and it is, therefore, clear that it is the bench so formed which will exercise the powers of the Tribunal unless, of course, reference to the special bench itself restricts the powers of such a special bench, as may be expedient and necessary, to deal only with a limited aspect of the appeal. Keeping in view these two decisions of the special bench of this Tribunal, the provisions contained in section 255(3) and the order of the President, ITAT referring, inter alia, the stay applications filed by the assessee to the Special Bench, there is no merit in the objection raised by the Revenue. Overruling the same, the stay applications filed by the assessee in the present case could be decided on merits.

INDIRECT TAXES

Sales Tax

Entry IV(1)(a) of the Second Schedule to the Tamil Nadu General Sales Tax Act, 1959 – Condemned Articles

Where plants and machineries became condemned articles, sale of same would be liable to tax at 4 per cent, and not at 15 per cent plus surcharge

Commissioner of Commercial Taxes v. Chitrahar Traders, March 16, 2011 (SC)

Neyveli Lignite Corporation set up a plant to produce Leco, which is a form of lignite in the year 1965. The said plant, however, was having frequent breakdowns and was incurring huge losses. Consequently, an effort was made to upgrade the plant which, however, turned out to be a failure due to which the entire plant was closed down on 4.4.2001 as unviable. Thereafter the company proceeded to dispose of the entire plant and machinery as according to the company, the plant was of not marketable value and also because it had lost its use and outlived its utility and had no value except as scrap. The said company thereafter appointed MSTC, who is engaged in the business of scrap to arrange for disposal of condemned plant. The plant and machinery, which became scrap as obsolete and unviable, was sold through the process of e-auction and the respondent offered its bid which came to be accepted by the MSTC.

The dispute arose thereafter as to whether sales tax was leviable and payable on the said articles @ 4% as the plant and machinery was sought to be sold as scrap or whether the respondent was liable to pay sales tax @ 12% with 5% surcharge also.

The Supreme Court held that the agreement between Neyveli Lignite Corporation and MSTC clearly proved and established that what was sought to be sold was iron and steel scrap and rejected/condemned and obsolete secondary arisings, etc. What was being sold through the e- auction was scraps and secondary arisings. In the acceptance mentioned the goods sold as plant and machineries but it was also indicated therein that it was sale of plant and machineries as per the terms and conditions of the e- auction. Terms and conditions of e-auction indicated from the agreement indicated that what was being sold was scrap. The said position was also reiterated in the said acceptance letter when it referred to the total value of the scrap, in the clarification issued by the Department itself, at one stage. It was clearly mentioned that if the plant and machineries had been sold as scrap and the bidder was asked to dismantle and transport as scrap, such sales of scrap would be taxable @ 4% without surcharge.

There was yet another important factor which should not be lost sight of and that was using of explosives by the respondent for removing the aforesaid scrap from the premises in question. An application was submitted by the respondent to the District Collector for using explosives for the purpose of dismantling the machinery. The District Collector permitted the use of explosives consequent upon which machineries were dismantled by using the explosives and were transported out of the premises in trucks as steel scrap.

Further, the sale in question was also made by a public sector undertaking and the said sale was conducted for and on behalf of another public sector undertaking. The selling agent was also engaged in the business of metal scraps.

The sale has taken place after about 36 years of the purchase of the machineries and the affidavit of the Neyveli Lignite Corporation clearly proved and establishes that those machineries have become obsolete and the plant and machineries had become condemned articles. All these contemporaneous documents and factual position made it abundantly clear that what was sold and purchased by the respondent were nothing else but scrap and, therefore, there was no reason to interfere with the findings and conclusions arrived at by the Madras High Court, that sales tax was leviable @ 4 per cent.

OTHER ACTS

Banking Laws

Section 142 read with Section 138 of the Negotiable Instruments Act, 1881 – Cognizance of Offence

The law stands crystallised to the effect that a person can maintain a complaint provided he is either a "payee" or "holder in due course" of the cheque; where appellant failed to prove that he was sole proprietor of payee firm, he could not maintain complaint for dishonour of cheque due to insufficiency of fund

Milind Shripad Chandurkar v. Kalim M. Khan, March 3, 2011 (SC)

The proprietary firm Vijaya Automobiles had supplied a huge quantity of diesel to respondent no.1 who made the payment vide Cheque . The bank returned the said cheque mentioning "unpaid" with a Memorandum "funds are insufficient".

The Trial Court convicted the respondent no.1 to suffer simple imprisonment and to pay compensation. The Sessions Judge dismissed the appeal of the respondent no.1. However, the High Court allowed the appeal of the respondent no.1 only on the ground that the appellant could not produce any evidence to establish that he was the sole proprietor of the proprietary concern in question.

The Supreme Court held that the appellant/complainant could not produce any document to show that he was the proprietor of Vijaya Automobiles in spite of the fact that the issue had been agitated by the respondent no.1/accused at every stage. It is also evident from the documents on record that in the list of witnesses the complainant had mentioned the name of his banker as a witness; however, the said banker was not examined.

It may also be pertinent to mention here that appellant did not make any attempt to adduce additional evidence at the appellate stage also. No document has ever been filed to substantiate his averment in this regard.

In a case of this nature, where the "payee" is a company or a sole proprietary concern, such issue cannot be adjudicated upon taking any guidance from Section 142 but the case shall be governed by the general law i.e. the Companies Act, 1956 or by civil law where an individual carries on business in the name or style other than his own name. In such a situation, he can sue in his own name and not in trading name, though others can sue him in the trading name. So far as Section 142 is concerned, a complaint shall be maintainable in the name of the "payee", proprietary concern itself or in the name of the proprietor of the said concern.

The law stands crystallised to the effect that a person can maintain a complaint provided he is either a "payee" or "holder in due course" of the cheque.

In the instant case, it was evident that the firm, namely, Vijaya Automobiles, had been the payee and that the appellant could not claim to be the payee of the cheque, nor could he be the holder in due course, unless he establishes that the cheques had been issued to him or in his favour or that he was the sole proprietor of the concern and being so, he could also be payee himself and thus, entitled to make the complaint. The appellant miserably failed to prove any nexus or connection by adducing any evidence, whatsoever, worth the name with the said firm, namely, Vijaya Automobiles. Mere statement in the affidavit in this regard, was not sufficient to meet the requirement of law. The appellant failed to produce any documentary evidence to connect himself with the said firm. It was evident that the firm had a substantial amount of business as in one month it sold the diesel to respondent no. 1 - a single party, for a sum of ₹7 lakhs. The appellant would, in addition, have also been carrying out business with other persons. Thus, a person with such a big business must have had transactions with the bank and must have been a payee of income tax, sales tax etc. In such a fact-situation, there would be no dearth of material which could have been produced by the appellant to show that he was the sole proprietor of the said firm. The appellant failed to adduce any evidence in this regard, nor made any attempt to adduce any additional evidence at the appellate stage, in spite of the fact that the respondent was raising this issue from the initiation of the proceedings.

In view of the above, there was no cogent reason to interfere with the impugned judgment and order of the High Court.

Companies Act

Section 456 of the Companies Act, 1956 – Winding Up – Custody of Company's Properties

Ordinarily, Court is loathe to accept offer made by any bidder or a third party after acceptance of highest bid/offer given pursuant to an advertisement issued or an auction held by a public authority; however, in peculiar facts of a case, a departure from this rule can be made

Shradhha Aromatics (P.) Ltd. v. Official Liquidator of Global Arya Industries Ltd, May 24, 2011 (SC)

Ordinarily, the Court is loathe to accept the offer made by any bidder or a third party after acceptance of the highest bid/offer given pursuant to an advertisement issued or an auction held by a public authority. However, in the peculiar facts of the case, a departure from this rule can be made.

The total area of the land of the company-in-liquidation advertised by the committee was 12,500 square meters. The land was situated in an important district of Gujarat. The area had been substantially developed in last four years. The initial offer made by one P was of ₹83 lakhs and the highest revised offer given before the Company Judge was of ₹127 lakhs. After acceptance of the revised offer by the Company Judge, the appellant stepped in and made an offer to pay ₹141 lakhs. The first application filed by it was dismissed but the second application was allowed and the increased offer of ₹151 lakhs was accepted by the Company Judge. That order did not find favour with the Division Bench, which restored the first order passed by the Company Judge. On appeal before the Supreme Court, the appellant further enhanced its bid to Rs. 2 crores. At last, fresh bids were asked from parties and at that stage intervenor-cum-promoter offered Rs. 7.55 crores.

The Supreme Court held that if the order of the Division Bench was sustained, the creditors of the Company were bound to suffer because the amount available for repayment of the dues of the creditors would be a paltry sum of ₹127 lakhs. As against this, if the offer made by the intervenor-*cum*-promoter was accepted, the Official Liquidator would get an additional amount of more than ₹4.25 crores. The availability of such huge amount will certainly be in the interest of the creditors. Therefore, it was not possible to approve the order passed by the Division Bench of the High Court. In a somewhat similar case of *FCS Software Solutions Ltd. v. La Medical Devices Ltd.* [2008] 85 SCL 401 (SC) this Court approved the acceptance of revised bid of ₹3.5 crores given by the appellant with a direction to compensate the earlier highest bidder by payment of the specified amount. Similar order was to also to be passed in the instant case.

Section 456 read with section 621 of the Companies Act, 1956 – Winding Up – Custody of Company's Properties

Where sale proclamation was recalled on statement of the ex-director of company that there was no ascertained claim leave alone debt of a single bank, which was found to be a false and misleading statement, criminal contempt notice to be issued to ex-director under Contempt of Courts Act, 1971

Elephanta Oil & Vanaspati Industries Ltd, *In re*, February 2, 2011 (DEL)

The High Court issued a sale proclamation for property of respondent-company-in-liquidation as well as for plant and machinery installed in the said premises. Before the sale could be conducted, applications were filed by the ex-director of the company-in-liquidation. The sale proclamation was recalled upon conditions that the ex-director would deposit ₹1.15 crores with the official liquidator within two months. After the order was passed, the ex-director deposited only a sum of ₹25 lakhs and subsequently, prayed for some more time to deposit the remaining amount.

The Delhi High Court held that the sale proclamation was recalled on the false and misleading statement of the ex-director of the company that there was no ascertained claim leave alone debt of a single bank. Further, the order was recalled subject to the ex-director depositing not only ₹2 lakhs towards expenses incurred in publication but also depositing an amount of ₹1.5 crores within two months. Admittedly, since the deposit of ₹1.5 crores had not been made within the stipulated time and as the ex-director had already filed an application that he was unable to deposit the said amount, the order dated 27-5-2008 needed to be recalled forthwith.

The ex-director by filing application and by making false, misleading and mischievous statements and submissions before this Court had interfered with and/ or attempted to interfere with the administration of justice as well as prejudiced the due course of judicial proceeding in the present case. By his conduct, he had also scandalised and/or attempted to scandalise as well as lower the reputation of the Court. Accordingly, criminal contempt notice was to be issued to the ex-director under the Contempt of Courts Act, 1971.

Section 621 of the Companies Act, 1956 – Offences against act to be cognizable only on complaint by Registrar, Shareholders or Government

Where accused had not only duped bank, but on plea of purchase of machinery they had also availed of depreciation on machinery, which was never purchased and used by them, causing loss to exchequer, a serious economic offence against society, criminal proceedings could not be quashed; It was not a fit case for exercise of jurisdiction by the High Court under Section 482 of the Cr.P.C. as also by this Court under Article 142 of the Constitution of India.

Sushil Suri v. CBI, May 6, 2011 (SC)

The Company, the Executive Director of the Company along with others conceived a criminal conspiracy and executed it by forging and fabricating a number of documents, like photographs of old machines, purchase orders and invoices showing purchase of machinery in order to support their claim to avail hire purchase loan from Punjab and Sind Bank (PSB) on the strength of these false documents. PSB parted with the money by issuing pay orders and demand drafts in favour of the Company. The accused opened six fictitious accounts in different banks to encash the pay orders/bank drafts issued by PSB in favour of the suppliers of machines, thereby directly rotating back the loan amount to the borrower from these fictitious accounts, and in the process committed a systematic fraud on the PSB and obtained pecuniary advantage for themselves.

Additionally, by allegedly claiming depreciation on the new machinery, which was never purchased, on the basis of forged invoices etc., the accused cheated the public exchequer as well. As afore-stated, in the chargesheet, the accused were alleged to have committed offences punishable under Section 120B, read with Sections 420, 409, 468 and 471 IPC.

The Supreme Court held that at this preliminary stage of proceedings, it would neither be desirable nor proper to return a final finding as to whether the essential ingredients of the said sections are satisfied. For the purpose of the present appeal for admission of proceedings, it would be suffice to observe that on a conspectus of the factual scenario, *prima facie*, the Chargesheet had disclosed the commission of offences by the appellant under the afore-noted Sections. The essential ingredient of the offence of "criminal conspiracy", defined in Section 120A IPC, is the agreement to commit an offence. In a case where the agreement is for accomplishment of an act which by itself constitutes an offence, then in that event, unless the Statute so requires, no overt act is necessary to be proved by the prosecution because in such a fact-situation criminal conspiracy is established by proving such an agreement. In other words, where the conspiracy alleged is with regard to commission of a serious crime of the nature as contemplated in Section 120B read with the proviso to sub-section (2) of Section 120A IPC, then in that event mere proof of an agreement between the accused for commission of such crime alone is enough to bring about a conviction under Section 120B and the proof of any overt act by the accused or by any one of them would not be necessary.

Similarly, the definition of "forgery" in Section 463 IPC is very wide. The basic elements of forgery are: (i) the making of a false document or part of it and (ii) such making should be with such intention as is specified in the Section viz. (a) to cause damage or injury to (i) the public, or (ii) any person; or (b) to support any claim or title; or (c) to cause any person to part with property; or (d) to cause any person to enter into an express or implied contract; or (e) to commit fraud or that fraud may be committed.

As stated above, in the instant case more than sufficient circumstances existed suggesting the hatching of criminal conspiracy and forgery of several documents leading to commission of the aforementioned sections.

Resultantly it was not a fit case for exercise of jurisdiction by the High Court under Section 482 of the Cr.P.C. as also by the Supreme Court under Article 142 of the Constitution of India. As noted above, the accused had not only duped PSB, they had also availed of depreciation on the machinery, which was never purchased and used by them, causing loss to the exchequer, a serious economic offence against the society. Therefore, the criminal proceedings could not be quashed.

Securities Laws

Regulation 18 of the SEBI (Mutual Funds) Regulations, 1996 – Constitution and management of mutual fund and operation of trustees, etc – Rights and obligation of Trustees

Where changes were made in mutual fund scheme by which duration of investments therein was altered from 5/7 years to a period not exceeding 15 year, same would affect fundamental attributes of scheme and also affected interest of unitholders and when it was so done without complying with regulation 18(15A), investors should be provided with an exit route

Subramanian R. Venkat v. Securities and Exchange Board of India, May 3, 2011 (SAT-MUM)

The power of the fund manager to bring about changes in any scheme as stipulated in the combined offer document cannot be disputed but if such changes alter the fundamental attributes of a scheme or modify the same affecting the interest of the unitholders, the fund and its managers would have to comply with the provisions of Regulation 18(15A) of the Regulations. It is the non-compliance with this provision which is the root cause of the grievance made by the appellants.

The grievance of the appellants was that after they invested in the short-term plan of the scheme, respondents 2 to 5 fund manager mutual fund carried out material changes in the scheme by winding up the long-term plan and converted the short term plan for investment for 5 to 7 years into a long term plan for investment for 15 years. This, according to them, affected the fundamental attributes of the scheme and, in any case, modified the scheme affecting the interest of unitholders and, therefore, the respondents ought to have complied with the provisions of Regulation 18(15A) of the Regulations whereunder every unitholder

on the date of the change including the appellants should have been given a right to exit the scheme at the then prevailing NAV. Further grievance of the appellants was that even though the Board on their complaint had found that material changes were brought about in the scheme which affected the rights of the unitholders, it had erred in not issuing directions to respondents 2 to 5 to comply with the provisions of Regulation 18(15A) and give a right to exit to every unitholder who on the date of the change was a member of the scheme.

The Securities Appellate Tribunal held that a reading of section 18(5) leaves no room for doubt that the trustees cannot bring about a change in the fundamental attributes of any scheme or any other change therein which would modify the scheme and affect the interest of unitholders unless a written communication about the proposed change is sent to each unitholder and an advertisement is given in the newspaper as prescribed in the Regulation and the unitholders are given an option to exit the scheme at the prevailing NAV without any exit load.

Having regard to the changes made in the scheme by which the duration of the investments therein was altered from 5 to 7 years to a period not exceeding 15 years, this change was one which affected the fundamental attributes of the scheme and also modifies the same affecting the interest of the unitholders. The words “fundamental attributes” have not been defined in the regulations and, therefore, they have to be understood according to their ordinary dictionary meaning. Fundamental is something which is basic or serves as a foundation or goes to the root of the matter. In the context of an investment scheme, one of the important factors that an investor looks at is the duration for which the investments are going to be made in that scheme. In this sense, the duration of the investment constitutes one of the fundamental attributes thereof. In the instant case when the scheme was launched it had two plans - short term plan and long term plan the duration of both was different and the investors took an informed decision in investing in one or the other plan. As already observed, the appellants chose the short term plan as, in their perception the said plan would give better returns. It is the case of respondents 2 to 5 fund managers that the long term plan which had a long average maturity period had to be wound up as they could not muster even a minimum of 20 investors so as to continue with the said plan. It was on the winding up of the long-term plan that the duration of investments in the short term plan was altered from 5 to 7 years to a period not exceeding 15 years. It is, thus, clear that there were no takers for the long-term plan and what respondents 2 to 5 did was after winding up the long-term plan, they increased the duration of the short term plan to a long term without informing the investors. This was most unfair. Since the duration of the investments was substantially increased, there was no doubt that one of the fundamental attributes of the scheme was altered. Even the whole time member had recorded a finding in the impugned order that the change in the duration virtually modified the short-term plan into a long-term plan.

Besides, the scheme got modified which affected the interest of the unitholders. The name of the scheme was also changed and the words ‘short term’ were dropped. This is another indicator of the substantial change made in the scheme. The fact that the bench mark index of the scheme was changed from “I sec Si-Bex” to “I sec composite index” also supported the view that there was a fundamental change in the attributes of the scheme which necessitated respondents 2 to 5 fund managers to change the methodology to measure the success of the modified scheme. The whole time member himself had recorded a finding that the changes affect the interest of the unitholders of the scheme.

Respondents 2 to 5 fund managers had brought about changes in the scheme which affected the interest of the unitholders. This being so they were obliged to comply with the provisions of Regulation 18(15A) which they had not and the grievance of the appellants was justified that the Board failed to issue appropriate directions in this regard. A direction was, therefore, to be issued to respondents 2 to 5 to comply with Regulation 18(15A) of the Regulations qua the appellants and provide them with an exit route. ■

Circulars/Notifications

Given below are the important Circulars and Notifications issued by the CBDT, CBEC, MCA, RBI and SEBI during the last month for information and use of members. Readers are requested to use the citation/website or weblink to access the full text of desired circular/notification. They are also requested to please submit their feedback and suggestions on the column at eboard@icai.org.

DIRECT TAXES

(Contributed by the Direct Taxes Committee of the ICAI)

I. Notification

1. Notification No.29/2011 dated May 30, 2011

The President of India has, vide this Notification, approved the creation of the Directorate of Income Tax (Criminal Investigation), Central Board of Direct Taxes, Department of Revenue, Ministry of Finance. The DCI will perform functions in respect of criminal matters having any financial implication punishable as an offence under any direct tax law including, *inter alia*, Chapter XXII of the Income-tax Act, 1961 and Chapter VIII of the Wealth-tax Act, 1957. The Directorate will be headed by a Director General of Income-tax (Criminal Investigation), who will be an officer of the rank of Chief Commissioner of Income Tax and will be located in New Delhi. The Directorate will function under the administrative control of the Member (Investigation) in the CBDT and will be a subordinate office of CBDT.

The complete details of the text of the notifications can be downloaded from the following link http://law.incometaxindia.gov.in/DIT/Notifications.aspx

2. Notification No. 32/2011 dated June 3, 2011

In exercise of powers given in section 10(15)(i) the Central Board of Direct Taxes has, through, this notification amended the notification No. GSR 607(E) dated June 9, 1989 which specified the maximum limit up to which the income by way of interest, premium on redemption or payment of such securities, bonds, etc. issued by the Central Government shall be exempt from tax for any assessment year.

As per the amendment by this notification, the interest on Post office savings bank account which was so far fully exempt would henceforth be exempt only to the extent of:

a) ₹3500/- in case of an individual account.
b) ₹7000/- in case of a joint account.

3. Notification No.33/2011 dated June 3, 2011

Section 10(23AAA) provides that any income received by any person on behalf of the fund established for notified purposes for the welfare of employees or their dependents would be exempt subject to fulfillment of certain conditions. The Central Board of Direct Taxes has through this notification amended the notification no. S.O. 672(E) dated July 25,1995 which specified the purposes for establishment of the fund.

As per the amendment by this notification the cash benefits to a member of the fund to meet the cost of annual medical tests or medical checkups of a member, his spouse and dependent children have been included as one of the purposes of the fund.

II. Press Releases

1. Press release No. 402/92/2006-MC (09 of 2011) dated May 27, 2011

The Government of the Republic of India signed a Double Taxation Avoidance Agreement (DTAA) with the Federal Democratic Republic of Ethiopia for the avoidance of double taxation and for the prevention of fiscal evasion with respect to taxes on income on May 25, 2011 at Addis Ababa.

2. Press release No.402/92/2006-MC (10 of 2011) dated May 28, 2011

The Government of the Republic of India signed a Double Taxation Avoidance Agreement (DTAA) with the United Republic of Tanzania for the avoidance of double taxation and for the prevention of fiscal evasion with respect to taxes on income on May 27, 2011 at Dar es Salaam.

3. Press release No.402/92/2006-MC (12 of 2011) dated June 1, 2011

The Government of India notified the Double Taxation Avoidance Agreement (DTAA) with the Government of Mozambique for the avoidance of double taxation and for the prevention of fiscal evasion with respect to taxes on income on May 31, 2011

4. Press release No.402/92/2006-MC (13 of 2011) dated June 6, 2011

As per the said press release the Net direct tax collections during the first two months of the current fiscal (April & May 2011) *vis-a-vis* the same period in last fiscal, has declined by 47.93 per cent. Gross direct tax collections were, however, up by 37.34 per cent. The decline in net collection was on account of an increase of 216.74 per cent in tax refunds.

The complete details of the text of the above press releases can be downloaded from the following link http://www.incometaxindia.gov.in/home.asp#

INDIRECT TAXES

(Contributed by the Indirect Taxes Committee of the ICAI)

A. SERVICE TAX

I. Notification:

1. **Notification No. 38-40/2011 ST dated 14.06.2011:** Service tax levy on transport of goods by the Government railways and transport of goods by rail otherwise than in containers has been further postponed by six months. Now the levy would be applicable from January, 2012 instead of July, 2011 which was proposed earlier. Consequently, exemption for transport of notified goods like defence military equipments, railways equipment /materials, postal mail bags by rail and abatement of 70% of the gross amount charged for transport of goods by the Government railways and transport of goods by rail otherwise than in containers would also be effective from January, 2012.

II. Circulars:

1. **Circular No. 142 /11 / 2011 – ST dated 18.05.2011:** *Notification No.17/2011-ST dated March 1, 2011* was issued as a part of Budget 2011-12 to provide a simplified scheme for units in SEZs to obtain tax-free receipt of services wholly consumed therein and to get refunds in a much easier manner. The Board has issued *Circular No. 142 /11 / 2011 – ST dated May 18, 2011* to clarify various issues arising in the service tax refund scheme provided in the said notification.
2. **Circular No. 143 /11 / 2011 – ST dated 26.05.2011:** *Notification No. 14/2004-ST dated September 10, 2004 inter-alia* exempts business auxiliary service in relation to processing of goods for, or on behalf of the clients when provided 'in relation to agriculture'. It has been clarified that the following are covered within the expression 'in relation to agriculture' and thus are eligible for exemption provided in the said notification:
   (i) process of threshing and drying of tobacco leaves and thereafter packing the same; and
   (ii) processing of raw cashew involving roasting/drying, shelling and peeling of raw cashew to recover kernel

B. CENTRAL EXCISE

I. Notification:

1. **Notification No. 14/2011-CE (NT) dated 03.06.2011:** Manufacturing units engaged in the manufacture of recorded smart cards falling under sub-heading 8523 have been exempted from obtaining registration if the manufacturer of such goods has a centralised billing or accounting system in respect of such goods manufactured by different manufacturing units and he opts for registering only the premises or office from where such centralised billing or accounting is done.

C. CUSTOMS

I. Circular:

1. **Circular No. 24 /2011-Cus. dated 31.05.2011:** CBEC has revised the monetary limits for adjudication of cases by different grades of customs officers in the following cases :
   (a) Adjudication of cases where show cause notices are issued under section 28 of the Customs Act, 1962:
   (b) Adjudication of cases under Rule 16 of the Customs, Central Excise and Service Tax Drawback Rules, 1995
   (c) Adjudication of Export Promotion Schemes i.e. DEPB / Advance Authorisation / DFIA /Reward Schemes etc.

   The complete text of the above-mentioned notifications and circulars can be downloaded from the following link: http://www.cbec.gov.in

FEMA

(Contributed by CA. Manoj Shah and CA. Hinesh Doshi)

1. Foreign Direct Investment (FDI) in Limited Liability Partnership (LLP)

Press Note 1 of 2011 dated May 20, 2011

The Cabinet Committee on Economic Affairs has allowed FDI in LLP beginning with the 'open' sectors where monitoring is not required. Consequently, Department of Industrial Policy & Promotion has amended the extant policy on FDI i.e. Circular 1 of 2011 – Consolidated FDI Policy. FDI in LLP is permitted subject to the following conditions:

(a) FDI in LLP will be allowed under Government route only in those sectors/activities where 100% FDI is allowed, through the automatic route and there are no FDI-linked performance related conditions (such as 'Non-Banking Finance Companies' or 'Development of Townships, Housing, Built-up infrastructure and Construction-development projects' etc.).

(b) FDI in LLPs operating in agricultural/plantation activity, print media or real estate business will not be permitted.

(c) An Indian company having FDI, will be permitted to make downstream investment in LLPs only if, both the company as well as the LLP are operating in sectors where 100% FDI is allowed through the automatic route and there are no FDI-linked performance related conditions.

(d) LLPs with FDI are not allowed to make any downstream investments.

(e) Foreign Capital participation in the LLPs will be allowed only by way of cash consideration, received by inward remittance, through normal banking channels, or by debit to NRE / FCNR account of the person concerned.

(f) Foreign Institutional Investors and Foreign Venture Capital Investors are not permitted to invest in LLPs.

(g) LLPs with FDI are also not allowed to avail External Commercial Borrowings.

(h) In case such LLP has a body corporate as a Designated Partner (DP), such a body corporate should only be a company registered in India under the Companies Act, 1956 and not any other body, such as an LLP or trust.

(i) For LLP with FDI, a DP "resident in India", as defined under the Limited Liability Partnership Act, 2008, would also have to satisfy the definition of "person resident in India", as prescribed under section 2(v)(i) of the Foreign Exchange Management Act, 1999.

(j) DP will be responsible for compliance with all the above conditions and be liable for penalties on the LLP for their contraventions, if any.

(k) Conversion of a company with FDI, into an LLP will be allowed only if the above conditions are met and with the prior approval of FIPB / Government.

2. Comprehensive Guidelines on OTC Foreign Exchange Derivatives and Overseas Hedging of Commodity Price and Freight Risk

Circular No.: A.P. (DIR Series) Circular No.60 dated May 16, 2011

Ref.: A.P. (DIR Series) Circular No. 32 dated December 28, 2010

RBI had issued the revised Guidelines on Over the Counter (OTC) Foreign Exchange Derivatives and Overseas Hedging of Commodity Price and Freight Risk (Guidelines) effective from February 01, 2011.

Now, in view of the representations received from the industry associations and as Accounting Standards (AS) 30 and 32 are yet to be notified by the Ministry of Corporate Affairs, RBI has decided to amend the eligibility criteria for the users of cost reduction structures as contained under para B I (1)(v) of the Guidelines as a transitional arrangement till AS 30 / 32 or equivalent standards are notified.

Under the revised eligibility criteria it has now been stipulated that listed companies and their subsidiaries/joint ventures/associates having common treasury and consolidated balance sheet or unlisted companies with a minimum net worth of ₹200 crore can undertake cost reduction structures subject to the following conditions:

- All such products would be fair valued on each reporting date;
- The companies would follow the ASs notified under section 211 of the Companies Act, 1956 and other applicable Guidance of the Institute of Chartered Accountants of India (ICAI) for such products/ contracts as also the principle of prudence which requires recognition of expected losses and non-recognition of unrealised gains;
- Disclosures would have to be made in the financial statements as prescribed in ICAI press release dated December 2, 2005;
- Further, the companies should have a risk management policy with a specific clause in the policy that allows using the type/s of cost reduction structures.

The above eligibility criteria would also be applicable to the users of OTC option strategies involving a simultaneous purchase and sale of options for overseas commodity hedging.

3. Forward cover for FII – Rebooking of cancelled contracts

Circular No.: A.P. (DIR Series) Circular No.67 dated May 20, 2011

Presently, FIIs are permitted to cancel and rebook upto 2% of the market value of the portfolio as at the beginning of the financial year. RBI has now enhanced this limit of 2% to 10% with immediate effect.

4. Hedging IPO flows by FIIs under the Application Supported by Blocked Amount (ASBA) mechanism

Circular No.: A.P. (DIR Series) Circular No.68 dated May 20, 2011

As per the extant guidelines, FIIs are allowed to hedge the currency risk on the market value of entire investment in equity and/or debt in India as on a particular date using forward foreign exchange contracts with rupee as one of the currencies and foreign currency-INR options.

It has now been decided that for Initial Public Offers (IPO) related transient capital flows under the ASBA mechanism, foreign currency-rupee swaps may be permitted to the FIIs subject to the terms and conditions given in the circular.

5. Guidelines on Credit Default Swaps (CDS) for Corporate Bonds

Circular No.: IDMD.PCD.No. 5053 /14.03.04/2010-11 dated May 23, 2011

RBI has finalised the operational framework for the introduction of plain vanilla OTC single-name CDS for corporate bonds in India and has issued final Guidelines on CDS for Corporate Bonds.

The detailed Guidelines on CDS are available on RBI website at: http://www.rbi.org.in/scripts/NotificationUser.aspx?Id=6432&Mode=0

6. Liberalisation / Rationalisation of Overseas Direct Investment (ODI)

Circular No.: A.P. (DIR Series) Circular No.69 dated May 27, 2011

RBI has further liberalised / rationalised the following regulations relating to ODI:

(i) **Performance Guarantees issued by the Indian Party:**
For the purpose of computing financial commitment to its Joint Venture (JV)/ Wholly Owned Subsidiary (WOS) overseas within the 400% of the net worth of the Indian Party as on the date of the last audited balance sheet, only 50% of the amount of the performance guarantees may be reckoned. The time specified for the completion of the contract may be considered as the validity period of the related performance guarantee. These guarantees may be reported in the similar way in which financial guarantees are being presently reported. In cases where invocation of the performance guarantees breach the ceiling for the financial exposure of 400% of the net worth of the Indian Party, the Indian Party shall seek the prior RBI approval before remitting funds from India, on account of such invocation.

(ii) **Restructuring of the balance sheet of the overseas entity involving write- off of capital and receivables:**
The Indian Party is allowed to write off capital (equity / preference shares) or other receivables, such as, loans, royalty, technical knowhow fees and management fees in respect of the JV/WOS, even while such JV/WOS continue to function, as under:
(a) Listed Indian companies are permitted to write off capital and other receivables up to 25% of the equity investment in the JV/WOS under the Automatic Route; and
(b) Unlisted companies are permitted to write off capital and other receivables up to 25% of the equity investment in the JV /WOS under the Approval Route.
The write-off / restructuring have to be reported to RBI through the designated AD bank within 30 days of write-off/ restructuring. The write-off/restructuring is subject to the condition that the Indian Party should submit the prescribed documents for scrutiny along with the applications to the designated AD Category – I bank under the Automatic as well as the Approval Routes.

(iii) **Disinvestment of stake by the Indian Parties in an overseas JV/WOS involving write-off:**
Specified categories of disinvestments under automatic route are permitted without prior RBI approval. It has now been decided to allow disinvestment by listed Indian promoter companies with net worth of less than Rs.100 crore and having investment in an overseas JV/WOS not exceeding USD 10 million under automatic route provided the Indian Party shall report the disinvestment through its designated AD Category I bank within 30 days from the date of disinvestment.
It is clarified that disinvestment cases falling under the Automatic Route would also include cases where the amount repatriated after disinvestment is less than the original amount invested, provided the corporate falls under the specified categories including the above category.

(iv) **Issue of guarantee by an Indian Party to step down subsidiary of JV/WOS under general permission:**
Indian Parties are now permitted to issue corporate guarantees on behalf of their first level step down operating JV/WOS set up by their direct JV/WOS set up either as operating or as a Special Purpose Vehicle under the Automatic Route, subject to the condition that the financial commitment of the Indian Party is within the extant limit for overseas direct investment. Such guarantees will have to be reported to RBI in Form ODI.
Issue of corporate guarantee on behalf of second generation or subsequent level step down operating subsidiaries will be considered under the Approval Route, provided the Indian Party directly or indirectly holds 51% or more stake in the overseas subsidiary for which such guarantee is intended to be issued.

7. Remittance of assets by foreign nationals - Opening of Non-Resident [Ordinary] (NRO) Accounts

Circular No.: A.P. (DIR Series) Circular No.70 dated June 9, 2011

Presently, foreign nationals employed in India holding valid visas are eligible to maintain resident accounts with an Authorised Dealer Category - I Bank (AD Category - I Bank) in India. The AD Category - I Banks are required to close the resident accounts of such foreign nationals on their leaving the country and transfer their assets to their accounts maintained abroad.

Further, as per Foreign Exchange Management (Deposit) Regulations, 2000 when a person resident in India leaves India for a country (other than Nepal or Bhutan) for employment or business or vocation outside India or for any other purpose indicating her / his stay outside India for an uncertain period, her / his existing account should be designated as a Non-Resident [Ordinary] (NRO) Account.

To enable the foreign nationals to collect their pending dues in India, RBI has now allowed such foreign nationals to re-designate their resident account maintained in India as NRO account on leaving the country after their employment to enable them to receive their pending bonafide dues, subject to the prescribed conditions.

The above circular is available on RBI website at:

http://www.rbi.org.in/scripts/NotificationUser.aspx?Id=6454&Mode=0

CORPORATE LAWS

(Contributed by CA. Jayesh Thakur, Mumbai)

1. Extension of sunset date in transitional provisions in relation to effect of changes in foreign exchange rates

www.mca.gov.in

The Ministry of Corporate Affairs ("MCA") has issued Notification file No. F.No.17/133/2008-CL.V dated May 11, 2011 in relation to effects of changes in foreign exchange rates for which it has extended the sunset date of the transitional provisions. On March 31, 2009, a new paragraph was added in the transitional provisions to AS 11 on The Effects of Changes in *Foreign Exchange Rates* providing that in respect of accounting periods commencing on or after December 7, 2006 and ending on or before March 31, 2011, a company can chose to adopt the treatment as per (a) and (b) hereafter as an alternate to the immediate recognition of exchange differences arising on long-term foreign currency monetary items, (a) if the long-term foreign currency monetary item related to acquisition of a depreciable capital asset, exchange differences arising should be added to, or deducted from, the cost of the asset and depreciated over the life of the asset, and (b) if the long-term foreign currency monetary item was related to an item other than an acquisition of a depreciable capital asset, exchange differences should be accumulated in the "Foreign Currency Monetary Item Translation Difference Account" and amortised over the life of the monetary item but not beyond March 31, 2011. With this, the **sunset clause was March 31, 2011. The Notification now provides that the sunset clause is now extended to accounting periods ending on or before March 31, 2012**. One may refer to the above citation and website for further details.

2. Appointment of LLP as statutory auditors now permissible – LLP will not be treated as body corporate

www.mca.gov.in

The MCA has issued Notification No. F No 2/2/2011-CL.V dated May 23, 2011 and General Circular No. 30A/2011 dated May 26, 2011 clarifying that limited liability partnership ("LLP") of chartered accountants will not be treated as body corporate for the limited purpose of section 226(3)(a) under the Companies Act, 1956. This clarification follows a representation received in the MCA from Institute of Chartered Accountants of India which stated that under section 226(3)(a) of the Companies Act, 1956 a body corporate is disqualified from being appointed as auditor by a company. Since LLP is a body corporate as per section 3(1) of the LLP Act, 2008, LLP among chartered accountants will now be qualified for appointment as auditor under section 226(3)(a) under the Companies Act, 1956. One may refer to the above citation and website for further details.

3. Pre-funded instruments/electronic fund transfers

www.sebi.gov.in

The SEBI has issued Circular No. CIR/MIRSD/03/2011 dated June 9, 2011 earlier while specifying the mode of receipt and payment of funds, permitted stock brokers to accept demand drafts from their clients. There were some issues faced in this process like the stock brokers were unable to maintain an audit trail of the funds so received, as the details of the name of the client and bank account-number are not mentioned on such instruments resulting in flow of third party funds/unidentified money, which affects the integrity of the securities market. To address this, it has been decided that if the aggregate value of pre-funded instruments is ₹50,000/- or more, per day per client, the stock brokers may accept the instruments only if they are accompanied by the name of the bank account holder and number of the bank account debited for the purpose, duly certified by the issuing bank. The mode of certification may include, (a) certificate from the issuing bank on its letterhead or on a plain paper with the seal of the issuing bank, (b) certified copy of the requisition slip (portion which is retained by the bank) to issue the instrument, (c) certified copy of the passbook/bank statement for the account debited to issue the instrument, (d) authentication of the bank account-number debited and name of the account holder by the issuing bank on the reverse of the instrument. Also, the brokers should maintain an audit trail of the funds received through electronic fund transfers to ensure that the funds are received from their clients only. One may refer to the above citation and website for further details.

4. Filing of balance sheet and profit and loss account in (XBRL) mode

www.mca.gov.in

The MCA has issued General Circular 37/2011 dated June 7, 2011 and has stated that in supersession of MCA's Circular no. 9/2011 dated March 31, 2011 and 25/2011 dated May 12, 2011, it is now mandated that certain class of companies should file their balance sheets and profit and loss account alongwith director's and auditor's report for the year 2010-11 onwards by using the XBRL taxonomy. The Taxonomy Business Rules, Validity tools, etc. required for preparation of these documents in XBRL format have been prepared and hosted on the website of the Ministry at www.mca.gov.in. The frequently asked questions (FAQs) about XBRL have been framed by the MCA and are annexed as Annexure I with this circular for the information and easy understanding of the stakeholders. To enable filing on XBRL by stakeholders, the MCA-21 portal will have XBRL filing module by July, 2011 and the actual date will be informed separately. The coverage would be as under:

Coverage in Phase I

Following class of companies have to file the financial statements in XBRL form only from the year 2010-2011:

- all companies listed in India and their Indian subsidiaries;
- all companies having a paid-up capital of ₹5 crore and above;
- all companies having a turnover of ₹100 crore and above.

However banking companies, insurance companies, power companies and Non Banking Financial Companies (NBFCs) are exempted for XBRL filing for the time being.

Additional Fee Exemption

It is clarified that all companies covered by Phase-I and whose balance sheets are adopted in the annual general meeting held before September 30, 2011 are permitted to file upto September 30, 2011 without any additional filing fee. However, where companies hold the annual general meeting in the month of September 2011, they will file the balance sheet within 30 days from the date of adoption in the general meeting as per section 220 of the Companies Act, 1956.

Training Requirement

It is also clarified that stakeholders desirous to have training on the XBRL or on taxonomy related issues, may contact the persons as mentioned in Annexure II to this Circular.

One may refer to the above citation and website for further details.

5. Participation by shareholders or directors in meetings through electronic mode

www.mca.gov.in

The MCA has issued Circular No. 356/2011 dated June 6, 2011 in relation to participation by a shareholder or a director of the company in meetings under the provisions of the Companies Act, 1956 through electronic mode. It is clarified that, (a) it is not mandatory for companies to provide its directors the facility to attend meetings through video conferencing, (b) in respect of shareholders meetings to be held during financial year 2011-12, video conferencing facility for shareholders is optional; thereafter, it is mandatory for all listed companies, (c) where the company opts to provide video conferencing facility, they have to comply with the procedures prescribed in the Circular no. 27/2011 & 28/2011 dated May 20, 2011, (d) the company is free to select video conferencing facility of any agency but the Chairman of the meeting and Secretary of the company has to ensure that there is a proper video conferencing equipment/facility which enables all persons participating in that meeting to communicate concurrently with each other without an intermediary, and to participate effectively in the meeting, and, (e) in the case of e-voting in general meetings, the MCA is presently authorising only National Security Depository Ltd. and Central Depository Services (India) Ltd. as agencies for providing and supervising electronic platforms for electronic voting subject to the conditions that they obtain a certificate from Standardisation Testing and Quality Certification (STQC) Directorate, Department of Information Technology, Ministry of Communication and IT, Government of India, New Delhi. One may refer to the above citation and website for further details.

6. Redemption of Indian depository receipts (IDRs) into underlying equity shares

www.sebi.gov.in

The SEBI has issued Circular No. CIR/CFD/DIL/3/2011 dated June 3, 2011 whereby it has stated that earlier in order to facilitate foreign issuers to raise funds from the Indian capital markets through IDRs and enable investors in the domestic market to have investment opportunities in the securities of major multi-national companies listed on well developed markets, a legal framework was created by the MCA, RBI and SEBI. Based on that, Standard Chartered PLC had came out with its IDR issue in May 2010 and these IDRs have been listed on BSE and NSE on June 11, 2010. It is now decided by SEBI in consultation with RBI that after the completion of one year from the date of issuance of IDRs, redemption of the IDRs shall be permitted only if the IDRs are infrequently traded on the stock exchange(s) in India. For this purpose, IDRs shall be deemed to be "infrequently traded" if the annualised trading turnover in IDRs during the six calendar months immediately preceding the month of redemption is less than five percent of the listed IDRs. Also, the issuer company shall test the frequency of trading of IDRs on a half yearly basis ending on June and December of every year. It is provided that when the IDRs are considered "infrequently traded" on the above basis, it shall be the trigger event for redemption. Then, the issuer company shall make a public announcement in an English and a Hindi language newspaper with wide circulation in the prescribed format (including brief details about the trigger of the redemption event, time period for submission of application and the approach for processing the applications) as well as notify the stock exchanges. The announcement shall be made within seven days of closure of the half year ending on which the liquidity criteria is tested. A suitable format for this purpose shall be prescribed by the stock exchange(s) separately. The IDR holders may submit their application to the domestic depository for redemption of IDRs within a period of thirty days from the date of public announcement. The redemption of IDRs shall be completed within a period of thirty days from the date of receipt of application for redemption. Pursuant to the redemption, the domestic depository shall notify the revised shareholding pattern of the issuer company to the concerned stock exchanges within seven days of completion of the process of redemption. This circular is applicable with immediate effect. One may refer to the above citation and website for further details.

7. Companies (Dematerialisation of Certificates) Rules, 2011

www.mca.gov.in

The MCA has issued Circular No. 17/143/2011-CL.V dated June 6, 2011 on the above Rules so that all public Companies and their subsidiaries which have raised money by issue of shares, debentures, by accepting public deposits, stock, bond or any other financial instruments from public, other than from directors of the company, shall be required to issue and keep such share certificates, debenture certificates and certificates issued for receipt of deposits, stock, bond or any other financial instruments in dematerialised form only, in the manner prescribed in the Depositories Act, 1996 and regulation made there under. The MCA has invited comments / recommendations on these Rules June 30, 2011 by e-mail on e-mail addresses monika.gupta@mca.gov.in and kamna.sharma@mca.gov.in. One may refer to the above citation and website for further details.

8. New rules for unlisted public companies preferential allotment/private placement

www.mca.gov.in

The MCA has issued Circular No. F.No. 12/13/2011-Legal dated May 24, 2011 in relation to section 81(1A) of the Companies Act, 1956 whereby a public company may make preferential allotment of shares only by passing a special resolution in a general meeting. The MCA now by this Circular has issued a new set of draft rules namely Unlisted Public Companies (Preferential Allotment) Rules, 2011 (which provide for greater compliance and disclosure requirements) to replace the current Unlisted Public Companies (Preferential Allotment) Rules, 2003. The proposed changes which bring about additional compliance requirements like, (a) Pricing – where warrants are issued on a preferential basis with an option to apply for and get the shares allotted, the issuing company shall determine beforehand the price of the resultant shares. (b) Offer document – there are some mandatory specified disclosures (detailed disclosure requirement with respect to the proposed issue, timelines, project details, financial position, etc.) required to be made by a company in the offer document as per Annexure I to this Circular. The offer document should be approved by the members in the General Meeting and filed with the Registrar of Companies (RoC) alongwith the copy of the special resolution approving the issue. (c) Dematerialisation of securities – all securities issued under preferential allotment / private placement is to be kept in dematerialised form. (d) Time period for private placement – issue should close within 30 days of its opening and there should be a minimum gap of 60 days between the closing of one issue and the opening of the subsequent issue. (e) Central Government approval in Private placement – for private placement of any convertible instruments (not equity shares), prior approval from Central Government would be necessary where the cumulative amount exceeds INR 50 million. (f) Compliance Certificate – the Company should obtain a certificate (for filing with the RoC alongwith the return of allotment) from a Chartered Accountant or a Company Secretary or a Cost Accountant in practice certifying that the issue was in accordance with the Rules. One may refer to the above citation for further details.

9. Compliance of provisions of Companies Act and Rules

www.mca.gov.in

The MCA has issued General Circular No. 33/2011 dated June 1, 2011 noting that in order to ensure compliance of the provisions of the Companies Act, 1956 and Rules made thereunder, majority of companies only file their event based information through MCA-21 to the Registrar of Companies; however, the statutory compliance related to Annual filings are not complied with. The MCA has therefore decided that companies who have not filed their statutory Annual Reports (i.e. Balance Sheets, Profit and Loss Accounts and Annual Reports) with the Registrar of Companies would not to be allowed to file their other Forms except certain Forms till the companies have filed its updated Statutory Annual Accounts/ Annual Report in MCA-21 system. The Forms that are part of the exception are Form Nos. 32 (Particulars of appointment of directors, manager and secretary and the changes among them, etc.), 20-B (Annual return for a company having a share capital), 21-A (Annual return for a company not having share capital), DIN-3 (Intimation of DIN by the company to RoC), 21 (Notice of the court or the company law board order), 23-AC & 23-ACA (Annual balance sheet / profit and los account filing), 1-INV (Deposit of money into IEPF), 23-B (Information by Auditor to Registrar) and 66 (Submission of compliance certificate with the RoC). Incidentally, it is also provided that, (a) no e-filing shall be accepted by the RoC from Directors of these defaulting companies for any other company also, (b) company secretaries and auditors of these companies will also not be allowed to sign and certify the filing with MCA-21 system, in respect of these defaulting companies, till the defect is rectified, (c) members of ICAI, ICSI and ICWAI must not issue any certificates to such defaulting companies other than above mentioned e-forms, (d) action will be taken against the defaulting companies and their directors/ officers in default in co-ordination with RBI and SEBI, (e) this circular will not apply to such companies where the balance sheet and annual return could not be filed due to order of court/company law board or any other competent authority and concerned RoC has marked this company as having management dispute, and, (f) his circular shall be effective from July 3, 2011. One may refer to the above citation for further details.

10. Processing of investor complaints against listed companies in SEBI complaints redress system ("SCORES")

www.sebi.gov.in

The SEBI has issued Circular No. CIR/OIAE/2/2011 dated June 3, 2011 stating that it has commenced processing of investor complaints in a centralised web based complaints redress system 'SCORES'. The salient features of this system include centralised database of all complaints, online movement of complaints to the concerned listed companies, online upload of Action Taken Reports (ATRs) by the concerned companies, and online viewing by investors of actions taken on the complaint and its current status. All complaints pertaining to companies will be electronically sent through SCORES at http://scores.gov.in/Admin. The companies are required to view the complaints pending against them and submit ATRs alongwith supporting documents electronically in SCORES. Failure on the part of the company to update the ATR in SCORES will be treated as non-redressal of investor complaints by the company. Submission of physical ATR will not be accepted for complaints lodged in SCORES. For complaints forwarded to companies on or before May 20, 2011, physical ATRs should be submitted. The user ID and password for logging into SCORES at http://scores.gov.in/Admin are being communicated separately to companies against whom complaints are lodged in SCORES. In case the complaints are processed by the Registrar to the Issue and Share Transfer Agent (RTI/STA) on behalf of the company, the company should indicate in the enclosed Annexure whether they require the facility to forward complaints to the RTI/STA, so that the ATRs can be uploaded by them. In such cases, the name of the RTI/STA, the name of the Compliance Officer and email id should be furnished, so that the user id and password can be provided accordingly. Further, failure on the part of the RTI/STA to update the ATR in SCORES will be treated as non redressal of investor complaints by the company. One may refer to the above citation for further details.

11. Amendment to Companies DIN Rules

www.mca.gov.in

The MCA has issued Notification No. F. NO. 2/1/2011-CL.V dated June 2, 2011 mandating certification of the DIN application form (DIN-1) by a Chartered Accountant or a Company Secretary or a Cost Accountant holding a certificate of practice under the relevant statute of their professional governing bodies. Similar requirement is introduced in relation to intimation of change in particulars of director to be given to the MCA (in form DIN-4) where it is now also provided that the form can also be digitally signed by a Company Secretary in full time employment of the company. Consequent to these amendments, the forms Din-1 and DIN-4 are also substituted with new forms to reflect the amendment by this notification. One may refer to the above citation for further details and the revised forms.

12. Companies (Passing of the Resolution by Postal Ballot) Rules, 2011

www.mca.gov.in

The MCA has issued Notification No. F.NO. 2/4/2011-CL.V dated May 30, 2011 in furtherance of the Green Initiative in Corporate Governance released by the Ministry of Corporate Affairs in May 2011 notifying the above rules. Now, the new definition of 'voting by electronic mode' states that it is a process for recording votes by the members using a computer based machine to display an electronic ballot and to record the vote and also the number of votes polled in favour or against such that the entire voting gets registered and counted in an electronic registry in a centralised server. It may be noted that the rules shall be applicable to listed companies and in case of resolutions relating to certain businesses in which the resolutions shall be passed through Postal Ballot which are, (a) alteration in the object clause of memorandum, (b) alteration of articles of associations in relation to insertion of provisions defining private company, (c) buy-back of own shares by the company under sub-section 77A(1), (d) issue of shares with differential voting rights as to voting or dividend or otherwise under section 86(a)(ii), (e) change in place of registered office outside local limits of any city, town or village as specified in section 146(2), (f) sale of whole or substantially the whole of undertaking of a company as specified under section 293(1)(a), (g) giving loans or extending guarantee or providing security in excess of the limit prescribed under section 372A(1), (h) election of a director under proviso to section 252(1) of the act, and, (i) variation in the rights attached to a class of shares or debentures or other securities as specified under section 106. It is provided that notice would be sent under registered post acknowledgement due or through any other secured mode of posting provided by department of post or through electronic mail. The notice is required to mention whether voting would be through postal ballot or by electronic mode and in case of electronic mode, the process and manner for such voting provided by the agency. One may refer to the above citation for further details.

13. Guidelines for accounting of repo/reverse repo transactions-clarification

www.rbi.org.in

The RBI has issued Circular No. IDMD No./29/11.08.043/2010-11 dated May 30, 2011 referring to its earlier requirement on the above subject that participants should enter into bilateral master repo agreement as per the documentation finalised by Fixed Income Money Market and Derivatives Association of India (FIMMDA) specifically to obviate the disputes arising out of repo transactions. Pursuant to queries received from market participants on the issue as to whether the master repo agreement finalised by FIMMDA is mandatory for repo transactions in Government securities settled through CCIL, it is now clarified that the master repo agreement finalised by FIMMDA is not mandatory for repo transactions in Government securities settling through a Central Counter Party (CCP) [e.g. Clearing Corporation of India Limited (CCIL)], having various safeguards like haircut, MTM price, margin, multilateral netting, closing out, right to set off, settlement guarantee fund/collaterals, defaults, risk management and dispute resolution/arbitration etc. However, master repo agreement is mandatory for repo transactions in corporate debt securities, which is settled bilaterally without involving a CCP. One may refer to the above citation for further details.

14. Review of guidelines on entry of NBFCs into insurance business

www.rbi.org.in

The RBI has issued Circular No. DNBS.PD.CC. No.221/03.02.002/2010-11 dated May 27, 2011 referring to its earlier guidelines on the above subject whereby NBFCs registered with RBI which satisfy the stipulated eligibility criteria would be permitted to set up a joint venture company for undertaking insurance business with risk participation, subject to safeguards. The maximum equity contribution such an NBFC can hold in a joint venture (JV) company is 50 per cent of the paid-up capital of the insurance company. Further, in terms of para 4 of the said Guidelines, a subsidiary or company in the same group of an NBFC or of another NBFC engaged in the business of a non-banking financial institution or banking business shall not be allowed to join the insurance company on risk participation basis. It is now clarified that in case more than one company (irrespective of doing financial activity or not) in the same group of the NBFC wishes to take a stake in the insurance company, the contribution by all companies in the same group shall be counted for the limit of 50 percent prescribed for the NBFC in an insurance JV. Also, the term "companies in the same group" shall mean an arrangement involving two or more entities related to each other through any of the following relationships: Subsidiary – parent (defined in terms of AS 21), Joint venture (defined in terms of AS 27), Associate (defined in terms of AS 23), Promoter-promotee (as provided in the SEBI (Acquisition of Shares and Takeover) Regulations, 1997) for listed companies, a related party (defined in terms of AS 18), Common brand name, and investment in equity shares of 20% and above. One may refer to the above citation and website for further details.

15. Revised forms 8/17/23D notified by MCA

www.mca.gov.in

The MCA has issued Notification dated May 26, 2011 revising the forms 8 (relating to particulars for creation or modification of charge, etc.) / 17 (relating to particulars for satisfaction of charge) / 23D (relating to information by cost auditor to central government). These new forms will be effective from 29.05.2011. One may refer to the above citation for further details and the forms.

16. Issue of certificate by digital signature

www.mca.gov.in

The MCA has issued General Circular No. 29/2011 dated May 20, 2011 in furtherance of the green initiative in corporate governance by allowing paperless compliances by the companies after considering sections 2, 4, 5, and 81 of the Information Technology Act, 2000 for legal validity of compliances under Companies Act, 1956 through electronic mode. It states that the RoC has to issue a number of certificates to companies and other stakeholders as required under the provisions of Companies Act, 1956 read with Companies Regulations, 1956. As per Regulation 24 of Companies Regulation, 1956 every certificate or copy granted under the provisions of the Companies Act, 1956 shall be signed and dated by the RoC and shall bear his official seal. At present, these certificates are issued physically under the manual signature of RoC and issued by post. In order to cut timelines and another step towards green initiative, MCA has decided that all certificates and standard letters issued by the RoC will now be issued electronically under the digital signature of the RoC. The digital certificates are being developed and will be available for issue by June 30, 2011 in a phased manner. One may refer to the above citation and website for further details. ■

Treatment of loss arising on sale of under-performing assets and associated liabilities to a group company of the supplier of the assets.

The following is the opinion given by the Expert Advisory Committee of the Institute in response to a query sent by a member. This is being published for the information of readers.

A. Facts of the Case

1. A listed company had given a Letter of Intent (LOI) for 40 Windmills Model 250T Wind Electric Generator (WEG) of 250/80 KW on turnkey basis including land to a company dealing in wind mills (hereinafter referred to as the 'supplier'). The company had finally scaled down to 20 windmills instead of the 40 windmills for which LOI was given. These 20 windmills were installed at the site of the company. The supplier was paid in full @ ₹128 lakh per machine amounting to ₹2,560 lakh at a debt:equity ratio of 75:25. The debts were funded by two nationalised banks. The machines installed were under operations and maintenance (O&M) for two years free of charge. The supplier had also executed a bond of performance guarantee of power generation of 5 lakh units per machine annually and individually with effect from the date of commissioning, and to compensate the shortfalls in the power generation at the prevailing State Electricity Board's rate.

2. The querist has stated that right from the inception, there were several problems in the power generation, land title, encroachment thereof and services. The company intimated the supplier regarding poor revenue generation and performance in respect of the 20 Windmills. As per the querist, the supplier admitted and affirmed about the non-performance and low performance of the machines and settlement thereof, but the settlement amount was not acceptable to the company. In view of the disparity, the company served a legal notice against the supplier stating the aforesaid facts and suggested arbitration recourse to resolve the matter. There was no response to the said notice from the supplier.

3. The querist has stated that in view of the foregoing, the company invoked section 9 of the Arbitration and Conciliation Act, 1996 with prayer to set aside the money to be realised from the forthcoming public issue of the said supplier and till then maintain the machines to generate the guaranteed generation of power. When the matter came up for hearing, the supplier gave an undertaking to the Court to maintain the machines to the guaranteed level of generation and requested time to file counter with regard to the settlement of the matter.

4. After subsequent discussions between the company and the supplier, a Memorandum of Understanding (MOU) dated 10.07.08 was entered into for out-of-court settlement. The main points of the MOU (copy furnished by the querist for the perusal of the Committee) have been supplied by the querist as under:

   - ✓ Net consideration was finalised for ₹1,966 lakh for entire 20 machines as on 01.04.2008.
   - ✓ Out of the net consideration finalised at ₹1,966 lakh, ₹1,596 lakh was to be paid to the term lending bankers of the company and balance ₹370 lakh was paid to the company.
   - ✓ The supplier or its nominee will take over the loan liabilities of the company relating to 20 machines and relieve from all liabilities and obligations, whatsoever, including personal guarantee, charge on other assets of the company and its promoters and directors.
   - ✓ The supplier or its nominee will service interest/ principal to bankers in a timely manner w.e.f. 01.04.08 till the takeover of the loan and ensure that the loan accounts are maintained as standard asset.
   - ✓ In case takeover of loan does not fructify by the end of 6 months or such further extended period agreed by the parties, the supplier will pay the balance of loan outstanding with bankers, take over the assets and relieve the company from all liabilities with bankers.

5. Consequent to the MOU, the following entries were passed in the books of the company:
   - ✓ For the electricity generation on accrual basis: The amount is credited to the 'Wind mill generation account' and debited to 'Wind mill generation receivable account'.
   - ✓ For the interest accrued on term loan: The interest is debited to 'Interest account' and credited to 'Term loan account'.
   - ✓ When interest is paid by supplier to the bank: The amount is debited to 'Term loan account' and credited to supplier account.
   - ✓ For the principal repayment: The amount is debited to respective loan account and credited to supplier account.
   - ✓ Amount received from the State Electricity Board for the electricity supplied: The amount is credited to Wind mill generation receivable account.
   - ✓ Amount directly collected by the supplier from the State Electricity Board for electricity supplied: The amount is credited to 'Wind mill generation receivable account' and debited to supplier account.

6. One of the group companies of the supplier has recently got the sanction of term loan for the takeover of the assets and liabilities. When the company transfers the assets, there will be no cash flows, but the aforesaid accounts, namely, Wind mill generation receivable account, Supplier account, Term loan account and Windmill assets account (WDV) will be squared off. This process of squaring off will result in a net loss of ₹444 lakh (excess debit balance) to the company.

B. Query

7. The querist has sought the opinion of the Expert Advisory Committee as to whether the said loss of ₹444 lakh arising out of the abovesaid windmill transaction can be amortised over a period of time or whether the said loss should be fully charged off in the year in which the wind mills are sold by the company.

C. Points considered by the Committee

8. The Committee notes that the basic issue raised in the query relates to the manner of recognition of loss arising out of the wind mill transaction in the instant case, i.e., whether the loss should be charged to the profit and loss account of the period in which such loss is incurred or whether it should be amortised over a period of time. The Committee has, therefore, considered only this issue and has not touched upon any other issue that may arise from the Facts of the Case, such as, computation of net consideration or computation of loss arising from the windmill transaction, interpretation of the terms of the MOU, propriety of journal entries passed by the company consequent to MOU, timing of recognition of loss arising from the said transaction, i.e., whether the loss could be said to have been incurred by the company before entering into the MOU, after entering into the MOU or at the time of transfer of assets and related liabilities, accounting to be done at the time MOU is entered into, compensation received, if any, for shortfall in power generation, etc. The Committee notes that there are certain discrepancies between the Facts of the Case supplied by the querist and the MOU, for example, amount to be paid to the term lending bankers as per MOU is ₹1590 lakh, whereas the amount is stated in the Facts of the Case to be ₹1596 lakh, no mention in the Facts of the Case about the interest to be paid to the company by the supplier but stated in the MOU, etc. However, the discrepancies do not have a bearing on the issue under consideration for opinion.

9. The Committee notes that the Framework for the Preparation and Presentation of Financial Statements, issued by the Institute of Chartered Accountants of India, inter alia, provides that "losses represent decreases in economic benefits and as such they are no different in nature from other expenses" (paragraph 78). With respect to recognition of expenses, the Committee notes that the Framework, inter alia, provides in paragraph 96 that "an expense is recognised immediately in the statement of profit and loss when an expenditure produces no future economic benefits". From the Facts of the Case, the Committee is of the view that the loss incurred by the company does not produce any future economic benefit to the company. Accordingly, in the view of the Committee, such loss should be fully charged off to the profit and loss account when incurred.

10. In the context of the proposed amortisation of the loss by the company, the Committee notes that amortisation over a period of time is possible only when the item is recognised as an asset. The Committee notes that the term 'asset' has been defined in the Framework as follows:

    "An *asset* is a resource controlled by the enterprise as a result of past events from which future economic benefits are expected to flow to the enterprise." (Paragraph 49(a))

From the above, the Committee is of the view that an expenditure can be recognised as an asset only if it results into a resource controlled by the entity and some future economic benefits are expected to flow to the enterprise as a result of such expenditure. Since neither of the conditions is met in the case of the loss under consideration, it cannot be recognised as an asset and, therefore, there is no question of amortisation thereof.

D. Opinion

11. On the basis of the above, subject to paragraph 8 above, the Committee is of the opinion on the issue raised by the querist in paragraph 7 above, that the loss arising out of the windmill transaction in the instant case should be fully charged off to the profit and loss account of the year in which such loss is incurred. Such loss cannot be amortised over a period of time.

1	The Opinion is only that of the Expert Advisory Committee and does not necessarily represent the Opinion of the Council of the Institute.
2	The Opinion is based on the facts supplied and in the specific circumstances of the querist.
3	The Compendium of Opinions containing the Opinions of Expert Advisory Committee has been published in twenty eight volumes. A CD of Compendium of Opinions containing twenty eight volumes has also been released by the Committee. These are available for sale at the Institute's office at New Delhi and its regional council offices at Mumbai, Chennai, Kolkata and Kanpur.
4	Recent opinions of the Committee are available on the website of the Institute under the head 'Resources'.
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Debate on Characterisation of Payment for Purchase of Software

There have been various standardised software for day-to-day business needs, which were developed outside India by foreign companies and then sold in India either to direct customers or to wholesale vendors. The trend of import of software has resulted in a debate as to whether payment on account of import of software is in the nature of royalty income or merely a sale of goods, for the non-residents. Taxability of the non-resident supplying such software will depend on the nature of payment made on account of purchase of software. The nature of payment for use of software will decide whether the amount received by the non-resident will be in the nature of royalty or business income. In this article, the author analyses the debate on characterisation of payment for purchase of software.

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In this era of globalisation, transactions between two international states are very common, and technology has played an important role in boosting the international trade. Nowadays technology has become an integral part of every business and every person has to update himself with recent technological developments to compete in this technology driven era. This basic fact has resulted in purchase of software from abroad, either being standard one or designed for specific business needs. There have been various standardised software for day-to-day business needs, which were developed outside India by foreign companies and then sold in India either to direct customers or to wholesale vendors, who import these software as per the market demand. These software were generally imported in the form of diskettes, CD, Pen Drive, etc.

The import of software has resulted in a debate as to whether payment on account of import of software is in the nature of royalty income or merely a sale of goods, for the non-residents. Taxability of the non-resident supplying such software will depend on the nature of payment made on account of purchase of software. The nature of payment for use of software will decide whether the amount received by the non-resident will be in the nature of royalty or business income.

The tax implication in India, for the payment of software under both the circumstances, i.e. royalty as well as business income, is highlighted hereunder:

Taxability as Royalty

Under the Act: Non-residents receive payments for software outside India and it may not accrue or arise in India. However, under Section 9(1)(vi) of the Act, royalty paid by Indian resident to a non-resident is deemed to accrue or arise in India, unless it is payable in respect of right, property or information used or services utilised for the purposes of a business or profession carried on by such person outside India or for the purposes of making or earning any income from any source outside India. Similarly, royalty paid by a non-resident to another non-resident is also deemed to accrue or arise in India where it is payable in respect of right, property or information used or services utilised for the purposes of a business or profession carried on by such person in India or for the purposes of making or earning any income from any source in India.

Under the Act, Profits received in India, accruing or arising in India or deemed to accrue or arise in India are taxable in India. Generally non-residents receive payments for software outside India and it may not also accrue or arise in India. Also, under Section 9(1)(i) of the Act, income deemed to accrue or arise in India, in the case of a business, is only so much part of the income as is reasonably attributable to the operations carried out in India. Generally, no activities are as such carried out in India and hence no profits are deemed to accrue or arise in India.”

Under the Double Tax Avoidance Agreement (DTAA): Royalty paid by a person resident in India is considered as arising in India and is regarded as taxable in India.

Taxability as Business Income

Under the Act: Profits received in India, accruing or arising in India or deemed to accrue or arise in India are taxable in India. Generally non-residents receive payments for software outside India and it may not also accrue or arise in India. Also, under Section 9(1)(i) of the Act, income deemed to accrue or arise in India, in the case of a business, is only so much part of the income as is reasonably attributable to the operations carried out in India. Generally, no activities are as such carried out in India and hence no profits are deemed to accrue or arise in India.

Under the DTAA: Business profits are not taxable in India unless they are attributable to a Permanent Establishment (PE) in India. Hence, where non-residents deriving income from software do not have any PE in India, profits earned from sale of computer software are not taxable in India under DTAA.

One has to analyse the nature of transaction in the following manner to decide whether a particular transaction is in the nature of royalty income or business income.

Legal Analysis

▸ ***Royalty Income***

Royalty has been defined under Explanation 2 to Section 9(1)(vi) of the Act as under:

“……., “royalty” means consideration (including any lump sum consideration but excluding any consideration …………….. chargeable under the head “Capital gains”) for—

(i) ………………..

………………..

………………..

(v) the transfer of all or any right (including granting of a licence) in respect of any copyright, literary, artistic, or scientific work……..”

(Emphasis supplied)

Further, the definition of the term ‘royalty’ in different DTAA’s is almost similar. General definition of royalty as per DTAA is as under:

“The term “royalties” as used in this Article means:

(a) payment of any kind received as a consideration for the use of, or the right to use, any copyright or a literary, artistic, or scientific work,……………”

(Emphasis supplied)

The above definition of royalty in essence put emphasis on the right to use of any copyright. In the Indian context, the law that regulates copyrights and provides protection thereto is the Indian Copyright Act, 1957 (IC Act). Section 14 of the IC Act defines ‘copyright’ as follows:

“For the purposes of this Act, "copyright" means the exclusive right subject to the provisions of this Act, to do or authorise the doing of any of the following acts in respect of a work or any substantial part thereof, namely:-

(a) ……………

(i) to reproduce the work in any

material form including the storing of it in any medium by electronic means;

(ii) to issue copies of the work to the public not being copies already in circulation;

(iii) to perform the work in public, or communicate it to the public;

(iv) to make any cinematograph film or sound recording in respect of the work;

(v) to make any translation of the work;

(vi) to make any adaptation of the work;

(vii) to do, in relation to a translation or an adaptation of the work, any of the acts specified in relation to the work in sub-clauses (i) to (vi);

(b) in the case of a computer programme,-

(i) to do any of the acts specified in clause (a);

(ii) to sell or give on commercial rental or offer for sale or for commercial rental any copy of the computer programme:"

(Emphasis supplied)

The above definition highlights the acts which fall under the definition of copyright. From the above definition it is clear that there should be reproduction, issue of copies or selling or giving on commercial rental of the computer software. Further, the term 'to sell or give/offer for sale or for commercial rental' seeks to include within its purview those transactions in which the purchaser makes copies of the software and distributes/sells the same. Moreover, computer programmes are protected under the IC Act. They are treated as literary works. Under the IC Act, in addition to all the rights applicable to a literary work, owner of the copyright in a software enjoys the rights to sell or give on hire or offer for sale or hire, regardless of whether such a copy has been sold or given on hire on earlier occasion. No other person shall make one or more copies of computer programme in storing in the computer memory without the permission of the copyright owner.

From the above analysis of law, it is clear that amount received against use of software shall be taxable as royalty only when the user of the software is using the copyright in the software and not otherwise.

▸ *Business Income*

Sale of computer software will be taxable as Business income, if treated as sale of goods. In this regard it is important to refer to the definition of sale relating to goods under the Sale of Goods Act, 1930. Section 4(1) of the Sale of Goods Act defines "sale and agreement to sale" as under:

"A contract of sale of goods is a contract whereby the seller transfers or agrees to transfer the property in goods to the buyer for a price."

The above definition makes it clear that there should be "a contract for sale" along with "transfer of the property in goods". The settled position under the Sale of Goods Act with respect to "contract for sale" and "transfer of property" is as follows:

i) Sale is an agreement between parties:
   - under mutual ascent;
   - supported by money consideration; and
   - resulting in transfer of title from buyer to seller.

ii) Property means general property in goods and not merely a special property.

The above settled position when applied in the case of sale of computer software, the following position immerges:

"The amount received against use of software shall be taxable as royalty only when the user of the software is using the copyright in the software and not otherwise. Income Sale of computer software will be taxable as Business income, if treated as sale of goods."

i) Sale of software involves sale of diskette/CD along with license to use the software. However, in the present case the importance of license is negligible since the software is sold by the seller to the buyer with the restrictions that the buyer cannot reproduce, to issue copies or to sell or give on commercial rental the software and the software can only be used for its day-to-day business operations.

Importance of license agreement is primarily governed by the value derived by software product from intellectual effort put into it along with ease of reproduction of software. However, the buyer of the software do not derive any value from intellectual effort since the buyer gets the software in a finished form as an end user, for a price. Moreover, the seller does not give any right to the buyer to make copies or reproduce the computer software.

ii) Sale of computer software is in essence the transfer of property in the nature of computer software, despite presence of various restrictions (viz. restriction on reproduction, restriction on making copies and restriction on sale or giving on commercial rental). Property in the nature of computer software is transferred since on purchase of software, the buyer has specific right on such software, i.e. right to use the software for specified purposes other than purposes of restrictive nature.

The above analysis of royalty income and business income highlights the basic understanding as to when a particular payment for purchase of software is treated as royalty income or business income in the hands of the non-resident. The nature of payment is very much facts-specific and depends on the nature of transaction between the non-resident seller and the resident buyer.

Depending on the nature and facts of transactions, different types of business models for purchase of computer software are discussed below:

1. ***Delivery of single copy of software:*** Under this model, foreign company owns the copyright in the computer software. Software programme is loaded on disks and placed in boxes covered with shrink wrap license. Software is sold to the buyer either on tangible medium or through the Internet, i.e. the software will be downloaded and activated once the activation key is being registered on the website of the seller. Buyer is simply permitted to operate the software and not to exploit the copyright in the software by way of reproduction, making copies and sale or giving on commercial rental.
2. ***Distribution Model:*** Under this model, foreign company enters into an agreement with independent distributors for distribution of software. Distributor purchases specific number of copies of software programme from the foreign company, based on the market demand. Distributors supply the software to customers directly or through independent distribution channels. Under this arrangement foreign company puts restriction on the distributors that distributors are not permitted to duplicate the software for public distribution.
3. ***Multiple User Licenses Model:*** Under this model, foreign company transfers a single disk containing the software programme to an Indian company. The Indian company is granted the right to load software on agreed number of workstations, for a onetime fee per user. Additional fee is required to be paid by Indian company for any additional user. The Indian company gets the right to install the software for its internal use and not to exploit the copyright in the software, commercially.
4. ***Original Equipment Manufacturer Model:*** Under this model, foreign company transfers a single disk containing the software to an Original Equipment Manufacturer (OEM), i.e. manufacturer of desktops, laptops, etc., along with non-exclusive license to (i) make unlimited copies of software; (ii) pre-install such copies on the hard drive of the computer system manufactured; and (iii) distribute pre-installed software along with the computer system. OEM pays royalty to foreign company based on the number of copies of software loaded onto computer system manufactured.
5. ***Software Bundled with Hardware:*** Under this model, computer software pre-installed in computer hardware is sold together as a single product. Supplier of the equipment may enter into a separate agreement for its private labeled product, with the equipment buyer. The supplier of the equipment becomes one point contact for the buyer, both for hardware and software. The buyer receives the right to use the software programme but cannot modify or resell the software. (This arrangement is typical to transfer of telecom equipment embedded with software).

The taxability of sale of software in the hands of non-resident depends on the use of software by the buyer. If the buyer uses the software for its internal business purpose and does not exploit the copyright in the software, it will amount to business income of the non-resident treating the sale of software as mere sale of goods. However, if the buyer exploits the copyright in software, i.e. makes copies of the software, income on such account in the hands of non-resident would be in the nature of royalty.”

Taxability in the hands of non-resident, under all the aforesaid models is to be analysed in the light of the following important court rulings on the subject matter.

Important Judicial Developments

▸ ***Motorola Inc vs. DCIT (2005) 95 ITD 269 (Del)(SB)***

Motorola Inc. executed contracts with Indian telecom operators for supply of advanced network equipment (GSM systems) for use in fixed as well as mobile telecommunication networks. Motorola had wholly owned subsidiaries in India. The important contractual arrangement were that (i) Equipment supply contracts were executed between Motorola and telecom operators; (ii) Installation contracts were executed between Indian subsidiary and telecom operators; and (iii) Marketing/Business promotion agreement between appellant and Indian subsidiary. Further, software was inseparable and integral part of hardware, without which hardware could not function. Moreover, Indian telecom operators could not onward sell the software independently without sale of the hardware. On the basis of aforesaid facts, the special bench of the Honourable Tribunal held that license granted is for the perpetual use of software and the software could not be sold independently, except with the sale of hardware. Software is an integral part of telecom equipment and without which the hardware could not function. The honourable Tribunal further held that *payment for software licensing can be held as royalty only if payment is for a copyright right, and not copyrighted article.* Payment in the present case is for copyrighted article and not copyright right since (i) under Copyright Act, 1957, 'copyright' is an exclusive right granted to the holder; whereas, the appellant have merely transferred a non-exclusive restricted license to use the software; (ii) the telecom operators have only been granted limited user rights in the software, i.e. use only for their business operations and not for commercial exploitation; and (iii) no rights as mentioned in clause (a)/(b) of Section 14 of the Copyright Act, 1957, i.e. right to reproduce or make copies, to make translation or adaptation, were acquired by the telecom operators. On the basis of the above, the honourable Tribunal held that as payment of hardware and software were at lump sum payment, no separate consideration should be attributable by the revenue authorities towards software as 'royalty' and in the absence of PE, software payments are not taxable in India.

▸ ***Lucent Technologies Hindustan Ltd. vs. ITO (2005) 92 ITD 366 (Bang)***

The assessee (i.e. Lucent Technologies) is engaged in the manufacture and sale of electronic switching systems required for the telecommunication industry and a substantial part of its sale are to the Department of Telecommunications (DOT). Initially DOT places a purchase order for supply of digital local telephone exchange equipment on the assessee. The price of the equipment to be supplied is a lump sum price; and the equipment to be supplied consists of various modules as well as the software that runs the equipment. On the basis of the order from DOT, assessee places an order on Lucent USA, for supply of parts and components of switching system. From the perusal of the purchase order it was clear that the application software has also to be supplied along with the equipment. In other words, the acquisition of software was inextricably linked to the acquisition of hardware and one cannot function without the other. It was impractical to have such value addition without the help of other. The assessee has not acquired any rights in the software. The software that is so supplied by Lucent USA is customer-specific and cannot be even re-used or duplicated in any other exchange when identical orders are placed by the DOT. The assessee has not acquired rights in the copyright program so that it can be exploited commercially. *What the assessee has purchased is a copyrighted article and not copyright of the rights.* Therefore, department was not justified in bifurcating the transactions as one of supply of hardware and the other of software, and in treating the payment for software as a part of royalty.

▸ ***Samsung Electronics Company Ltd. vs. ITO (2005) 94 ITD 91 (Bang)***

The assessee imported software products from USA, France and Sweden. Agreement between the parties shows that what the assessee had acquired is only a copy of the

Delhi Tribunal in the case of Microsoft Corporation and Gracemac Corporation vs. ADIT (2010) 47 DTR 65 (Del)(ITAT), did not accept the distinction between "copyright right" and "copyrighted article", on the basis that such distinction is not apparent from the plain language of the definition of royalty under the Act or the DTAA between India and US. Further, the ITAT declined to import the expression "copyrighted article" from OECD commentary or US regulations for the purpose of interpretation of the term "royalty" and held that for the purpose of the Act, a copyrighted article cannot be treated as a product.

copyrighted articles, i.e. software, whereas the copyright remains with the owner, i.e. foreign parties. The incorporeal right to software, i.e., copyright, remained with the owner and the same was not transferred to the assessee. The primary condition for bringing within the definition of 'royalty' in DTAA is that the payment of any kind received as consideration for the use of right to use any copyright of a literary, artistic or scientific work, etc. Right to use a copyright is totally different from right to use the programme embedded in a cassette or CD or it may be a software. The assessee had acquired a readymade, off the shelf computer programme for being used in its business. No right was granted to the assessee to utilise the copyright of the computer programme. The assessee had merely purchased a copy of the copyrighted article, namely, a computer programme which is called 'software'. Therefore, the remittance made by the assessee was not 'royalty' as defined in the relevant DTAA and the same was not taxable in India. The honourable Tribunal applied the decision of apex court in the case of *Tata Consultancy Services vs. State of Andhra Pradesh (2004) 271 ITR 401 (SC)*.

Under 'Pure distribution model', the distributors are not permitted to make copies or duplicate the software. Distributor is allowed to sale only such number of software as are imported from the foreign company. In this model also the sale will be of copyrighted article, hence not taxable as royalty but will be taxable as business income, subject to the fact that the foreign company has a PE in India.

▸ ***Sonata Software Ltd. vs. ITO (2006) 6 SOT 700 (Bang)***

The assessee has imported software packages for the purpose of distributing it to ultimate users. The imports had been made from certain non-residents of USA, UK, Singapore, Taiwan and Hong Kong. The imports were made in terms of agreement, of most cases, entered into with these non-residents. The honourable Tribunal relying on the judgment of Samsung Electronics (supra) held that where the software imported, which is a shrink wrapped software or off the shelf software; same amounts to purchase of goods and not payment of royalties. *The payment is for use of copyrights article and not for acquiring any copyright.* The payment partake the character of purchase and sale of goods. In the absence of Permanent Establishment in India, it is concluded that no income is deemed to accrue or arise in India.

▸ The understanding of the honourable Tribunal in the aforesaid judgements have been affirmed by the decisions of Authority for Advance Ruling in the following cases:

- *FactSet Research Systems Inc. (2009) 317 ITR 139 (AAR)*
- *Dassault Systems K.K. (2010) 322 ITR 125 (AAR)*
- *GeoQuest Systems BV (2010) 327 ITR 1 (AAR)*

▸ However, the honourable Delhi Tribunal in the case of *Microsoft Corporation and Gracemac Corporation vs. ADIT (2010) 47 DTR 65 (Del)(ITAT)*, did not accept the distinction between "copyright right" and "copyrighted article", on the basis that such distinction is not apparent from the plain language of the definition of royalty under the Act or the DTAA between India and US. Further, the honourable ITAT declined to import the expression "copyrighted article" from OECD commentary or US regulations for the purpose of interpretation of the term "royalty" and held that for the purpose of the Act, a copyrighted article cannot be treated as a product. Moreover, the honourable ITAT analysed the definition of 'copyright' under the IC Act and held that reference to IC Act has to be made for the limited purpose of finding out the meaning of the word 'copyright', only because the said term is not defined in the Act or DTAA. The expression 'exclusive right' used in the IC Act refers to the right of the author/creator and not the nature of right given by him to some party to reproduce the copyrighted work or sell the computer programme, etc. Even a non-exclusive right given by the owner to a person to do one or more acts has a copyright in respect of the property. Even grant of one such right in respect of a copyright or work would amount to transfer or use of the copyright. Accordingly, the honourable ITAT held that a right granted to use the computer software will be royalty.

▸ It is important to note that in the following rulings, which were delivered after the Delhi ITAT ruling of Microsoft Corporation (supra), the honourable Mumbai ITAT decided the issue of purchase of software applying the concept of "copyright" and "copyrighted article, relying on the judgment of Motorola (supra) and Samsung (supra):

- *DDIT -vs.- Reliance Industries Ltd. (2010-TII-154-ITAT-MUM-INTL)*
- *ADIT -vs.- M/s Tata Communications Ltd. (2010-TII-157-ITAT-MUM-INTL)*
- *M/s Daimler Chrysler AG -vs.- DIT (2010-TII-203-ITAT-MUM-INTL)*

The honourable Mumbai ITAT based on the terms and conditions of the agreement held that the assessee has purchased a copyrighted article and not the copyright itself. There is no transfer of any part of copyright. The honourable ITAT observed that so far as the merit of the issue is concerned, there is unanimous view of various benches of the tribunal that payment for use of copyright article cannot be brought to tax as royalty.

Taxability of non-resident in India on account of income from sale of software depends on the use of software by the buyer in India. If the Indian buyer uses the software for its own business purpose as copyrighted article, income from such transaction will be taxable as business income in the hands of non-resident, subject to the fact that the non-resident has a PE in India.

Final Analysis

From the above legal and judicial analysis [subject to the ruling of honourable Delhi ITAT in the case of Microsoft (supra)] one may conclude that the taxability of sale of software in the hands of non-resident depends on the use of software by the buyer. If the buyer uses the software for its internal business purpose and does not exploit the copyright in the software, it will amount to business income of the non-resident treating the sale of software as mere sale of goods. However, if the buyer exploits the copyright in software, i.e. makes copies of the software, income on such account in the hands of non-resident would be in the nature of royalty. On the basis of this analysis, the taxability of various business models will be as follows:

1. *Delivery of single copy of standardised software on tangible media or through the Internet:* Under this model the buyer is only permitted to operate the software and not to exploit the copyright in the software. This will tantamount to sale of copyrighted article, hence amount received by the non-resident would not be taxable as royalty but will be taxable as business income. However, if the seller does not have a PE in India, the whole of the amount received would not be taxable in India. Means of delivery (i.e. through tangible media or through Internet) of the software would be immaterial.
2. *Pure distribution model:* Under this model, the distributors are not permitted to make copies or duplicate the software. Distributer is allowed to sale only such number of software as are imported from the foreign company. In this model also the sale will be of copyrighted article, hence not taxable as royalty but will be taxable as business income, subject to the fact that the foreign company has a PE in India.
3. *Multiple User License:* Under this model the Indian resident is licensed only to use the software for a fee and is not granted the right to exploit the copyright of the software. In this model also the fee received by the non-resident will be in the nature of business income for sale of copyrighted article and not royalty, since right is granted to copy the program only for use in business of the user and for each copy of software, the user is required to pay fee to the non-resident. However, if the seller does not have a PE in India, the fee received will be exempt from tax in India.
4. *Original Equipment Manufacturer (right to make copies):* Under this model, the equipment manufacturer makes unlimited number of copies of the software under the non-exclusive license. Payment to the non-resident is made on the basis of number of copies installed in the equipment. In this model, the Indian equipment manufacturer exploits the copyright in the software for its manufacturing business. The amount received by the non-resident from the OEM will be in the nature of royalty since the non-resident provides license for copyright right and not business income.
5. *Software bundled with Hardware:* Under this model, the software and hardware is inseparable and hardware cannot be used without the software. Further, the seller charges a composite price for the single product which consists of software and hardware. Moreover, the buyer cannot modify or resell the software embedded in the hardware. The amount received by the seller is for the sale of copyrighted article and not royalty; since right to make copies for commercial exploitation is not granted to the buyer.

Conclusion

Taxability of non-resident in India on account of income from sale of software depends on the use of software by the buyer in India. If the Indian buyer uses the software for its own business purpose as copyrighted article, income from such transaction will be taxable as business income in the hands of non-resident, subject to the fact that the non-resident has a PE in India. However, if the Indian buyer uses the software as copyright right, i.e. exploits the copyright in the software, income from such transaction is taxable as royalty in the hands of non-resident. ■

Non-Discrimination Clauses – A Catalyst to the Growing International Trade

Non-discrimination principle is represented by the term "Most Favoured Nation" (MFN) i.e. a status or level of treatment accorded by one state to another in international trade in international economic relations and international politics. The term means the country which is the recipient of this treatment must, nominally, receive equal trade advantages as the "MFN" by the country granting such treatment. In effect, a country that has been accorded MFN status may not be treated less advantageously than any other country with MFN status by the promising country. GATT, WTO norms, etc. generally deal with inequalities in connection with taxes on products and not on income. Countries give certain benefits to "MFN" through bilateral tax treaties. This article discusses impact of certain MFN clauses incorporated in the treaties entered into by India. Further, article discusses some of the recent rulings in connection with the non-discrimination clause i.e. clause dealing with discrimination, if any, between the residents of the contracting state and residents of the other state.

1. Introduction

The General Agreement on Tariffs and Trade ('GATT'), agreements within the framework of the World Trade Organisation ('WTO') and various regional trade agreements (such as 'ASEAN FTA'), etc. have all led to substantial removal of trade barriers and have facilitated the humungous growth in international trade. The 'heart and soul' of the International trade law is the 'non-discrimination' obligation. GATT, which is the basic source of principles in international trade law, in general provides for the two separate requirements of non-discrimination viz; (1) 'National treatment' which forbids countries from treating domestic products and foreign products differently; and (2) The Most Favoured Nation ("MFN") status which forbids countries from treating residents of some countries differently than they treat the residents of other countries.

(Contributed by the Committee on International Taxation of the ICAI. Comments can be sent to citax@icai.org)

Article I of GATT calls for each contracting party to grant to every other contracting party the Most Favourable Treatment that it grants to any country with respect to import and export of products. Thus, the MFN clause mentioned above forbids discriminatory treatment against another or other contracting parties. Since international trade and international tax remain interdependent, due regard has to be had on the international tax system on international trade. Article III of GATT requires equal treatment of domestic and foreign products with regard to internal taxes and other laws. Thus Article III is implicitly limited to indirect taxes, because it refers to taxes on products and not to taxes on income and capital. So its scope is restricted to indirect taxes. Similar provisions also exist in many other trade agreements.

Direct tax is thus carved out of the protections provided by the international trade law, and is left instead to the provisions of the Bilateral income tax treaties or the countries' internal tax legislation. This means the non-discrimination principles, upon which the present international trade regime is built, are inapplicable to direct taxes. Apart from the model tax treaties, there is no mutual approach to the development in international tax arena.

2. Rationale

The continuing expansion of international trade regime has led to potential tax conflicts within the international tax arena. A most obvious example of discrimination in international tax regime is where bilateral tax treaties provide differing tax rates for withholding tax for the same type of income. The same can be explained by way of following example:

Companies in country A and country B have their subsidiaries in country C. Bilateral tax treaty between countries A-C provide for a 15 per cent withholding tax rate on interest payments where as the treaty between B-C provides for a 0 per cent withholding tax on interest payments. Further, let's assume that the corporate tax rate in both A and B is 10 per cent. This would lead to the following situation.

Particulars	B-C group	A-C group
Subsidiary level		
Income of subsidiary in C	100	100
Interest payment (deduction)	(100)	(100)
Corporate income tax in C	0	0
Withholding tax imposed by C	0	15
Parent Level		
Cash flow to Parent company	100	85
Gross income for tax purposes	100	100
Corporate Income-tax	10	10
Foreign tax credit	0	10
Tax liability	0	0
Overall tax burden	10	15
Cash after tax	90	85

**The above example may have varying results in case of differential tax rates.*

The above table clearly reflects that the overall tax burden for the A-C group is more than that of the B-C group for the same source and amount of income since country C has a differential tax treatment for both A and B countries. This is clearly a discrimination that can distort investment decisions.

Another example could be a situation where non-residents from different countries are operating a joint venture and the source country is taxing differently the income repatriated for non-resident of each country, by virtue of different bilateral tax treaties.

The above examples show that the existing international tax regime and bilateral tax treaty network are allowing different tax treatment to resident of different countries. The non-equal tax treatment on the residents to non-resident level and on the non-resident to non-resident level undermines the Free Trade Standards introduced by the multilateral trade agreements. Investment decisions will inevitably take into consideration the tax consequences, sometimes to the detriment of the most efficient use of resources. This could turn out to be a substantial obstacle to further liberalisation of international trade. The most suitable and feasible option to resolve these issues is inclusion of MFN and Non-discrimination type clauses in the bilateral tax treaties.

In the foregoing article we shall discuss the salient features of the both the clauses and their relevance while interpreting the tax treaties at the time of putting in place the tax liability of non-residents in course of international trade.

3. MFN Clauses in Some of the Indian Bilateral Tax Treaties – Presence and Impact

Given the above rationale, India has adopted a MFN clause in some of its bilateral tax treaties (DTAAs) with OECD and non-OECD countries, namely Netherlands, Belgium, France, Sweden, Norway, Switzerland, Spain, Kazakhstan, Philippines, Hungary, etc. Thus, India grants the residents of the said countries the same beneficial tax treatment made available by it to the resident of a third country with whom India has entered into a DTAA. This avoids discrimination between nationals of two contracting states. Moreover, as the MFN clause has reciprocal application, Indian entities may also claim its benefit in respect of their overseas income.

MFN clause – the clause which governs the rights of the beneficiary of the MFN clause is typically contained in what is defined as the "basic treaty" i.e. generally in the protocol to the treaty. However, sometimes, the MFN clause forms part of the main article as well for instance – Article 12 of India-Norway treaty.

A snapshot of some sample MFN clauses existing in various DTAAs entered into by the Indian government is provided for your ready reference:

Relevant DTAA	MFN clause	Key features
India-Netherlands Tax Treaty	Protocol IV: "If after signature of this convention under any Convention or Agreement between India and a third State which is a member of the OECD India should limit its taxation at source on dividends, interests, royalties, fees for technical services or payments for the use of equipment to a rate lower or a scope more restricted than the rate or scope provided for in this Convention on the said items of income, then as from the date on which the relevant Indian Convention or Agreement enters into force the same rate or scope as provided for in that Convention or Agreement on the said items of income shall also apply under this Convention."	• MFN triggered only if other OECD country favoured • Applied immediately • MFN for scope as well as rate of taxation • Changes later on incorporated in the DTAA through amendment in DTAA notified vide S.O. 693(E) dated 30-8-1991
	Protocol V: It is understood that in case India applies a levy, not being a levy covered by Article 2, such as the Research and Development Cess, on payments meant in Article 12, and if after the signature of this Convention under any Convention or Agreement between India and a third State which is a member of the OECD India should give relief from such levy, directly, by reducing the rate or the scope of the levy, either in full or in part, or, indirectly, by reducing the rate of the scope of the Indian tax allowed under the Convention or Agreement in question on payments as meant in article 12 of this Convention with the levy, either in full or in part, then, as from the date on which the relevant Indian Convention or Agreement enters into force, such relief as provided for in that Convention or agreement shall also apply under this Convention	• MFN covers R&D Cess also • If India agrees with another OECD country, similar position would be applied to Netherlands • Exemption/Reduction of R&D Cess • Reduction of Income-tax to the extent of R&D Cess (something which is presently done in case of Service tax)
India-Israel Tax Treaty	Protocol – Para 2: "The competent authorities of the Contracting States shall initiate the proper procedure to review the provisions of Articles 12 and 13 (Royalties and fees for technical services, respectively) after a period of five years from the date of entry into force of this Convention. However, if under any Convention or Agreement between India and any third State which enters into force after 1-1-1995, India limits its taxation at source or Royalties or Fees for Technical Services or Interest or Dividends to a rate lower or a scope more restricted than the rate or scope provided for in this Convention, the same rate or scope as provided for in that Convention or Agreement on the said items of income shall also apply under this Convention with effect from the date on which the present Convention comes into force or the relevant Indian Convention or Agreement, whichever enters into force later.	• MFN triggered only if any other country favoured after 1-1-1995 • Applied immediately • Based on DTAA with Malta, Portugal, restricted scope applies – taxable only if it make available technology • MFN for scope as well as rate of taxation • No notification but still valid to claim benefit as Protocol automatically provides the same
India-Swiss Confederation Tax Treaty	Protocol – Para 4: If after the signature of the Protocol of 16th February, 2000 under any Convention, Agreement or Protocol between India and a third State which is a member of the OECD India should limit its taxation at source on dividends, interest, royalties or fees for technical services to a rate lower or a scope more restricted than the rate or scope provided for in this Agreement on the said items of income, then, Switzerland and India shall enter into negotiations without undue delay in order to provide the same treatment to Switzerland as that provided to the third State.	• MFN triggered only for re-negotiation • Cannot be applied without formal amendment to DTAA and notification thereof • No notification yet • Similar provision in case of India-Philippines DTAA as well

India–Norway Tax Treaty	Article 13(2): However, such royalties and fees for technical services may also be taxed in the Contracting State in which they arise and according to the laws of that State. But insofar as fees for technical services are considered, to the extent such fees are paid in respect of a contract which is signed after the date of entry into force of this Convention, the tax so charged shall not exceed 10 per cent of such fees. For the purposes of this paragraph, if a lower rate of Indian tax is agreed upon with any other State than Norway after the entry into force of this Convention, such rate shall be applied.	• Clause in DTAA itself (not in protocol) • Applicable only for lower rate (not for scope) • Lower rate yet not agreed by India with any country • Immediately applied

Thus, MFN clause typically provides benefits in two ways:

- Reducing the rate of tax
- Restricting the scope of taxation of income

India-Netherlands Treaty:

For instance, India signed a treaty with Netherlands on 30th July, 1988 which came into force on 21st January, 1989. As per the MFN clause of the said treaty contained in Article IV of Protocol, if after the signature of this treaty, India enters into any treaty or agreement with any other OECD State and limits its taxation at source on dividends, interest, royalties, Fees for Technical Services (FTS) or payments for the use of equipment to a rate lower or a scope more restricted than the rate or scope then, same clause shall be applicable to this treaty as well.

Subsequently, India entered into treaties with many OECD countries like US, Germany, Sweden, Portugal, Slovenia[1], etc. Some of these treaties provided for a lower rate of tax withholding for income streams including dividends, interest, royalties, fees for technical services or payments for the use of equipment and some provided for restriction on the scope of taxation of such incomes. Subsequently, the rates and scope of taxation of income have undergone numerous changes. For instance:

Rate Impact:

India-Netherlands treaty originally provided for a 20 per cent rate on royalties (other than equipment rentals). The same stands reduced to 15 per cent with effect from 1st April, 1991 and 1st April 1996, respectively, pursuant to the India-U.S. Treaty and to 10 per cent with effect from 1st April, 1997 pursuant to the Germany-India treaty.

Scope Impact:

The original definition of royalties included payments for use of any copyright of literary, artistic or scientific work, including motion picture films and works on film or videotape for use in connection with television. With effect from 1st April, 1998, the words “including motion picture films and works on film or videotape for use in connection with television” were replaced by “including cinematography films. Similarly, with effect from 1st April, 1991, the scope of FTS would be restricted i.e. similar to that in Article 12(4) and (5) of the India-USA tax treaty.

Subsequently, Central Board of Direct Taxes (CBDT) issued notification[2] in relation to the India-Netherlands treaty, explaining the changes in the respective treaties due to activation of the MFN clause and was incorporated in the treaty. The multiple changes in the India-Netherlands treaty are summarised below:

Income Streams	**1990-1991 Original**	**1991-1996 US**	**1996-1997 US**	**1997-1998 US/Ger**	**1998 onwards US/G/Swe**
Dividends	15 per cent	15 per cent	15 per cent	10 per cent	10 per cent
Interest	15 per cent	15 per cent	15 per cent	10 per cent	10 per cent
Royalties					
Scope	Broad	Broad	Broad	Broad	Broad
Rate for copyrights, patents, etc.	20 per cent	20 per cent(15 per cent for Govt)	15 per cent	10 per cent	10 per cent
Use of equipment	20 per cent	10 per cent	10 per cent	10 per cent	Not Taxable
FTS					
Scope	Broad	Restricted	Restricted	Restricted	Restricted
Rate	20 per cent	20 per cent(15 per cent for Govt)	15 per cent	10 per cent	10 per cent

**5 per cent from 2010 post India-Slovenia DTAA*

4. Some Interesting Implications

a) India-France Treaty – Notification to be construed as amendment to protocol?

India entered into a tax treaty with France which came in force on 1st August, 1994 on the notification by both the contracting states. The protocol to the said treaty provides that if India enters into a more favourable treaty with any OECD country after 1-9-1989, which limits the scope or rate of taxation of any income streams like Dividends, Interest, Royalties and FTS, such lower rate and scope shall apply to India-France treaty as well.

Subsequently, India entered into tax treaties with many countries like UK, US, Portugal, etc. which contain

[1] Slovenia became OECD member on 21st July, 2010

[2] Changes later on incorporated in the Treaty through amendment in DTAA notified vide SO 693(E) dated 30-8-1991

India entered into tax treaties with many countries like UK, US, Portugal, etc. which contain a scope more restrictive in nature that the definition under India-France tax treaty. As per Article 13(4) of the India-France DTAA read protocol thereon, the more restrictive definition of FTS as per India-US DTAA shall apply for the purpose of India-France Treaty. However, Central Board of Direct Taxes has issued a notification no S.O. 650(E) dated 10th July, 2000 limiting the benefit of the protocol to lower rate of tax only. The notification does not provide for any restriction in respect of scope of taxation of income.”

a scope more restrictive in nature that the definition under India-France tax treaty. For instance, India entered into treaty with US after 1st April, 1989, wherein FTS term includes payments for technical services that 'make available' technical knowledge and experience (more restrictive than the definition under India-France tax treaty). Thus, as per article 13(4) of the India-France DTAA read protocol thereon, the more restrictive definition of FTS as per India-US DTAA shall apply for the purpose of India-France treaty. However, Central Board of Direct Taxes has issued a notification no S.O. 650(E) dated 10th July, 2000 limiting the benefit of the protocol to lower rate of tax only. The notification does not provide for any restriction in respect of scope of taxation of income.

Due to the said notification a fresh controversy has cropped up wherein the tax authorities are taking a position that in view of the notification the benefit would be limited to reduced rate of tax and restriction on scope cannot be envisaged. The crucial question arising here is whether a unilateral act by a contracting state restricts the benefits bestowed upon the assessee by the protocol thereby depriving him of the benefits.

While the MFN clause in the treaties protects the interest of non-residents vis-à-vis non-residents, the non-discrimination clause extends protection to the interest of non-residents vis-à-vis the residents of the contracting states. The main principle is to treat non-residents equal to local residents. In other words, non-discrimination aims to ensure that the tax levied on non-residents should not be more burdensome than that levied on residents. The non-discrimination clause is a salient feature of most of the DTAAs entered into between India and other countries.

The Calcutta ITAT has addressed the similar issue in relation to the French Treaty in case of *DCIT v ITC Ltd*[3]. The ITAT held that the scope of fees for technical services under the US, UK and Swiss Treaties was narrower than in the French Treaty, in as much as the former excluded from its ambit, *inter alia,* fees for services that are ancillary and subsidiary and inextricably and essentially linked to the sale of property. It accordingly applied the narrower definition to the assessee's case.

The case before the ITAT related to the assessment year 1996-1997 i.e. before the issuance of the notification by the Central Government in 2000. Accordingly, it held that the notification could not have retrospective effect. Consequently, the benefit of the Protocol was available to the assessee. The ITAT did not go into the legality of the Central Government notification. However, the ITAT has observed that the benefit of restricted scope of fees for technical services on account of the Protocol is not dependent upon any further action of the respective contracting states.

Although the ITAT has not considered the legality of the notification issued by the Central Government, it observed that the benefit under the Protocol is not dependent upon any action by either Contracting State. The benefit is consequently available on the terms in the Protocol. It would follow that it would not be open to either Contracting State to unilaterally deprive an assessee of the benefit of the same.

Additionally, similar view has been taken by Mumbai *ITAT in case of National Organic Chemical Industries Ltd vs. DCIT*[4]

To sum up, it could be said that the said notification is not exhaustive of the circumstances covered by the Protocol and hence in respect of situations/clauses covered by the Protocol, the benefit there under should be made available to the assessee though they are not covered by the express notification issued by CBDT.

b) Tax credit plus MFN clause – may endow two-fold benefits

MFN clauses have been introduced with the idea to avoid discrimination between the nationals of two contracting states. However, in a peculiar situation, MFN clause when read with other clauses of the treaty – say tax credit clause may foster double benefit to the residents of a contracting state. A typical instance is taxability of dividend income in the case of India-Israel treaty.

Article 10(2) of the India-Israel treaty provides for a 10 per cent withholding tax on dividends.

The protocol to this treaty has a MFN clause for dividend income. As per the said clause, if India under any other convention between India and any third state, limits its rights to taxation at source on Royalty, fees for technical services, interest and dividend to a rate lower or scope more restricted compared to what is provided in India-Israel treaty, same scope and rate shall apply to this treaty as well.

Subsequently, India signed a treaty with Qatar on 15th January 2000, which provides for a lower withholding tax rate on dividend viz 5 per cent. This has led to activation of MFN clause under India-Israel treaty. Article 10 of the India-Qatar treaty provides for a dividend withholding @ 5 per cent in the source country in case where the beneficial owner of the dividend is a company which owns at least 10 per cent of the shares of the payer-company. Accordingly, Indian parent companies, receiving dividend from their Israel subsidiaries would be subject to tax withholding @ 5 per cent instead of 10 per cent in view of MFN clause.

At this juncture, it is imperative to examine the tax credit clause under the India–Israel treaty. Article 24 of the India-Israel treaty provides for a 15 per cent deemed tax credit in the residence country, irrespective of taxes actually withheld in the source country. Consequently, although payment of dividend by the Israeli company would attract only 5 per cent withholding, Indian parent company would be eligible to get 15 per cent deemed tax credit, thereby, resulting in tax savings to the extent of 10 per cent.

In a reverse scenario where the dividend is paid by an Indian subsidiary to the Israeli parent, the tax savings in the hands of the Israeli parent is even more. This is because dividend paid by an Indian company is currently

[3] 82 ITD 239
[4] 5 SOT 317

exempt in India in the hands of the shareholders under Section 115-O of the Act (though Indian subsidiary would be subject to DDT @ 17 per cent approx). Consequently, although there would be no dividend withholding tax levied in India, yet a deemed credit for the same would be available in Israel at 15 per cent, thereby resulting in an overall tax saving of 15 per cent in the hands of the Israeli parent.

5. Non- Discrimination Clause

While the MFN clause in the treaties protects the interest of non-residents vis-à-vis non-residents, the non-discrimination clause extends protection to the interest of non-residents vis-à-vis the residents of the contracting states. The main principle is to treat non-residents equal to local residents. In other words, non-discrimination aims to ensure that the tax levied on non-residents should not be more burdensome than that levied on residents. The non-discrimination clause is a salient feature of most of the DTAAs entered into between India and other countries including the developed countries like USA, UK, France, Germany, Swiss Confederation, Canada, etc.

Article 24 of the Model tax Convention provides relief to non-resident taxpayers on account of discrimination (in taxation) in the source country. The basic principle underlying such relief is that a resident of a foreign country shall not be subjected (in the source state) to a less favorable taxation regime or any onerous requirement which is more burdensome than that applicable to nationals of the source country, under same circumstances.

For illustration, if a branch of French resident company operates in India, it shall not be subject to any less favourable tax treatment than what is applicable to Indian companies under similar circumstances. Article 24, however, limits the extent of such relief by stating that 'non-discrimination' clause does not, in any manner, make it obligatory for the source state to grant to such non-resident any relief in taxation on account of civil status or family responsibilities, which are otherwise granted to residents of the source country. Hence, non-discrimination applies subject to limits laid down in the treaties.

Non-resident taxpayers have been increasingly relying on non-discrimination clause for obtaining favourable tax treatment which is challenged by revenue authorities at the lower levels thereby increasing the litigation. Certain rulings on this subject delivered by Indian authorities are discussed as under:

Rolls Royce Industrial Power Limited vs. ACIT[5] - laid down guiding principles

In this case, the Delhi ITAT commented on the scope of Article 26(2) of the Indo-UK DTAA (which deals with the PE of a non-resident not being treated less favourably than a resident) and has laid down important principles for attraction of the non-discrimination clause. Delhi ITAT held that in order to attract the non-discrimination clause, it must be shown that:

- The non-resident company is taxed in a manner that is more burdensome vis-à-vis in Indian company; and
- The resident company being compared to must be in an identical business as the non-resident company.

The text of the relevant observations is reproduced as under:

"In view of the above provision taxing of a non-resident U.K. company in a manner which is more burdensome vis-a-vis an Indian company would lead to discrimination. This would also amount to unfavourable treatment being meted out to a U.K. company vis-a-vis the Indian company doing identical business in India".

In view of the increased cross border trade, the concept of non-discrimination is viewed crucially while choosing the international trade partners. Accordingly, playing favourite policy is no more viewed as a sign of generosity. In the equality regime, the tax policies have also not gone untouched. In consonance with the widely accepted global practices world wide the Governments have adopted non-discrimination as an integral part of their Investment and tax policies.

[5] 2010-TII-139-ITAT-DEL-INTL

Daimler Chrysler India Private Ltd vs. DCIT[6] *– Rules on ownership non-discrimination*

Ownership non-discrimination deals with cases where an enterprise of the 'host state', in which capital is held by residents of the other 'contracting state', is discriminated against vis-a-vis other similar enterprises of the host state.

In this case, the assessee was Indian subsidiary of the German company. The German company was listed on several international stock exchanges but could not be listed on Indian stock exchange due to certain restrictions. This German company merged with another German firm.

Section 79 of the Income-tax Act, 1961 ("Act") as it stood at that point of time[7] , stipulated that in case there is change in 51 per cent of the shareholding of a company which is not a company in which public is substantially interested, then it will be disentitled to carry forward and set off its unabsorbed business losses. The company "in which public is substantially interested" was defined, in Section 2(18) of the Act, to include companies listed on Indian stock exchanges or their subsidiaries. The Revenue Department applied provisions of Section 79 as applicable in the year in question and held that the assessee was not entitled to carry forward its unabsorbed business loss.

The assessee sought relief under Article 24(4) of the Indo-German tax treaty and contended that it should be treated at par with the subsidiary of a company listed on Indian stock exchange and hence, is regarded as a company in which public is substantially interested to which Section 79 of the Act is not applicable.

The Tribunal then concluded that Section 79 read with Section 2(18) of the Act as they stood at the relevant point of time were discriminatory to an Indian subsidiary of a German company as compared to the Indian subsidiary of an Indian company. The reason being that while the latter qualifies as a company in which public is substantially interested by virtue of the parent company being listed in an Indian exchange the former is not, even though its parent may be listed in a German exchange. There is no justification for this differentiation, as the foreign company except for the limited purpose of Indian Depository Receipts, cannot in any case be listed on an Indian stock exchange. Faced with this impossibility of listing, the assessee is subjected to requirements connected with taxation which are more burdensome *vis-a-vis* an Indian subsidiary of an Indian parent.

The disadvantage being that no matter at how many International stock exchanges the foreign company may be listed it will still be construed to be company in which public is not substantially interested from the perspective of the Act.

Thus, Section 79 was read down, so as not to disentitle carry forward of the accumulated business losses.

Rajeev Sureshbhai Gajwani[8] *- claim of tax holiday by NR invoking non-discrimination clause*

Ahmedabad Special Bench held that tax payer can invoke the PE non-discrimination for claim of tax holiday which is available to only resident taxpayers. In the given case assessee, a non-resident individual has claimed deduction under Section 80HHE of the Act which was available to Indian resident assessees.

Tribunal observed that when DTAA provides for non-discrimination between resident and non-resident it can be concluded that exemptions and deductions available to resident Indian enterprises would be available to overseas tax resident (US in the given case) if they are carrying on the same activities. The Special Bench has not accepted the observation of Pune ITAT which read a requirement into the non-discrimination provision that discrimination must be unreasonable.

Thus, Tribunal has allowed the benefit of tax holiday to a non-resident which is available only to resident tax payers as per the provisions of the Act.

6. Conclusion

In view of the increased cross border trade, the concept of non-discrimination is viewed crucially while choosing the international trade partners. Accordingly, playing favourite policy is no more viewed as a sign of generosity. In the equality regime, the tax policies have also not gone untouched. In consonance with the widely accepted global practices world wide the Governments have adopted non-discrimination as an integral part of their Investment and tax policies. The most feasible step to remove deficiencies in the international tax regime has been inclusion of MFN and non-discrimination type clauses in the DTAAs. Such clauses included in the protocol have significance equivalent to the main articles of the DTAA since they are capable of changing the face and shape of taxability.

Such clauses have assisted in limiting the non-resident – non-resident discriminatory tax treatment to a substantial level. The positive results of MFN provisions are clearly shown by the International trade regime, where such clauses are broadly drafted, mutual and unconditional. MFN and non-discrimination clauses seems to be the most feasible and workable solution for some of the problems in the international tax field and a necessary step in providing more equity and harmonisation in international taxation. ■

[6] 2009-TIOL-68-ITAT-PUNE

[7] Section 79 has been amended w.e.f. April 1, 2000 to allow carry-forward of losses in case of change in the shareholding in Indian subsidiaries of foreign companies on account of amalgamation and demerger of such foreign companies

[8] 2011-137 TTJ 1-ITAT-AHD (SB)

On Social Responsibility of an Accountant

These are the excerpts taken from *Behold Thy Future*, the last chapter from Shri G. P. Kapadia's acclaimed historical account History of the Accountancy Profession in India, published in 1973. Shri Kapadia speaks at length on the social nature of profession, which intrinsically comes to its all practitioners due to the nature of autonomy that the profession has been enjoying since its establishment. While describing social expectations from an accountant, Shri Kapadia, from the accountant's perspective, illuminates the scope of the vision of accounting fraternity about the pressing need to realise a social purpose in profession and to stick to ethics in profession. Ever relevant as before during his times, these ideas still are both idealistic and practical at the same time. Please do read the excerpts to learn from the doyen of the accountancy profession himself:

Shri G. P. Kapadia

(The author was the first member and the founder-President of the Institute.)

Social Purpose

The profession of accountancy is a service oriented profession and perforce it must keep alive to the changes in the social and economic order and identify itself with the social stream. If this imagination is not shown, there would be a likelihood of its being swept away altogether. With the increasing role that the State is called upon to play in the financial, industrial and commercial set-up of the country and handling and management of a large number of public institutions and concerns, the question of public accountability has become much more important and it is in this light that the profession should completely re-orient its thinking. Te role of the profession is not circumscribed to one entailing the performance of the particular function with a motive of profit, but greater significance should stand attached to the tangible contribution which the profession can make in respect of the vital issue of public accountability and the positive role that the profession can play as an enlightened profession to be of service to the nation. Chartered Accountants are not mere instruments of the implementation of policies, but they themselves should be able to provide the guidelines for projecting a correct appraisal of the vital issues affecting the economy of the country. In other words, the profession ought to provide a store-house for generation of material for policy and decision making. If the members of the Institute look ahead and think in these terms, they can certainly expect a full response from the authorities as also from the community in general. While they must have the capacity of adopting correct policies and sticking to correct principles, they should not make a fetish of the autonomy conferred on the profession. They should be an open mind and be receptive so that the ultimate attitude adopted is of such an objective nature that no sector has any reason for misunderstanding the approach of the members of the profession.

With the changed context, it is all the more necessary for the Council of the Institute to focus attention on the question of expanding the scope of the audit and making audit a tool for full information to be given and for a test of the principles of the propriety and efficiency. In fact, the profession can thing in terms of assuming greater responsibilities after equipping themselves with the necessary authority and power to examine directors of companies and/or those in management to enable them to discharge their extended obligation in an appropriate manner.

Social Responsibility and Ethics

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 more one--- is to function in such a way that they are above suspicion and as members of the learned and an honourable profession they provide service to the community being accountable to the authorities and also the Legislature of the country which has bestowed autonomy on the profession.

The members of the profession should show increasing involvement in civic affairs, but in doing this, the paramount consideration should be the preservation and protection of the identity of the profession as a profession. The area of civic affairs can embrace diverse fields and can possibly include directorships in public companies, participation in the management and affairs of chambers of commerce and other association and participation and involvement into the filed of social service. A view is being found to the effect that the members of the profession should not accept directorship of public companies, because there would a sort of involvement with the management and certain quarters lay emphasis on the fact that the independence and integrity of the profession may, perhaps, be affected. So far, the general view has been that acceptance of such positions gives increasing opportunities to the members of the profession, and there is no reason to assume that their independence and integrity would in any way be affected. There is also a view to the effect that a scrupulous avoidance of acceptance of such positions would lend greater credit to the profession, because the very denial would speak volumes about the protection of the integrity and independence of the profession. The question of the emoluments to be received by a person belonging to the profession while he is a director of the concern is also another matter which calls for careful attention. It is in this light that the Council of the Institute would have to bestow the best of their consideration to this vital issue and provide guidance to the members.

The Fuller Theme of Social Responsibility and Social Purpose

One cannot escape the idea of social responsibility with autonomy having been bestowed upon the profession and in this light it is essential that a learned profession must always think in terms of assuming responsibilities along with the privileges bestowed upon it or the privileges it desires to enjoy for the efficient performance of duties. 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 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 hallmark 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 as 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 any malpractice, it should be his bounden duty to stand up against it and to make his comments without fear or favour. At the same time, too much should to be made of the question of the social obligation part and the role of a Chartered Accountant should not be converted into that of a public moralist. Experience has shown that in respect of anything going wrong with the corporate enterprise, the blame is always assigned to the auditor irrespective of the consideration of a proper investigation and the establishment of the charge. The Companies Act has been revised on a number of occasions to provide for stiffer checks on management. For the proper discharge of his duties by way of a check over management it may be necessary to have legislation so moulded that for discharging particular duties, the professional men are given statutory rights to question the management at any level and to compel a disclosure of all relevant material found necessary. But professional ethics is not a matter solely for legislation. Regulation of behaviour by a process of regimentation through statutes cannot always ensure the desired result. It has, by and large, to be achieved through a process of law and regimentation. At the same time the profession should always have self-regulation spelt out by a written code so that such self-regulation stands fully revealed. ■

Did You Know?

- Shri K. S. Aiyar, arguably the father of Indian accountancy and the pioneer of Commerce education in India, brought the three-year apprenticeship of Society of Incorporated Accountants and Auditors of London to India in 1905 paving the way for Indian youth entering the profession in greater number. Among the aspiring Incorporated Accountants, Shri Sorab S. Engineer was the first to serve his apprenticeship in India (under Shri Aiyar).
- Shri Sorab S. Engineer was the proclaimed guru of the first and founder-President of the Institute, Shri G. P. Kapadia.
- Indian Accountancy Board was constituted for the first time in 1932. The Secretary of the Department of Commerce of the Government of India was the Chairman of the Board. The Auditor General in India was the only other official member of the Board. There were 16 non-official members in the Board, who were nominated on advice of the Local Government. Shri M. L. Tannan was appointed Secretary to the Board. Its first meeting was held on 6th December, 1932.
- Shri G. P. Kapadia was the first member of The Institute of Chartered Accountants of India.
- The design of the Institute Logo and the motto, *ya eṣa supteṣu jāgarti*, were suggested by none other than the great nationalist philosopher Shri Aurobindo Ghosh.
- Shri A. E. Cama was the first Indian to become a member of the Institute of Chartered Accountants of England and Wales as early as in 1908.
- After the first Council of the Institute started functioning, i.e. as on 1st April 1, 1950, there were 1,689 members—569 Fellows and 1,120 Associates.
- The journal of the Institute, The Chartered Accountant, started its journey with an eight-page Bulletin in January 1950 and this Bulletin transformed into a full-fledged journal in July 1952, which had a circulation of less than 5000 copies.
- First ever Conference by chartered accountants after attaining autonomy was held by the chartered accountants of Bombay, The Bombay Region Chartered Accountants Conference, in September 1951, which was inaugurated by the-then President of the ICAI, Shri G. P. Kapadia. The Conference covered areas including role of a chartered accountant, ideals of accountancy profession, practical aspects of income-tax practice and procedure, report writing and presentation, and staff training facilities and education of accountancy profession among others.
- The First (official) Conference of the Chartered Accountants of India was held in New Delhi in April 1954, which coincided with the inauguration of the owned office premises at Indraprastha Marg in New Delhi. Both these events were opened by none other than the first President of India, Dr. Rajendra Prasad.

Government Bets on New Tax Code to Bring Back Black Money

With the growing pressure for steps to tackle unaccounted income hidden abroad, the government has identified the proposed Direct Taxes Code (DTC) as a significant tool in this regard. A comprehensive strategy shared by the finance ministry at the highest level of the government last week outlines the DTC provisions to help tackle this problem. The DTC is proposed to be implemented from April next year. According to the plan, for the purpose of levy of wealth tax, taxable assets have been defined to include deposits in banks outside India in the case of individuals, unreported bank deposits in the case of others, interest in a foreign trust or any other entity (other than a foreign company) and any equity or preferential shares held in a controlled foreign company. Further, the General Anti-Avoidance Rule (GAAR) has been incorporated to deal with aggressive tax planning devises used to circumvent tax laws. Specific Controlled Foreign Company (CFC) rules have been incorporated to bring into the tax net all passive income earned by residents from substantial shareholding in companies situated in low tax jurisdictions. A reporting requirement has also been introduced obliging resident assesses to furnish details of their investment and interest in any entity outside India. As part of its ongoing exercise to gather information on black money from other countries, the income tax department has collected diverse information from countries with which India has signed Double Tax Avoidance Agreements of details of payments received by Indian citizens in various countries, besides information of LGT accounts.

*(**Source:** http://www.indianexpress.com/)*

Economy Likely to Grow by About 8.5 Per Cent in FY12: PMEAC

In the backdrop of the RBI's tight monetary policy and high inflation, Chairman of Prime Minister's Economic Advisory Council (PMEAC) C Rangarajan has said India's economic growth in the 2011-2012 fiscal is likely to be about 8.5 per cent, lower than the Budget projection. "I believe (it would be closer to) 8.5 per cent," he said at an Organisation for Economic Cooperation and Development (OECD) event. In his Budget speech, Finance Minister Pranab Mukherjee had pegged economic growth for 2011-2012 at 9 per cent. However, the Reserve Bank, in its monetary policy in May, said that GDP growth during 2011-2012 would be only around 8 per cent. Mr. Rangarajan, however, exuded confidence that India has the potential to clock GDP growth of 9 per cent in the medium term. Mukherjee, too, said recently that the growth drivers of the country were intact, as the government aims at GDP growth of 9 per cent to 9.5 per cent during the XII Five-Year Plan, starting April, 2012.

*(**Source:** Press Trust of India)*

SEBI Plans Independent Auditor for IPOs

The Securities and Exchange Board of India (SEBI) is contemplating introducing a process audit to be carried out by an independent auditor of initial public offerings or IPOs. The auditor would examine the procedures followed by registrar and transfer agents responsible for processing applications and maintaining records of allotted shares during a public issue. As per the current practice, exchanges obtain and upload data provided by registrars. But there is no way of verifying whether due and uniform process has been followed in all the cases, such as whether discarded applications have been rejected by following the uniform policy. Currently, different registrars follow different processes during the execution of an IPO. An independent auditor would check whether the correct processes have been followed and submit a report to the exchanges as well as the merchant banker, said a person familiar with the matter, declining to be identified. The timelines for IPOs are also being crunched for intermediaries. SEBI has reduced the time between the close of a public issue and listing on exchanges from 22 to 12 days, which may be contributing to errors, experts said. SEBI seemed disinclined to make such a process mandatory because of the increase in the costs for coming out with an IPO, but it has said that exchanges could look to introduce the same on a voluntary basis, according to a source.

*(**Source:** http://beta.profit.ndtv.com/news)*

PMS Gains Should be Taxed at 15 Per Cent and Not 30 Per Cent: ITAT

Gains from portfolio management services (PMS) should be taxed at a lower rate, according to Income-Tax Appellate Tribunal (ITAT), a quasi-judicial body. In a recent ruling, the Mumbai bench of ITAT said that gains arising from PMS transactions are capital gains and not business profits. Short-term capital gains are taxed at 15 per cent, against 30 per cent for business income. While the tax department had laid down the features to differentiate between the two kinds of transactions, there were grey areas that left room for interpretations by assessing officers. Thanks to conflicting rulings and views, the issue sparked multiple legal disputes in the past few years. PMS, offered by brokerages and fund houses, are sold to HNIs who are willing to take extra risks. PMS industry handles funds worth ₹20,000 crore for more than 70,000 rich clients. The ruling is expected to cheer fund managers as well as investors. It supported the proposition that an investment portfolio managed by a fund manager is an investment asset in the hands of the tax payer. The gains derived by the taxpayer from the sale of securities belonging to such an investment portfolio should be treated as capital gains. But while the ruling favours the concerned investor in this particular case, it is not clear whether the tribunal view can serve as a benchmark for future disputes. Tribunal added that whether the assessee is engaged in the business of dealing in shares or investment in shares has to be determined according to the circumstances. The issue has become highly litigious, owing to a plethora of conflicting rulings on the matter. Indian courts have ruled that one would need to consider multiplicity of factors before formulating a view."

*(**Source:** http://www.thehindubusinessline.com/)*

Tax Exemption on Postal Savings Account Interest Capped at ₹3,500

People will now have to pay tax on interest earned beyond ₹3,500 on a postal savings bank account. In a recent decision, the Central Board of Direct Taxes, the apex direct taxes body, withdrew the blanket exemption enjoyed hitherto by the scheme. The exemption will be available only on interest earned up to ₹3,500 in case of individual accounts and ₹7,000 in case of joint accounts from the current fiscal year itself. Experts say some of the concessions granted earlier had to be reviewed to see if they were in line with the current economic reality or had outlived their utility.

*(**Source:** http://economictimes.indiatimes.com/)*

SEBI for Disclosures, Regulation in Non-Disruptive Manner

The Securities and Exchange Board of India (SEBI) Chairman, U.K. Sinha has stressed the need for more disclosures and regulation in a non-disruptive manner in the mutual fund industry and asked the industry to simplify the initial public offering (IPO) process. SEBI is looking into distributor regulation, but not in a disruptive manner. It will be for limited number of large distributor and will be a disclosure-based system. If we set the rules of games and apply it uniformly, it will help the industry, Mr. Sinha said. He was speaking at the seventh edition of the national CII Mutual Fund Summit 2011, with the theme Indian mutual fund industry: distribution spectrum in a changing business environment, a flagship event of Confederation of Indian Industry (CII).

*(**Source:** http://economictimes.indiatimes.com/)*

Present Tax Growth to Continue: Finance Secretary

Central receipts from direct taxes in the first two-and-a-half months of the current financial year till 15th June registered a 27.3 per cent growth in spite of higher base effect over the corresponding period last year, and as against the 26 per cent growth targeted for the full year. Disclosing this recently, Sunil Mitra, finance secretary, said he was confident of sustaining the initial tax growth till the last quarter of the current fiscal. This was enough to meet all the obligations, including clearance of total tax refund payouts amounting to ₹105,000 crore due for the last two years, he added. According to Mitra, gross tax collections during 1st April to 15th June stood at ₹75,521 crore, even though the corresponding period in last year witnessed unusually high rate of growth.

*(**Source:** Press Trust of India)*

Frauds Go Undetected for Longest Period in Asia: Survey

Fraudsters go undetected for a longer duration in Asia, with a survey revealing that frauds in the region sometimes do not come into the light for ten years or more. In Asia, it takes longer to detect frauds than any other region in the world, says a survey report of a global consultancy firm. "The duration of fraud prior to detection in Asia is an average of five years, with 16 per cent of frauds going undetected for 10 years or more, compared to 4.2 years in North America and 3.7 years in Western Europe," the survey report said. In India, a whopping 88 per cent of frauds are not communicated while enforcement action is initiated in one-quarter of cases and disciplinary action is taken in 25 per cent of investigated cases, according to the report. The findings are based on research of 348 actual fraud investigations carried out by the firm in 69 countries and many of the cases have never been made public. "The 2011 survey data reveals a slight decrease in the internal disclosure of fraud, down from half of all cases in 2007 to 46 per cent. "Full disclosure of details fell from 35 per cent in 2007 to 13 per cent in 2011. India [88 per cent of frauds not communicated] and Eastern Europe [72 per cent] have least propensity to reveal details of fraud, while the most transparent countries are South Africa, Australia and New Zealand," it noted. Corporate fraudsters are typically male in the age group of 36 to 45 years and often commit fraud against their own employer.

*(**Source:** http://economictimes.indiatimes.com/)*

India Asks Mauritius to Re-work Tax Treaty

India has made a fresh request to Mauritius to re-work an over three-decade-old tax treaty that spares FIIs routing their investments through the island nation from paying capital gains tax on the sale of Indian shares. "Mauritius has agreed to participate in the joint working group (JWG) which lends hope that the island nation would agree to rework the tax treaty. We have sent our agenda for discussion and suggested a few dates in July and August. We want to re-work the treaty on the same lines as the other double taxation avoidance agreements (DTAA) that we are entering into now or are under renegotiation," said Sunil Mitra, Finance Secretary. This means that India will push for imposing capital gains tax on Mauritius residents on the sale of Indian shares. This would bring them at par with domestic investors who pay a ten per cent capital gains tax on shares sold within a year of purchase. "We are insisting on source-based taxation of capital gains in our new DTAAs and the older ones that are being re-negotiated to ensure that India gets a due share of tax revenues," said a senior government official. India also wants to have safeguards to curb treaty shopping, a practice where the resident of a third country enjoys the beneficial tax treatment of the Indo Mauritius treaty. There is also a widespread perception that some Indian investors indulge in round-tripping - the practice of taking money out of India and bringing it back through the Mauritius route.

*(**Source:** http://www.hindustantimes.com)*

India Inbound M&A Volume Touches $23 bn This Year

India's Inbound Mergers and Acquisition volume has surged to $23.4 billion this year with the United Kingdom emerging as the top acquirer into India. According to global deal tracking firm Dealogic, India inbound M&A volume has surged to $23.4 billion till last week, slightly behind the record volume announced in the same period of 2007. The United Kingdom has emerged as the top acquirer into India with deals worth $15 billion, much more than the corresponding period last year, when the year-to-date inbound deal volume stood at $151 million, the report said. The top acquirer nations into India so far this year were the UK, which was responsible for 64 per cent of inbound M&As, followed by the United States (17 per cent), Germany (6 per cent), Japan (4 per cent), Denmark (3 per cent).

*(**Source:** http://www.business-standard.com/india/)*

IASB Introduces Improvements to the Accounting for Post-employment Benefits

The International Accounting Standards Board (IASB) announced recently the completion of its project to improve the accounting for pensions and other post-employment benefits by issuing an amended version of IAS 19 Employee Benefits. The amendments make important improvements by eliminating an option to defer the recognition of gains and losses, known as the 'corridor method', improving comparability and faithfulness of presentation, streamlining the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring re-measurements to be presented in other comprehensive income (OCI), thereby separating those changes from changes that many perceive to be the result of an entity's day-to-day operations and enhancing the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans. The amendments will provide investors and other users of financial statements with a much clearer picture of an entity's obligations resulting from the provision of defined benefit plans and how those obligations will affect its financial position, financial performance and cash flow. The project also formed part of the Memorandum of Understanding (MoU) between the IASB and the Financial Accounting Standards Board, the US national standard-setter. The elimination of the corridor method further aligns IFRSs and US generally accepted accounting principles. IAS 19 was inherited by the IASB when it began its work in 2001. However, it was not included in the initial set of improvements made by the IASB to achieve a stable platform for IFRS adoption in Europe and other jurisdictions in 2005. The review of IAS 19 began in 2006 with the formation of a working group to advise the IASB on the development and refinement of its proposals. The IASB published a discussion paper for public comment in March 2008 and an exposure draft in April 2010. The exposure draft attracted more than 220 comment letters. In finalising its work, the IASB conducted extensive consultations with interested parties. The amendments to IAS 19 issued recently will ensure that investors and other users of financial statements are fully aware of the extent and financial risks associated with those commitments, in particular by requiring the surplus or deficit of a pension fund to be shown in the financial statements. At the same time the amendments help to separate out the background noise of changes in pension liabilities from the underlying financial performance of the core business. The amended version of IAS 19 comes into effect for financial years beginning on or after 1st January, 2013. Earlier application is permitted. IASB staff will hold a web cast introducing the amendments in due course. Details on how to take part will be posted on the home page of the website.

*(**Source:** http://www.ifrs.org/News/)*

IASB and FASB to Re-expose Revenue Recognition Proposals

The International Accounting Standards Board (IASB) and the US-based Financial Accounting Standards Board (FASB) agreed recently to re-expose their revised proposals for a common revenue recognition standard. Re-exposing the revised proposals will provide interested parties with an opportunity to comment on revisions the boards have undertaken since the publication of an exposure draft on revenue recognition in June 2010. It was the unanimous view of the boards that while there was no formal due process requirement to re-expose the proposals it was appropriate to go beyond established due process given the importance of the revenue number to all companies and the need to take all possible steps to avoid unintended consequences. Consequently, the boards intend to re-expose their work in the third quarter of 2011 for a comment period of 120 days. Further details will be available shortly from the revenue recognition project sections of the IASB and FASB websites.

*(**Source:** http://www.ifrs.org/News/)*

IASB and FASB Align Presentation Requirements for Other Comprehensive Income

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB), the US national standard-setter issued recently the amendments that will improve and align the presentation of items of other comprehensive income (OCI) in financial statements prepared in accordance with International Financial Reporting Standards (IFRSs) and those prepared in accordance with US generally accepted accounting principles (GAAP). The amendments to IAS 1 *Presentation of Financial Statements* require companies preparing financial statements in accordance with IFRSs to group together items within OCI that may be reclassified to the profit or loss section of the income statement. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. The FASB recently issued an Update to Topic 220: *Presentation of Comprehensive Income* that brings US GAAP into alignment with IFRSs for the presentation of OCI. The changes issued do not address which items should be presented in OCI or which and when items should be recycled through profit or loss. However, requiring OCI to be presented as part of, or in close proximity to, the profit or loss (income) statement will make it easier for users of financial statements to assess the impact of OCI items on the overall performance of an entity and improve comparability between IFRSs and US GAAP. These amendments maintain an appropriate separation between OCI and profit or loss while ensuring that the two can be easily read together. The changes do not address the issue of which items of income and expense should be included in profit or loss or OCI. The Board will be asking stakeholders in the near future whether this important

issue should be added to the Board's agenda. The IASB's amendments to IAS 1 are set out in *Presentation of Items of Other Comprehensive Income* and are effective for financial years beginning on or after 1st July, 2012.
(***Source:*** *http://www.ifrs.org/News/*)

IAESB Proposes Clarified Standard on Professional Accounting Education Entry Requirements

The International Accounting Education Standards Board (IAESB) recently released for public exposure a proposed revision of International Education Standard (IES) 1, E*ntry Requirements to a Program of Professional Accounting Education*. The revised education standard is intended to protect the public interest by both establishing fair and proportionate entry requirements—which help those individuals considering professional accounting education make appropriate career decisions—and ensuring that requirements for entry to professional accounting education are not misrepresented. IES 1, originally approved in 2004, currently prescribes the principles to be used by professional accountancy organisations, including member bodies of the International Federation of Accountants (IFAC), when setting entry requirements for professional accounting education and practical experience. The revised standard proposes specification of entry requirements for professional accounting education; explanation for the rationale behind the entry requirements; a requirement that excessive barriers to entry are not put in place; and a requirement to make relevant information publicly available so that candidates can assess their chances of successful completion. The proposed revisions reflect the IAESB's view that the overall objective of accounting education is to develop a competent professional accountant. The IAESB acknowledges that there are different processes and activities that contribute to achieving such competence. These revisions to IES 1 are intended to ensure that entry requirements for professional accountancy education are designed fairly for aspiring professional accountants. The IAESB has undertaken a project to redraft all eight of its IESs in accordance with its new clarity drafting conventions, as outlined in its 2010-2012 Strategy and Work Plan. This project began in December 2010 with the proposed revision of IES 7, *Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence. Proposed revisions of IES 4, Professional Values, Ethics, and Attitudes*, and IES 6, Assessment of Professional Competence, were released for exposure in April 2011, and the comment period is still open. The current timetable envisages that all IESs will have been revised and redrafted, or redrafted only, by the first quarter of 2013.
(***Source:*** *http://press.ifac.org/news/2011/*)

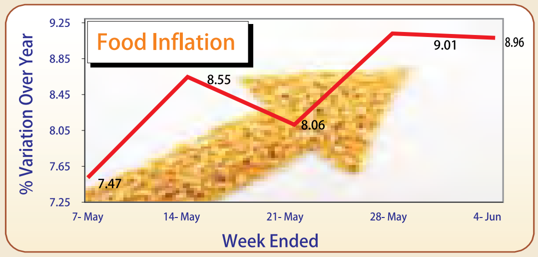
IASB and EFRAG Discuss Completion of Work Plan and Future Agenda of IASB

The International Accounting Standards Board (IASB) and the European Financial Reporting Advisory Group (EFRAG) met recently to review the IASB's current work programme. EFRAG is the private sector body responsible for stimulating debate in Europe around the evolution of International Financial Reporting Standards (IFRSs) and providing input to the work of the IASB, after appropriate due process, on behalf of Europe. The meeting focused on the main projects that the IASB intends to finalise in 2011, as well as the time line for completion of those projects. EFRAG recommendations on the projects on revenue recognition, leases, financial instruments and insurance contracts were discussed. The IASB and EFRAG also agreed to work in close co-operation to ensure a broad European input into the standard-setting process and to organise field testing where appropriate. EFRAG is publishing a summary of the messages expressed at the meeting. This summary is available to download from www.efrag.org.
(***Source:*** *http://www.ifrs.org/News/*)

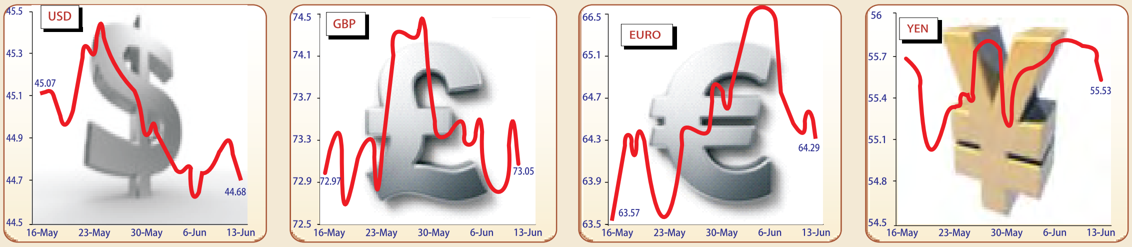
IFRS Foundation Publishes Proposed IFRS Taxonomy Enhancements for Reporting Common-Practice

The IFRS Foundation recently published for public comment an exposure draft of the *IFRS Taxonomy 2011 interim release: common-practice concepts*. The proposed interim release contains supplementary tags for the IFRS Taxonomy that reflect disclosures that are commonly reported by entities in their IFRS financial statements. The supplementary tags are intended to enhance the comparability of financial information, and are consistent with IFRSs and with the XBRL (eXtensible Business Reporting Language) architecture of the IFRS Taxonomy 2011. In April the IFRS Foundation announced its intention to enhance the usability of the IFRS Taxonomy by providing additional elements that reflect common reporting practice across the world and across industries. The proposed interim release is the first part of this process. Once these initial common-practice tags are finalised, entities will be able to apply these tags to line items in their primary financial statements and to notes and accounting policies within these financial statements (using text blocks) with fewer entity-specific tags. It is expected that reducing the need for entity and jurisdiction-specific tags will reduce divergence in reporting practice, thereby enhancing the comparability of IFRS financial information. The next part of the process will involve the detailed analysis of disclosures within notes to financial statements and identifying common reporting practice in these note disclosures. The *exposure draft of the IFRS Taxonomy 2011 interim release: common-practice concepts* is open for comment until 2nd August, 2011. The IFRS Foundation will consider the feedback received from this consultation, after which a final version of the interim release will be published. The supplementary tags will be consolidated into the IFRS Taxonomy 2012.
(***Source:*** *http://www.ifrs.org/News/*)

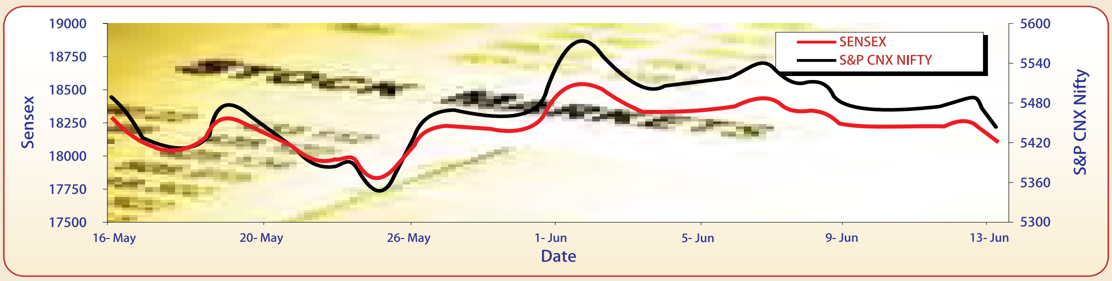
Economic Indicators



Indian Rupee vs. Major Foreign Currencies (May 16, 2011 to June 15, 2011)



Stock Markets



Selected Indicators

(per cent per annum)

Item	2010	2011					
	Jun. 4	Apr. 29	May 6	May 13	May 20	May 27	Jun.3
Cash Reserve Ratio(1)	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Bank Rate	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Base Rate(2)	11.00/12.00	8.50/9.50	8.50/10.00	9.25/10.00	9.25/10.00	9.25/10.00	9.25/10.00
Deposit Rate(3)	6.00/7.50	7.75/9.50	7.75/9.50	7.75/9.50	7.75/9.10	7.75/9.10	8.25/9.10
Call Money Rate (Weighted Average)(4)	5.01	6.86	6.74	7.38	7.35	7.40	7.30

Notes: (1) Cash Reserve Ratio relates to Scheduled Commercial Banks (excluding Regional Rural Banks).
(2) Base Rate relates to five major banks since 1st July, 2010. Earlier figures relate to Benchmark Prime Lending Rate (BPLR).
(3) Deposit Rate relates to major banks for term deposits of more than one year maturity.
(4) Data cover 90-95 per cent of total transactions reported by participants. Call Money Rate (Weighted Average) is volume–weighted average of daily call money rate for the week (Saturday to Friday).

Readers are Invited to contribute write-ups or any relevant and interesting piece of information for this feature at eboard@icai.org.

ACCOUNTANT'S BROWSER

'PROFESSIONAL NEWS & VIEWS PUBLISHED ELSEWHERE'

Index of some useful articles taken from Periodicals/Newspapers received during May-June 2011 for the reference of Faculty/Students & Members of the Institute.

1. ACCOUNTING

A Case Study on Cost Estimation & Profitability Analysis at Continental Airlines by Francisco J. Roman. *Issues in Accounting Education*, Vol.26/1, 2011, pp.181-200.

Does the Capitalisation of Intangible Assets Increase the Predictability of Corporate Failure? by Stewart Jones. *Accounting Horizons*, Vol. 25/1, 2011, pp.41-70.

Equity Value Implications of Lease Accounting by James Boatsman & Xiaobo Dong. *Accounting Horizons*, Vol. 25/1, 2011, pp.1-16.

Pitfalls of Using Citation Indices for Making Academic Accounting Promotion, Tenure, Teaching Load, & Merit Pay Decisions by Alan Reinstein etc. *Issues in Accounting Education*, Vol.26/1, 2011, pp.99-131.

A Proposed Framework for Behavioral Accounting Research by Jacob G. Birnberg. *Behavioral Research in Accounting*, Vol.23/1, 2011, pp.1-43.

2. AUDITING

Audit Fees After Remediation of Internal Control Weaknesses by Vishal Munsif etc. *Accounting Horizons*, Vol.25/1, 2011, pp. 87-105.

Auditor Realignments Accompanying Implementation of SOX 404 ICFR Reporting Requirements by Michael Ettredge. *Accounting Horizons*, Vol.25/1, 2011, pp.17-39.

Auditors' Overconfidence in Predicting the Technical Knowledge of Superiors & Subordinates by Jun Han etc. Auditing: A Journal of Practice & Theory, February 2011, pp.101-119.

Characteristics of Relatively High-Performance Auditors by C.A. Mcknight & W.F. Wright. *Auditing: A Journal of Practice & Theory*, February 2011, pp.191-206.

The Impact of the Big 4 Consolidation on Audit Market Share Equality by Kimberly Dunn. *Auditing: A Journal of Practice & Theory*, February 2011, pp. 49-73.

The Information Security Control Environment by Meghann A. Cefaratti etc. *Internal Auditor*, April 2011, pp. 55-59.

Mountain State Sporting Goods: A Case of Fraud? A Case Study in Fraud Examination by R.J. Rufus & W. Hahn. *Issues in Accounting Education*, Vol.26/1, 2011, pp.201-217.

Threats to Auditor Independence: The Impact of Relationship & Economic Bonds by Ping Ye etc. *Auditing: A Journal of Practice & Theory*, February 2011, pp. 121-148.

3. ECONOMICS

The Global Economy & Framework by Duvvuri Subbarao. *RBI Bulletin*, May 2011, pp.651-661.

The IMF, Capital Controls & Developing Countries by Kevin P. Gallagher. *Eco. & Pol. Weekly*, 7th May, 2011, pp.12-16.

Linking Entrepreneurship with Credit – The Role of Financial System by K. C. Chakrabarty. *RBI Bulletin*, May 2011, pp.663-669.

Macroeconomic & Monetary Developments in 2010-2011: Overview (Monetary Policy Statement 2011-2012). *RBI Bulletin*, May 2011, pp.597-650.

4. EDUCATION

Deemed to be Universities: What are they? by A Gnanam. *University News*, 16th to 22nd May, 2011, pp. 1-6.

National Library & Information Services Infrastructure for Scholarly Content: Extending Access to E-Resources by Jagdish Arora & Kruti Trivedi. *University News*, 9th to 15th May, 2011, pp.1-8.

5. INVESTMENT

Does Greater Risk-Bearing in Stock Option Compensation Reduce the Influence of Problem Framing on Managerial Risk-Taking Behavior? by Kimberly Sawers etc. *Behavioral Research in Accounting*, Vol.23/1, 2011, pp.185-201.

Insider Trading: Path Traversed & the Road Ahead by Nandini Seth & Sanchit Agarwal. *Company Law Journal*, Vol.2, 2011, pp. 65-82.

Procedure for Forfeiture of Shares & Reissue of Forfeited Shares by T. V. Narasimham. *Chartered Secretary*, May 2011, pp.590-594.

Testing the Investors by Sarah Perrin. *Accountancy*, May 2011, pp. 25-26.

Uniform Face Value of Shares: An Interlude to the Adoption of a No Par Value Regime by Pritha Chatterjee & Sanchit Agarwal. *Company Law Journal*, Vol.2, 2011, pp.90-104.

6. MANAGEMENT

Green Marketing: A Recent Buzzword Ruling the Corporate World by Arindam Ghosh. *Chartered Secretary*, May 2011, pp.595-601.

How to Build Risk Into Your Business Model by Karan Girotra & Serguei Netessine. *Harvard Business Review*, May 2011, pp.100-105.

Managing the Complexity of Risk by Neil Baker. *Internal Auditor*, April 2011, pp.35-38.

Retail Investors' Perceptions of the Decision-Usefulness of Economic Performance, Governance, & Corporate Social Responsibility Disclosures by Jeffrey Cohen, etc. *Behavioral Research in Accounting*, Vol.23/1, 2011, pp. 109-129.

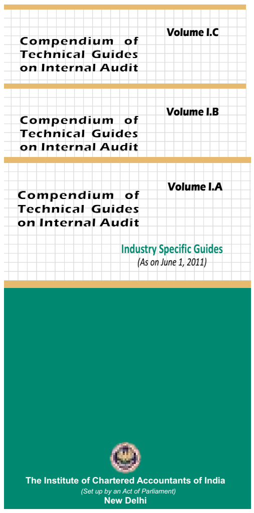
7. TAXATION & FINANCE

Union Budget 2011-2012: An Assessment. *RBI Bulletin*, May 2011, pp. 705-786.

Full Texts of the above articles are available with the Central Council Library, ICAI, which can be referred on all working days. For further inquiries please contact on 011-23370154 or by e-mail at library@icai.org

New Publication from the Internal Audit Standards Board

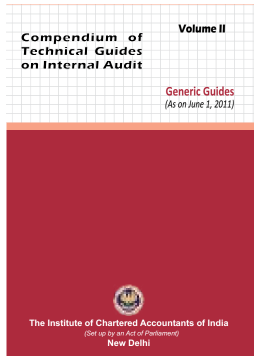
Compendium of Technical Guides on Internal Audit
(Pages: 2,393 + 80 Initial pages + 8 Cover pages)
Price: ₹750/- (including CD)



The Internal Auditors of today must possess an always expanding tool kit of technical skills and competencies to perform a job that seems to constantly change in scope and function. The Internal Audit Standards Board is committed to achieve these objectives and has issued *Compendium of Technical Guides on Internal Audit* which contains text of all the Industry Specific Technical Guides as well as Generic Guides, issued till date so that the members can get the text of all these Guides at one place.

Significant Features of the Compendium are:

- The Compendium is sub-divided into two volumes :
  - The Volume I of the Compendium contains the text of all the Technical Guides and
  - The Volume II contains the text of all the Background Materials and various Studies relating to internal audit issued by the Board till date.



- Contains internal audit aspects of some of the crucial industries such as Oil and Gas Industry, Aluminum, Telecommunication, Educational Institutions, BPO and Construction.
- Comes with a CD of the entire Guide to ensure ease of reference and reusability.

Ordering Information:

The publication can be obtained from the sales counter at the Regional Offices or at the Head Office of the Institute. Copies can also be obtained by post. To order by post, send a demand draft for the amount of price of the publication (add the charges indicated below for the desired mode of delivery) in favour of the ***"The Secretary, The Institute of Chartered Accountants of India, New Delhi",*** payable at New Delhi, to the Postal Sales Department, the Institute of Chartered Accountants of India, A-29, Sector-62, NOIDA - 201309 - (U.P.).

Postal Charges:

By Courier:	Within Delhi:	₹80/-
	Rest of India:	₹100/-
By Registered Parcel:	Within India:	₹144/-

Committee on Public Finance and Government Accounting Invitation to Contribute Articles for E-Newsletter

The Committee on Public Finance and Government Accounting of The Institute of Chartered Accountants of India is regularly coming up with its E-Newsletter -'Prudence' featuring various articles on economic issues and measures on bi-monthly basis. The April-May 2011 issue of the E-Newsletter is available at the URL http://www.icai.org/new_post.html?post_id=3825&c_id=241.

The Committee invites experts, researchers and writers to contribute articles in different areas of Public Finance and Government Accounting for publication in the June2011 to July 2011 issue of its E-newsletter. If the article is published, a token honorarium of ₹2,000/- 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 in 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.

The articles may be sent to us 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:

The Secretary
Committee on Public Finance and Government Accounting
The Institute of Chartered Accountants of India
'ICAI Bhawan', A-29, Sector-62,
Noida - 201 309
Phone: 0120-3045950 (O)
Email: cpf_ga@icai.org

Contribution to the Question Bank of CPT

The Common Proficiency Test (CPT) is an entry level test meant for 10+2 students to the Chartered Accountancy Profession having multiple choice objective questions. The level of knowledge expected is basic knowledge with the objective to develop conceptual understanding of the subject concerned.

With a view to augment the Question Bank in the Subjects of Accounting/Mercantile Laws/ General Economics/Quantitative Aptitude of Common Proficiency Test, it has been decided to invite questions from Chartered Accountants/Subject experts working in various Colleges/Universities/Public /Students pursuing Chartered Accountancy Course etc.

The contributor can contribute as many questions as he/she can, but in a lot of minimum of 20 questions in the subjects of Accounting/Mercantile Laws/General Economics/Quantitative Aptitude in the following manner:-

- The questions should be of objective with four probable answers for each question. The correct answer for each question is also required to be given.
- Fill in the blanks having four alternative answers.
- Small paragraph containing two to three lines followed by a question having four alternative answers.
- Numerical having four alternative answers (in Fundamentals of Accounting, Mathematics and Statistics).
- Simply worded Case studies involving multiple concepts be also prepared. The case study could be something like a practical situation described in three to four lines in simple language with application of single/multiple concepts and requiring students to choose one answer from amongst four answers whereby the analytical/logical ability and intelligence of the students is tested.

Since the CPT is an entry level Test meant for 10+2 students, the level of knowledge expected is basic knowledge and the questions should be aimed at testing the conceptual understanding and fundamentals of the subject than merely testing the memory of candidates. The difficulty level of the questions should be of 10+2 level and capable of being answered/solved in less than one minute.

While framing the questions, the questions be framed in such a manner that each one of the four answers given for a particular question, per se, appear to be the right answer thereby requiring the candidate to use his analytical ability to find the correct answer.

- The language of the questions to be sent should be English only and is clear, correct, unambiguous and free from any doubt. The language conveys the same meaning as was intended by you.
- The copyrights of the questions so submitted shall vest with the Council of the Institute. The contributor of the questions shall ensure that the questions so submitted to the Institute are not parted with by him/her to any other Body/Person and shall be meant only for the exclusive use by the Council of the Institute.
- **It may please be noted that the questions framed by you should be original and not already published in some books or journals or study material of the Institute or reference/text books available in the market or also from question papers of any other examinations or material distributed by any coaching institution. The requirement is the questions that are original and framed with the meticulous care and genuinely.**
- For each question framed and forwarded and accepted by the Council of the Institute for augmentation of the Question Bank of CPT, ₹250/- per question selected/accepted will be paid as honorarium. In addition to honorarium payable towards questions selected, ₹100/- (fixed) will be paid for other services also. The questions may be sent in a sealed envelope superscribed "Question Bank – CPT" to Shri G. Somasekhar, Additional Secretary (Exams),The Institute of Chartered Accountants of India, Indraprastha Marg, New Delhi – 110002 by name or by e-mail to srdd_exam@icai.in While sending the questions by post/mail, please mention your name and complete postal address alongwith contact details including mobile number. All correspondence on the subject should be treated as secret.

Interested persons may kindly contribute to the Question Bank of CPT.

(G. Somasekhar)
Additional Secretary (Exams.)

Announcement regarding working hours of the Articled Assistants

The Council has considered the issue regarding the working hours of the articled assistants. The Council is of the view that the article training is an important part of the CA curriculum and the same needs to be carried out in accordance with the scheme framed by the ICAI in this behalf. Accordingly, to clarify the doubts being raised by various quarters about the working hours of the articled assistants and for pursuing graduation/ other course, the Council decided to issue the following directions:-

1. The articled assistants should undergo practical training in accordance with the Chartered Accountants Regulations, 1988 as explained hereinafter.
   i. The working hours for the articled assistants shall be 35 hours in a week excluding the lunch break.
   ii. The office hours of the Principal for providing article training to the articled assistants shall not be generally before 9.00 A.M. or after 7.00 P.M.
   iii. The normal working hours for the articled assistants shall not start after 11.00 A.M. or end before 5.00 P.M.
   iv. The working hours for the articled assistants should not exceed 35 hours in a week excluding the lunch break and normally an articled assistant be required to work during the normal working hours fixed for articled assistants.
   v. **In case of the exigencies of work with the Principal, an articled assistant may be required to work beyond his/her normal working hours. However, under such circumstances, the aggregate number of working hours shall not exceed 45 hours per week. The requirement to work beyond 35 hours in a week should not be a practice but only in exceptional circumstances. Further, where the articled assistant is required to work beyond normal working hours, and aggregate of such hours exceed 35 hours per week, he/she shall be entitled to compensatory leave calculated with reference to number of completed working hours, over and above, 35 hours per week.**
   vi. The facility of allowing flexible office hours stands withdrawn.

2. During the working hours, the articled assistant is not permitted to attend college/other institutions for pursuing any course including graduation. Accordingly, college timings of such course should not be such (after taking into account the time required to commute) which clashes with the normal working hours of the article training.

3. To ensure that the working hours do not clash with the graduation or any other course, if any pursued by the article assistant, each articled assistant registered on or after 1st April, 2008 shall now be required to obtain specific permission from the ICAI for pursuing graduation or other course as permitted under the Chartered Accountants Regulation by submitting Form No.112, within one month from the date of joining the college or course to the ICAI.

4. The Certificate in Form No. 112 indicating college timings etc. shall be counter-signed by the concerned Principal of the college with the seal and stamp of the College and also indicating the telephone number/s and full address of the College.

5. In case a student does not comply with the above requirements or violates any of the above guidelines, his/her articleship period shall not be recognised.

6. In this connection, attention is invited to the Regulations 65 and 66 read with Regulation 60 of the Chartered Accountants Regulations, 1988 which provide as under:-

   Regulation 60: Working hours of an Articled Assistant
   The minimum working hours of an articled assistant shall be 35 hours per week (excluding lunch break) which shall be regulated by the Principal from time to time, subject to such directions and guidelines, as may be issued by the Council.

   Regulation 65: Articled assistant not to engage in any other occupation
   "Without the previous permission of the Council, obtained on application made in the *approved form, no articled assistant shall, during the period of his service as an articled assistant, take any other course of study or training, whether academic or professional, or engage in any business or occupation."

   Regulation 66: Enquiries against articled assistant
   "(1) Where a complaint or information of any misconduct or breach of Regulation 65 or breach of the Code of Conduct applicable to articled assistants or breach of any of the covenants contained in the articles is received against an articled

assistant from his principal or any other person, the President or the Vice-President as the Executive Committee may decide from time to time, may cause an investigation to be made.

(2) The Executive Committee may, on a consideration of the report of the investigation and after giving the articled assistant an opportunity of being heard, make any of the following orders, namely;-

i. direct that the papers be filed and the complaint be dismissed, if the Executive Committee finds that the articled assistant is not guilty of any misconduct of breach of Regulation 65 or breach of any of the covenants contained in the articles; or
ii. if the articled assistant is found guilty, reprimand the articled assistant or cancel the registration of articles or direct that any period already served under such articles shall not be reckoned as service for the purpose of the period of practical training specified in Regulation 50.

(3) The articled assistant, the registration of whose articles has been cancelled under this regulation, shall not, except with the permission of the Executive Committee be retained or taken as an articled assistant or audit assistant by any member".

Enhancement of fees for issue of duplicate statement of marks

25th March, 2011

It is hereby informed that the Council, in exercise of powers vested with it under the provisions of Regulation 39(5) of the Chartered Accountants Regulations, 1988 has decided to enhance/revise the fees for issue of duplicate statement of marks (for various examinations conducted by the Institute of Chartered Accountants of India, including those relating to post qualification courses) from ₹10/-(Rupees ten only) per duplicate statement of marks to ₹100/- (Rupees one hundred only) per duplicate statement of marks.

The above mentioned revision will be effective from 1st April, 2011.

The detailed procedure for obtaining duplicate mark sheet is available in the examination folder in ICAI website www.icai.org

Examination Department

Campus Placement Programme for Newly Qualified Chartered Accountants – August-September 2011

The Committee for Members in Industry of the Institute organises Campus Placement Programme for newly qualified Chartered Accountants at various centres all over India. The scheme has been evolved to provide an opportunity both to employing organisations as well as the young professional aspirants to meet and explore the possibility of taking up positions in Industry.

Invitation to Organisations/CA Firms

Campus Placement Programme will be organised at various centres viz. Ahmedabad, Bangalore, Baroda, Bhubaneswar, Chandigarh, Chennai, Coimbatore, Ernakulam, Hyderabad, Indore, Jaipur, Kanpur, Kolkata, Mumbai, Nagpur, New Delhi and Pune.

The schedule of programme is given below.

S No.	Centre	Dates
1	Bangalore, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi	16th,17th,18th,19th and 20th August, 2011
2	Bhubaneswar, Coimbatore and Ernakulam	1st and 2nd September, 2011
3	Baroda, Chandigarh, Indore, Kanpur and Nagpur	2nd and 3rd September, 2011
4	Ahmedabad and Jaipur	5th, 6th and 7th September, 2011
5	Pune	9th,10th and 12th September 2011

The programme would be organised in the months of August-September 2011 for the candidates who would be passing in the CA Final examination held in May 2011 and also for others who are eligible.

Organisations intending to recruit Newly Qualified Chartered Accountants through the scheme are requested to get in touch with Secretary, Committee for Members in Industry, Indraprastha Marg, New Delhi-110002 and Tel. No. (011) 30110450/548 E-mail: placements@icai.org, mii@icai.org and campus@icai.org.

The complete details of the programme are hosted on www.icai.org and on www.cmii.icai.org.

Chairman
Committee for Members in Industry

FEE
₹20,000

Certificate Course on Indirect Taxes by Indirect Taxes Committee of ICAI

CPE
70
Hours

Tax laws in India are becoming more and more complex and more so in the case of indirect taxes. Frequent changes in taxation through Finance Acts, Notifications and Circulars are one of the significant features of Indian tax laws. Appreciating these increasing complexities and changing facade of indirect taxes, the Council of the Institute of Chartered Accountants of India has decided to launch a Certificate Course on Indirect Taxes.

Course Objective

The Course aims to facilitate the members in industry as well in practice by:

a) providing specialized and updated knowledge in the area of Indirect Taxes in a systematic manner;
b) enhancing analytical and problem solving skills for decision making.

Eligibility

Only the members of the ICAI and the students of the Institute who have passed the CA Final examination are eligible to pursue this course.

Course Coverage

Overview of indirect taxes, value added tax, central excise duty, customs duty and service tax

Course Duration and Course Hours

12 days [8 hours] [Including half day allocated for examination]

Faculty

The faculty for the course will be a combination of practicing CAs, advocates, academicians and experts in the field of indirect taxes to provide the members an in-depth technical as well as practical knowledge.

Fees for the Course

₹20,000 [Including fees for the immediate examination to be held after completion of the Course]

Certificate

A certificate will be awarded to the members on successful completion of course and passing the examination.

CPE Hours

70 Hours (50 Structured and 20 Unstructured)

Location

The first course is being launched at Bangalore and accordingly the registrations are open for Bangalore Centre only.

Days & Date for the Course

9th July, 2011 onwards on each Saturday and Sunday unless otherwise informed.

Registration

The interested members may register by sending a duly filled in and signed registration form along with a copy of membership card/certificate of membership and fees of ₹20,000/(Rupees Twenty Thousand only) vide DD/Pay order in favour of "Bangalore Branch of SIRC of ICAI" payable at Bangalore at the following address:

ICAI Bhawan, 16/0, Millers Tank Bed Area,
Vasanth Nagar, Bangalore – 560052

For Registration & further details

Tel No.: 080-30563500/541
Email: bangalore@icai.org/ dcobangalore@icai.org
Please visit : www.icai.org for further information

Classifieds

4854 Required Retired/old age/female chartered accountants for light work at home at attractive remuneration. E-mail resume at bankaudit2008@gmail.com

4855 Need FCA/ACA on partnership/retainership basis at Kolkata and Guwahati. Contact 09435011373, 09435733899.

4856 Young CAs and firms across India interested to develop the project financing consulting practice have an opportunity to associate with us. Initially, the fee sharing will be assignment based and will depend on the potential of the prospective affiliates/ partners . Firms already engaged in the project financing consultancy are also welcome to join us for their development of this activity. Interested persons/firms may please provide comprehensive profile to: akkconsulting@gmail.com

4857 Delhi based DISA qualified FCA having experience in audit including audit assignments outside India seeks retainership/partnership/merger offers. Contact cagraj2112@gmail.com.

4858 A Mumbai based mid-sized firm of Chartered Accountants having an experience of over 30 years, is looking for proposal from small/medium sized firms for merger/networking/ in metro cities other than Mumbai. Interested parties may contact on ca.communicate@gmail.com

4859 A firm of 4 partners require, recently retired (from service) chartered accountants in Bangalore for our Bangalore Head Office. Good Rewards assured. Contact Bhushan @ 9448515145, 26705061, 26480583. E-mail id- kgmbhushan@gmail.com.

Further updates on the article titled *'How Fair is Fair Value? - Understanding Fair Value under IFRS'*

Readers' attention is invited on the article titled 'How Fair is Fair Value? - Understanding Fair Value under IFRS' by CA. Sriram Gopalakrishnan published on pg. 1828-1832 in June 2011 issue of the Journal. On 12th May, 2011, the exposure draft 'ED/2009/5: Fair Value Measurement' has been finally issued as 'IFRS 13 – Fair Value Measurement' by the International Accounting Standards Board (IASB). The main features of IFRS 13 are as below:

- Effective for annual periods beginning on or after 1st January, 2013.
- Should be applied when another IFRS requires or permits fair value measurements or disclosures about fair value measurements.
- Also applies for measurements based on fair value, such as fair value less costs to sell, or disclosures about those measurements.
- Should be used only in relation to fair value measurement and disclosure and not to other similar values such as net realisable value (IAS 2) or Value in Use (IAS 37).
- Excludes share based payment transactions (IFRS 2) and leases (IAS 17) from its scope for measurement requirements.
- Excludes employee benefits (IAS 19), Accounting and Reporting by Retirement Benefit Plans (IAS 26) and assets for which recoverable amount is fair value less costs of disposal (IAS 36) from its scope for disclosure requirements.

IFRS 13 provides detailed guidance in the following additional areas that was not available in the ED:

- Measuring fair value of liabilities, including the compensation that market participants would require in order to assume a liability.
- How a third-party credit enhancement affects the fair value of a liability.
- Introduces the concept of principal market.
- Asserts (rather than presuming) that market participants have a reasonable understanding about the asset or liability and the transaction.
- Measuring the fair value of an entity's own equity instruments
- Measuring the fair value of financial assets and financial liabilities with offsetting positions.
- Determining the appropriate class of asset or liability for disclosures about fair value measurements.
- Provides examples of policies for when to recognise transfers between levels of the fair value hierarchy, such as the date of the transfer, the beginning of the reporting period or the end of the reporting period.

Readers are requested to please take note of the above in addition to the information given in the above mentioned article.

FEE ₹25,000

Commencement of Certificate Course on Forex and Treasury Management at Delhi and Mumbai

CPE 48 Hours

Next batch of Certificate Course on Forex and Treasury Management at **Delhi and Mumbai Centre** will be starting on **16th July, 2011 & 23rd July, 2011 respectively. The complete details are available at www.icai.org.**

Eligibility: Members of ICAI

D.D./Pay Order it should be drawn in the favour of "The Secretary, The Institute of Chartered Accountants of India", payable at New Delhi. Payment can also be made online through the ICAI website at http://www.icai.org/ccm.html?progid=9

Committee on Financial Markets and Investors' Protection

The Institute of Chartered Accountants of India

ICAI Bhawan , Administrative Block, Third Floor
A-29 Sector 62, Noida--201309
Contact No. (0120) 3045915/926
(M): 09350799912/09650075010
E-Mail: cfmip@icai.org; cfmipicai@gmail.com

Limited seats. Registration will be on First come First served basis.

CPE 3 Hours

National CFOs Meet (Non Residential)

Organised by: Committee for Members in Industry of ICAI
Hosted by: Goa Branch of Western India Regional Council of ICAI

Date & Time 5th August (Friday), 2011 [3.00 p.m – 9.00 p.m]	**Venue** Cidade Goa, Panji
Inaugural Session - 03:00 p.m to 04.00 p.m	CA G. Ramaswamy, Pressident, ICAI CA. Jaydeep N Shah, Vice – President , ICAI
Technical Session – I 04.00 p.m– 05:00 p.m	XBRL - The Future of Financial Reporting.
Technical Session – II 05:00 p.m – 06:00 p.m	IFRS Convergence in India - Professional Opportunities.
Technical Session – III 06:15 p.m – 07:45 p.m	Corporate Governance - Role of CFO's Moving from CFO to COO - The Right Strategy
Technical Session – IV 07:45 p.m - 09:00 p.m (followed by dinner)	Open House – Issues Relevant for CA Professional in Industry
Programme Chairman CA K.Raghu Chairman – Committee for Members in Industry, ICAI	**Programme Coordinator** CA. S. B. Zaware Member, Committee for Members in Industry, ICAI
No registration charges. Prior registration is mandatory. For registration, please contact - Goa Branch of WIRC of ICAI, 201/202, 2nd Floor, Kamat Towers, Patto Plaza, Panaji, Goa - 403 001. E-mail- goa@icai.org, Telephone - 0832 6642216 / 2438516.	

CPE 12 Hours

National Conference on Taxation

Organised by: Direct Taxes Committee of the ICAI
Hosted by: Surat Branch of WIRC of ICAI

Date & Time 16th and 17th July, 2011 (8.30 am to 5.30 pm)	**Venue** "The Grand Bhagwati", Magdalla Circle, Dumas Road, Surat
Theme To keep the members abreast of the changes in the field of taxation	
Topics to be Discussed	**Speakers**
Survey, Search & Seizure (including assessment of survey cases)	CA. Sanjay Agarwal, Central Council Member
Taxability of capital receipts with special reference to Section 56 and Cash Credit under Section 68	Shri Saurabh Soparkar, Advocate High Court
Tax deduction for outward remittances under Section 195 of Income-tax Act, 1961	CA. Mahesh P Sarda, Central Council Member
Taxation of real estate transactions including Valuation under Section 50C & 55A of the Income-tax Act, 1961	CA. Dhinal Ashvinbhai Shah, Central Council Member
Contemporary issues in Business Deductions including impact of Section 14A, Section 94(7) and Deemed Dividend analysis under Section 2(22)(e) of the I.T Act	Dr. (CA.) Girish Ahuja
Wills, HUF, Partition and Family Arrangements	Mr. K.H.Kazi
Service Tax: Point of Taxation Rules 2011	CA. Sunil Ghabhawala
BRAIN TRUST on	
▪ Indirect Taxes	CA. Sunil Ghabawala
▪ International Taxation	CA. Mahesh P. Sarda
▪ Direct Taxes	CA. Bupathy R. and CA. Dhinal Ashvinbhai Shah

Fees	
Members: ₹1,750/- ; **Students:** ₹1,000/- (without kit); **Non Members:** ₹2,500/- The cheque/ Demand draft may be drawn in favour of "Surat Branch of WIRC of ICAI-NCT-2011" and be sent to Surat branch	
Conference Director CA. Dhinal Ashvinbhai Shah, Vice-Chairman, Direct Taxes Committee, ICAI Mobile: 09825029950	**Conference Corodinator** CA. Harishankar Tosniwal, Chairman, Surat Branch, ICAI Mobile : 9327140497
For Registration and Further Details **Contact :** Surat Branch of WIRC of ICAI 2nd Floor Saifee Building, Dutch Road, Nanpura, Surat, 395001 Tele:- 09099050888; 0261 2472932 ; 0261 2464413 Email : surat@icai.org. website : www.icai-surat.org	

CPE
12
Hours

National Residential Conference

at Cidade, Goa

Organised by: Committee for Members in Industry of ICAI
Hosted by: Goa Branch of WIRC of ICAI

Date & Time 5th to 7th August (Friday, Saturday and Sunday), 2011	**Venue** Cidade Goa, Panji
Inaugural Session -03:00 p.m to 04.00 p.m	CA G. Ramaswamy, Pressident, ICAI CA. Jaydeep N Shah, Vice – President , ICAI
Day 1: 5th August, 2011	
Technical Session 1- 4.00 p.m to 05:30 p.m	XBRL- The Future of Financial Reporting
Technical Session 2 - 05.45 p.m to 07:15 p.m	IFRS Convergence in India – Professional Opportunities
Day 2: 6th August, 2011	
Technical Session 3 - 09.30 a.m to 11:00 a.m	LLP - a tool for business and profession and conversion process
Technical Session 4 - 11.15 a.m to 12:45 p.m	Salient features of Direct Tax Code
Technical Session 5 - 02.00 p.m to 03:30 p.m	Critical issues on Direct Taxes
Technical Session 6 - 03.45 p.m to 05:15 p.m	Environmental Accounting – a need of survival
Day 3: 7th August, 2011	
Technical Session 7- 09.30 a.m to 10:30 a.m	Emerging Professional opportunities for CAs.
Technical Session 8- 10.45 a.m to 12:00 p.m	Service Tax – recent updates
Concluding Session: 12.00 p.m to 1.00 p.m	
Programme Chairman CA K.Raghu Chairman – Committee for Members in Industry, ICAI	**Programme Coordinator** CA. S. B. Zaware Member - Committee for Members in Industry, ICAI
For Registration and Further Details **Fees:** Members (Residential): ₹8,000/- Members (Non Residential): ₹3,000/-; Non-Member (Residential)- ₹9,000/-; Non-Member (Non Residential)- ₹4,000/- Payment should be made by Cheque / DD in favour of **"Goa Branch of WIRC of ICAI"** payable at **Goa and should be sent to** - Goa Branch of WIRC of ICAI, 201/202, 2nd Floor, Kamat Towers, Patto Plaza, Panaji, Goa - 403 001. E-mail- goa@icai.org, Telephone - 0832 6642216 / 2438516.	

CPE
12
Hours

Three Days National Residential Seminar on Service Tax

on 12th, 13th and 14th August, 2011 at Uday Samudra Leisure Beach Hotel and Spa, Thiruvananthapuram

Organised by: Continuing Professional Education Committee of ICAI
Hosted by: Trivandrum Branch of SIRC of ICAI

Timing of Sessions	Details
Friday, 12th August, 2011	
Technical Session I - 04.00 p.m to 06.00 p.m	Introduction, Levy, Reverse Charge, Framework of Section 65, Classification and Registration. - CA. Divya C.V., ACA, Chennai

Saturday, 13th August, 2011	
Technical Session II - 10 a.m to 11.30 a.m	Valuation and Valuation Rules - CA. Ashok Batra, FCA, New Delhi
Technical Session III - 11.45 a.m to 1.15 p.m	Rules Relating to Raising an Invoice Payment of Tax and Filing of Returns - CA. Bharath Kumar N.K., ACA, Chennai
Technical Session IV - 2.00 p.m to 3.30 p.m	Interpretation Issues and Export and Import of Services - CA. Ravindra Holani, FCA, Gwalior
Technical Session V - 3.45 p.m to 5.15 p.m	Exemptions, Interest and Penalties - CA. Prasanna Krishnan, FCA, Chennai
Sunday, 14th August, 2011	
Technical Session VI - 9.15 a.m to 11.15 a.m	Show Cause Notice, Reply to SCN, Handling Audit Queries and Appellate Remedies - CA. Rajendra Kumar P., FCA, Chennai
Technical Session VII - 11.30 a.m to 1.30 p.m	Open House – Questions and Answers on All Taxable Services - CA. Rajendra Kumar P., CA. Bharath Kumar N.K. and CA. Divya C.V.
Participation Fee:	
Residential (Including accommodation, breakfast, lunch, dinner and course material) Members (on twin sharing basis) - ₹7,000/- per participant Non-Members (on twin sharing basis) - ₹7,500/- per participant	**Non Residential** (Including lunch and dinner) Members - ₹3,000/- per participant Non-Members - ₹3,500/- per participant
Delegate fee by way of Cheque/DD drawn in favour of 'Trivandrum Branch of SIRC of ICAI' payable at Thiruvananthapuram shall be sent to Chairman, Trivandrum Branch of SIRC of ICAI, ICAI Bhawan, P.B. No.416, T.C. 41/401, Pound Road, Thycaud, Thiruvananthapuram – 695014.Phone: 0471-2323789; 2328590 - Email: trivandrum@icai.org **Limited Seats, Registration on First Come First Served Basis.**	
Seminar Co-ordinators	
CA. Rajendra Kumar P. Central Council Member, ICAI	CA. Sumantra Guha, Chairman, CPE Committee, ICAI
For Registration & further Details, please contact: Trivandrum Branch of SIRC of ICAI, ICAI Bhawan, P.B. No.416, T.C. 41/401, Pound Road, Thycaud, Thiruvananthapuram – 695014. Phone: 0471-2323789; 2328590, Email: trivandrum@icai.org	

CPE **6** Hours

Seminar on Internal Audit of Life Insurance Business

On 23rd July, 2011 (Saturday) at Hotel Sea Princess, Mumbai

Jointly Organised by: Internal Audit Standards Board and Committee on Banking, Insurance & Pension of ICAI

Hosted by: Western India Regional Council of ICAI

Registration, Inaugural Session and Welcome Speech - 9:30 a.m. to 11:00 a.m.	
Technical Session I	Life Insurance Business – Concepts and Recent Trends - CA. Sunil Goyal, Shri. K S Gopalakrishnan
Technical Session II	Regulations Governing Life Insurance Business - CA. S. Rajagopalan, CA. Deepak Kinger
Technical Session III	Impact of IFRS Convergence on Life Insurance Business - CA. Lalit Kejriwal, CA. Manoj Fadnis
Technical Session IV	Internal Audit of Anti Fraud Measures and Anti-Money Laundering in Life Insurance Business - Shri. Sanjeev Sood
Technical Session V	Important Aspects in Internal Audit of Life Insurance Business - Shri. Cedric Fernandes, CA. Durgaprasad H
Technical Session VI	Panel Discussion – Professional Opportunities for Chartered Accountants in Internal Audit of Life Insurance Business Moderator: CA. Rajkumar S Adukia, Chairman, Internal Audit Standards Board & CA. V. Murali, Chairman, Committee on Banking, Insurance and Pension Panelist : CA. Neeta Shah, Mr. Hitesh Veera, Shri. Ashvin Parekh, Mr. Prasanna Bharatan
Technical Session VII	Role of Audit Committee in Life Insurance Business- CA. Anup Garg
Delegate Fees : ₹2,500/- per member; ₹3,500/- per non – member (D.D./Pay Order/ Cheque should be drawn in the favour of "WIRC of ICAI", payable at Mumbai. Please mention your name, membership number and contact details at the back of the cheque/demand draft.) Registration on First Come, First Serve Basis.	

For Registration, Please Contact:	
Seminar Chairman CA. Rajendra Kumar P., Vice-Chairman, Internal Audit Standards Board, ICAI Phone: 0120-3045 949, Tele:-9382303403 Email: cia@icai.org	**Seminar Director** CA. V. Murali Chairman, Committee on Banking, Insurance and Pension, ICAI Phone: 011-30110566, Tele: 09841040010, Email: cobip@icai.org

CPE
12
Hours

All India Conference – 2011
Charter of Chartered Accountants
Independency/Transparency/Accountability

5th & 6th August, 2011 at Hotel Mayfair Convention, Bhubaneswar

Organised by: CPE Committee of ICAI, New Delhi
Hosted by: Bhubaneswar branch of EIRC of ICAI

Day One: 5th August, 2011 (Friday)	
Registration and Inaugural Session: 09.00 AM to 11.00 AM Chief Guest : Hon'ble Chief Minister Sj. Naveen Patnaik* Guest of Honour : Sri Prafulla Chandra Ghadai, Hon'ble Minister Finance & Public Ent, Orissa Distinguished Guest : CA. G. Ramaswamy, President, ICAI	
1st Technical Session (11.15 a.m.to 12.45 p.m.) Corporate Frauds & Governance-Learning from Satyam Experience	Chairman: CA. B.L.Bagra, Chairman-cum-Managing Director, NALCO Speaker: CA T. N. Manoharan, Padmashree Awardee, Past President, ICAI
2nd Technical Session (12.45 p.m. to 02.15 p.m.) Recent Issues in Income Tax	Chairman: CA. Arun Kumar Sabat Speaker: CA. Ved Jain, Past President, ICAI
3rd Technical Session (2.45 p.m. to 4.15 pm) Journey from Financial Reporting to Business Reporting	Chairman & Speaker: CA. S. Santhankrishnan, Central Council Member, ICAI Speaker : CA. P.R.Ramesh
4th Technical Session (4.30 p.m. to 6.00 p.m.) Auditing and Assurance Standards – Practical Aspects in SA-200 (Revised), SA-265, SA-315	Chairman: CA. Abhijit Bandyopadhyay, Council Member, ICAI Speaker: CA. Amarjit Chopra, Past President, ICAI
Two: 6th August, 2011, Saturday	
5th Technical Session (10.00 a.m. to 11.30 a.m.) Enterprise Risk Management and Internal Audit - Connecting the dots.	Chairman: CA. Subodh Kumar Agarwal, Council Member, ICAI Speaker: CA. Richard Rekhy, Global Head – Advisory, KP
6th Technical Session (11.30 a.m. to 01.00 p.m.) - Show Cause Notice and Adjudication Proceedings under Service Tax. - Intricate Issues in Construction of Residential and Industrial Complexes	Chairman & Speaker: CA. Madhukar N. Hiregange, Council Member, ICAI Speaker: CA. V. Sridharan, Lawyer, Supreme Court
7th Technical Session (02.00 p.m. to 03.30 p.m.) RTI – A Tool to good governance	Chairman: Sri Satyananda Mishra, IAS*, Chief Information Commissioner of India Speaker: CA. Kamlesh Shivji Vikamsey, Past President, ICAI
8th Technical Session (03.30 p.m. to 05.00 p.m.) Eternal Values in a Changing Society	Chairman: An Eminent Personality Speaker: CA. C. Suresh, Hyderabad
Seminar Co-ordinators	
CA. B. Manoj Kumar Patro Chairman, Bhubaneswar Branch of EIRC of ICAI	CA. Sumantra Guha Chairman, CPE Committee, ICAI
For Registration & further details, please contact Bhubaneswar Branch of EIRC of ICAI, Icai Bhawan, A-122/1 Nayapalli, Bhubaneswar - 751 012 Orissa. Phone: 0674-2392391 Email: bhubaneswar@icai.org	

*** The programme is subject to change due to circumstances beyond our control.**

CPE 6 Hours

Workshop on Green Audit

On 9th July, 2011 (Saturday) at Casurina Hall, India Habitat Centre, Lodhi Road, New Delhi

Jointly Organised by: Internal Audit Standards Board and Committee on Economic & Commercial Laws and Trade & WTO of ICAI

Hosted by: Northern India Regional Council of ICAI

Objectives of the Seminar:

- To understand the concept and process of Green Audit.
- To understand the tools and mechanisms involved in the process of Green Audit.
- To gain an understanding of the need and relevance of Green Audit in the context of Energy Audit and Green IT.
- To gather knowledge on the role of Chartered Accountants in the process of Green Audit.

Registration, Inaugural Session and Welcome Speech -	9:30 a.m. to 11:00 a.m.
Technical Session I	Green Audit-Genesis, Relevance and Evolution - ▪ Types of Audit-Environment, Energy, Health & Safety etc. ▪ Emerging Issues-Governing report, Sustainability report, Carbon credit etc. ▪ International and European Standards on Environment- ISO 14001, "EMS" EMAS etc. ▪ Opportunity for Chartered Accountants
Technical Session II	Compliance Audit of Environmental Laws and Measures under National Action Plan on Climate Change
Technical Session III	Carbon Audit-Green Projects, Green Accounting, Green Funding and Green Technology, Way forward in Climate Change Mitigation
Technical Session IV	Green Audit Plan and Green Audit Report

Delegate Fees : ₹1,000/- per Member; ₹1,500/- per Non-member
(D.D./Pay Order/ Cheque should be drawn in the favour of "NIRC of ICAI", payable at New Delhi. Please mention your name, membership number and contact details at the back of the cheque/demand draft.)
Registration on First Come, First Served Basis

For Registration, Please Contact:

Workshop Chairman CA. Rajendra Kumar P. Vice-Chairman, Internal Audit Standards Board Phone: 0120-3045 949, Tele: 9382303403, Email:cia@icai.org	**Workshop Director** CA. Sanjeev K. Maheshwari Chairman, Committee on Economic, Commercial Laws & WTO Phone: 011-30110499 , Tele: 9821119043, Email:cecl@icai.in

CPE 6 Hours

Workshop on Internal Audit of Human Resource Functions

on 16th July, 2011 (Saturday) at Hotel Orchid, Mumbai

Organised by: Internal Audit Standards Board of ICAI

Hosted by: Western India Regional Council of ICAI

Registration, Inaugural Session and Welcome Speech	9:30 a.m. to 11:00 a.m.
Technical Session I - 11:00 a.m. to 12:00 Noon	Changing world of business and its impact on the Human Resource Functions
Technical Session II - 12:15 p.m. to 1:15 p.m.	Internal Audit of HR Function – Planning and Execution
Technical Session III - 1:15 p.m. to 2:15 p.m.	Internal Audit of Performance Management System
Technical Session IV - 2:45 p.m. to 4:15 p.m.	Internal Audit of Service Rules – Special Consideration
Technical Session V - 4:30 p.m. to 6:00 p.m	Internal Audit of HR Laws and Labour Laws

Delegate Fees : ₹1,250/- per Members; ₹1750/- per Non - Members
(D.D./Pay Order/ Cheque should be drawn in the favour of "WIRC of ICAI", payable at Mumbai. Please mention your name, membership number and contact details at the back of the cheque/demand draft.)
Registration on First Come, First Serve Basis.

For Registration, Please Contact:

Seminar Director CA. Rajendra Kumar P. Vice-Chairman, Internal Audit Standards Board Phone: 0120-3045 949, Tele: 9382303403, Email: cia@icai.org;	**Seminar Co-ordinator** CA. Atul C. Bheda, FCA Central Council Member and Member of Internal Audit Standards Board Phone:0120-3045 949, Tele:9323323667, Email: auditing@icai.org

CPE
6
Hours

Workshop on Internal Audit

15th July, 2011 (Friday) at Hotel President, Jalandhar

Organised by: Internal Audit Standards Board of ICAI
Hosted by: Jalandhar Branch of NIRC of ICAI

Registration, Inaugural Session and Welcome Speech	9:30 a.m to 11:00 a.m
Technical Session I	Understanding the need for Internal Control Framework - CA. Rajkumar S. Adukia
Technical Session II	Case Studies Based on Internal Control Framework - CA. Pankaj Tyagee
Technical Session III	Overview of Risk Management Practices - CA. Kartik Radia
Technical Session IV	Case Studies on Risk Management Strategies - CA. Charanjot Singh Nanda
Delegate Fees : ₹500/- per Member (D.D./Pay Order/ Cheque should be drawn in the favour of " Jalandhar Branch of NIRC of ICAI ", payable at Jalandher. Please mention your name, membership number and contact details at the back of the cheque/demand draft.) Registration on First Come, First Served Basis.	
For Registration, Please Contact:	
Workshop Director CA P. Rajendra Kumar, Vice-Chairman, Internal Audit Standards Board, ICAI Phone: 0120-3045 949, Tele: 9382303403, Email: cia@icai.org	**Workshop Co-ordinator** CA. Salil Gupta Chairman, Jalandhar Branch of NIRC of ICAI Phone: 91-181-2239233, Tele:9357905030, Email:casalilgupta@gmail.com

CPE
6
Hours

Workshop on Capacity Building Measures of Practitioners and CA Firms

Organised by: Committee for Capacity Building of CA Firms and Small & Medium Practitioners
Hosted by: Bhilai Branch of CIRC of ICAI

Date & Time 23rd July, 2011 9.00 a.m to 5.30 p.m	**Venue** Hotel Grand Dhillon, Nehru Nagar, Bhilai
Theme With advent of globalisation and challenges posed by the liberalisation process taking place worldwide, a need is felt for strengthening competencies of CA firms and small practitioners. ICAI's initiative is to enlarge visibility of CA profession and to rejuvenate practice portfolio of Small and Medium Practitioners. ICAI has formed CCBCAF&SMP Committee for popularising effective union of CA firms by facilitating consolidation through Networking, Mergers and setting up Corporate Form of Practice. Committee's focus is on enriching SMPs through Capacity Building measures for bringing up world class competency and brand image. This workshop will concentrate on issues & impediments related to capacity building as well as highlight emergent issues of profession.	
8.30 a.m. to 9.30 a.m.	Registration of Participants and Inaugural Session
First Session 9:30 a.m. to 11:30 a.m	A Roadmap to Direct Tax Code
Second Session 11:45 a.m. to 1.45 p.m.	LLP Agreements/Deeds & its Benefits to Profession
Third Session 3:00 p.m. to 4:00 p.m.	Practice Management
Fourth Session 4:00 p.m. to 5:00 p.m.	XBRL Taxonomies
5:00 p.m to 5.30 p.m	Open House and Valedictory Session
Registration Fees: ₹500/- per Participant Cheque/DD should be drawn in favour of "Bhilai Branch of CIRC of ICAI" and sent to Bhilai Branch of CIRC of ICAI, ICAI Bhawan, New Civic Centre, Bhilai, Tele:- 0788- 2228613 **Limited Seats, Registration on First Come First Serve Basis. Advance confirmation of registration is required.**	

Programme Chairman CA Vijay Kumar Garg, Chairman Committee for Capacity Building of CA Firms and Small & Medium Practitioners, ICAI Email: chairman.ccbcaf@icai.org	**Programme Coordinator** CA. Harsh Jain Chairman, Bhilai Branch of CIRC of ICAI Tele:- 09329699500 (M) Email: caharsh.jain@gmail.com
For further details, please contact: Secretary, Bhilai Branch of CIRC of ICAI, Tele:- 09425243329, Email: minesh.jain@gmail.com Secretary, CCBCAF & SMP, ICAI, New Delhi, Email : ccbcaf@icai.org, Tele:-011-30110561	

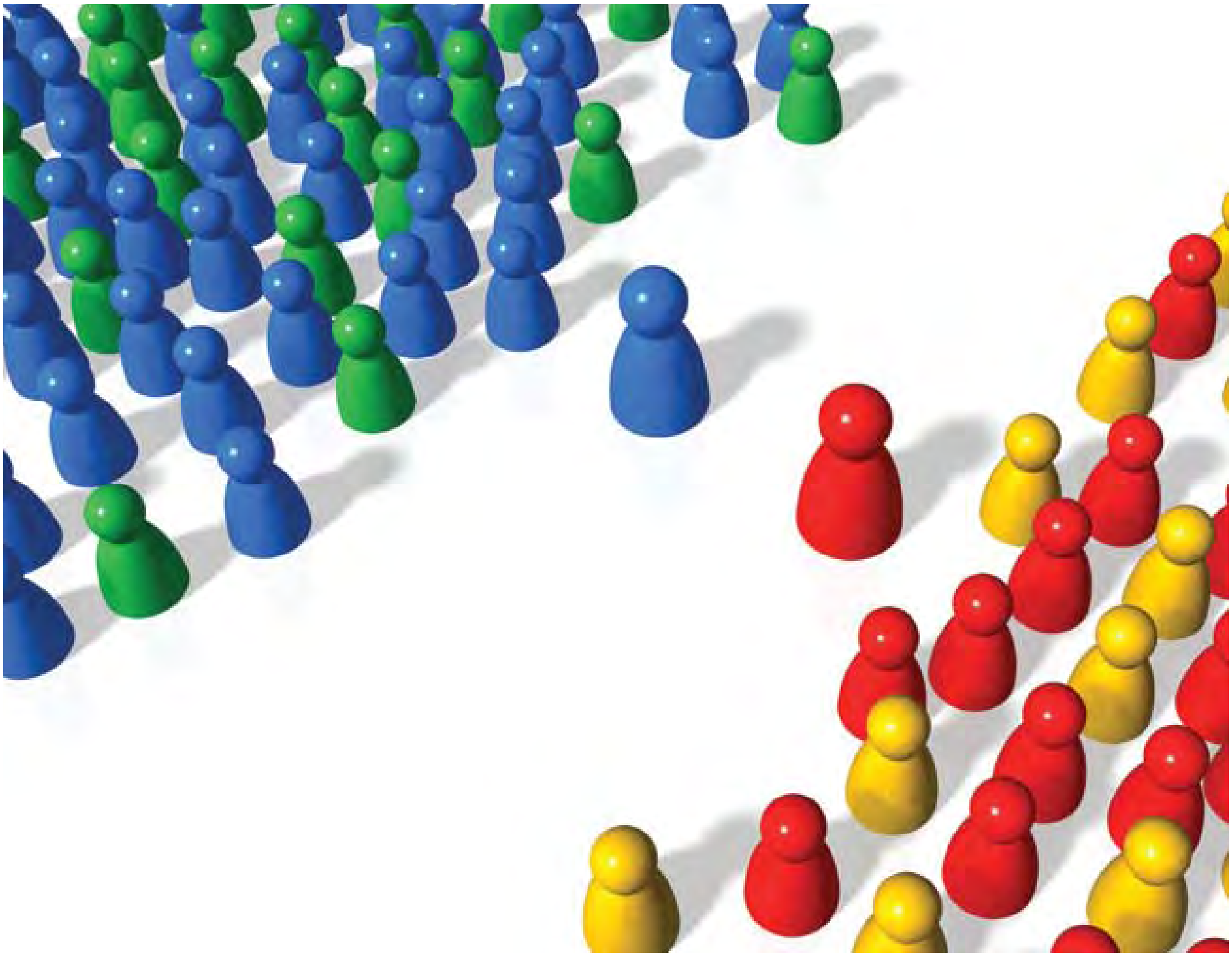
CPE 6 Hours

Workshop on Capacity Building Measures of Practitioners and New Professional Avenues

Organised by: Committee for Capacity Building of CA Firms and Small & Medium Practitioners (CCBCAF & SMP)
Hosted Jointly by: Visakhapatnam Branch of SIRC of ICAI

Date & Time 16th July, 2011 (Saturday) 9.00 a.m. to 6:00 p.m.	**Venue** ICAI Bhawan, Pithapuram Colony, Visakhapatnam
Theme With advent of globalisation and challenges posed by the liberalisation process taking place worldwide, a need is felt for strengthening competencies of CA firms and small practitioners. ICAI's initiative is to enlarge visibility of CA profession and to rejuvenate practice portfolio of Small and Medium Practitioners. ICAI has formed CCBCAF&SMP Committee for popularising effective union of CA firms by facilitating consolidation through Networking, Mergers and setting up Corporate Form of Practice. Committee's focus is on enriching SMPs through Capacity Building measures for bringing up world class competency and brand image. This workshop will concentrate on issues & impediments related to capacity building as well as highlight emergent issues of profession.	
9.00 a.m. to 10.00 a.m.	Registration of Participants and Inaugural Session
First Session 10:15 a.m. to 11.45 a.m.	Capacity Building Measures-Networking, Merger and Corporate Form of Practice
Second Session 11:45 a.m. to 1:30 p.m.	Limited Liability Partnership-Partnership deed, LLP agreements & its benefits to profession
Third Session 2:30 p.m. to 4:00 p.m.	A Roadmap to Direct Tax Code
Fourth Session 4:00 p.m. to 5:30 p.m.	Discussion and Demonstration of Software for the Members of ICAI to enable Efficient Documentation Practice and ease Secretarial and Organisation Tasks
5:30 p.m. to 6:00 p.m.	Open House and Valedictory Session
Registration Fees: ₹500/- per Participant Cheque/DD should be drawn in favour of "Visakhapatnam Branch of SIRC of ICAI" and sent to Visakhapatnam Branch of SIRC of ICAI, D.No. 9-36-22/2,Pithapuram Colony, Visakhapatnam 530003 Email id: visakhapatnam@icai.org **Limited Seats, Registration on First Come First Served Basis.** **Advance confirmation of registration is required.**	
Programme Chairman CA Vijay Kumar Garg, Chairman Committee for Capacity Building of CA Firms and Small & Medium Practitioners, ICAI Email: chairman.ccbcaf@icai.org	**Programme Coordinator** CA. P. Vikram Chairman, Visakhapatnam Branch of SIRC of ICAI Tele:- 09440777760 Email: visakhapatnam@icai.org
For Further Details, Please Contact: Secretary, Visakhapatna.m Branch of SIRC of ICAI, Mobile: 09441077410, Email: ca.kumar@yahoo.co.in Secretary, CCBCAF & SMP, ICAI, New Delhi, Phone No: 011-30110561, E-mail: ccbcaf@icai.org	

How Ingratiation is Ruining Work Culture?



In a corporate scenario, why just being good at work won't give you that edge in office. Studies done in interview situations in 2005 by the University of Florida conclude that ingratiation could really work. They conclude, "Perhaps it's just human nature to be susceptible to flattery. One opinion says that flatterers indulge our self-love. But a less cynical explanation says that flatterers appeal to us because we believe they're like us. Researchers at the University point to the *similarity-attraction theory*, which states, that we are attracted to people who are similar to us." Does empty flattery backfire? Do bosses really reward brownnosers? What is *Ingratiator's Dilemma* and *Defensive Appreciation Psychology?* Read on to know more.

Ashok Paudel

(The author is a CA Final Year student. He can be reached at paudel.ashok@gmail.com)

Poonam Motiramani and Monisha Dhingra had joined XYZ together as financial consultants after duly clearing their Chartered Accountancy course. Given that both of them had done their articleship together in one of the Big Fours in Bangalore, finding a job in the corporate world was not very tough for them. To make it even better, both looked resplendent and were often teased by their colleagues for choosing the CA course instead of going into the glamour world. Things were pretty awesome for both of them, good friends, as they already were, great work exposure during article-ship and a well paying job in a Multinational Company (MNC), everything perfectly in line with what they had thought.

But in a couple of odd months these girls realised the truth about the functioning of the corporate world, the hard way round.

Even after days of hard efforts of dealing with numbers, toiling away for long hours in their offices, and completing a financial restructuring plan of a client in a time, that is way too low compared to that taken by their colleagues, when the boss paid no attention to poonam and Monisha or their work, they definitely knew something was amiss.

To add insult to injury, a chatter box, Sudir, who was hired months after Poonam and Monisha had already won the biggest Cubicle. The boss loves him even though it seems his only talent is his ability to compliment and fawn over the higher-ups. Is it just their imaginations, or do bosses really reward brownnosers?

They always asked themselves, "Nobody likes a brownnoser. So, why does the boss always seem to fall for it?"

This is not a rare story; we see incidents like this happening in our daily lives.

While the earliest generation of people resented from complementing each other, it was not until William James wrote his famous quotation, "the deepest urge in human nature is the craving to be appreciated", that free flow of appropriate complements started making their way thru the human genes.

And once people started realising how good it felt while being on the receiving end of compliments, the to and fro of complements became very common and got itself aligned with simple fundamentals of demand and supply. And in today's world when everything has been commercialised, so have the compliments.

The smart breed of employees, like Sudhir, in corporate world, who are not the very best in their work areas have, as a measure of make-up for missing traits, found solace in and are unhesitant to polish boss's boots with insidious audacious praises philosophically matching in execution with the economic policy by Bretton Woods of budget balancing whereby a country with budget deficit tries to balance it by debasing the currency or by issuing more currency than the amount of metal element in stock.

Ingratiation often induces bosses to sway effective marketers, (i.e. employees having sycophant nature), too near to the finish-in-line-for-promotion, sometimes overriding, even the organisational hierarchal structure, to make way to accommodate such wet-blankets (employees like *Sudhir*) far beyond the economic value additions that these employees are ever expected to generate. While the super-performers (Poonam and Monisha), sadly dumb in personal relation skills, rot through the organisational hierarchy because they miss the eagle eye of the bosses, or should we say that they never tried catching one, leaving them dumbfolded, shell-shocked and raising conspicuous doubts about the egalitarian belief in the organisation. However, mere rewarding effective marketing employees doesn't necessarily lead to unhealthy or bad organisational image as some employers do not mind rewarding employees, good both as marketers and workers, whose views and long term scopes match with that of the organisation and in whom they see an infinite positive energy, which they feel is worthy and capable of leading the organisation.

Among many ideas, some measures adopted by employees include: Staying late beyond the situational demands and shooting a mail to all concerned with a "cc" to the boss at the time of leaving the office, mooching on and around the boss, trying to complete a file way too early hence rotting the entire organisational structure and giving rise to unhealthy and untimely demand of completion of files.

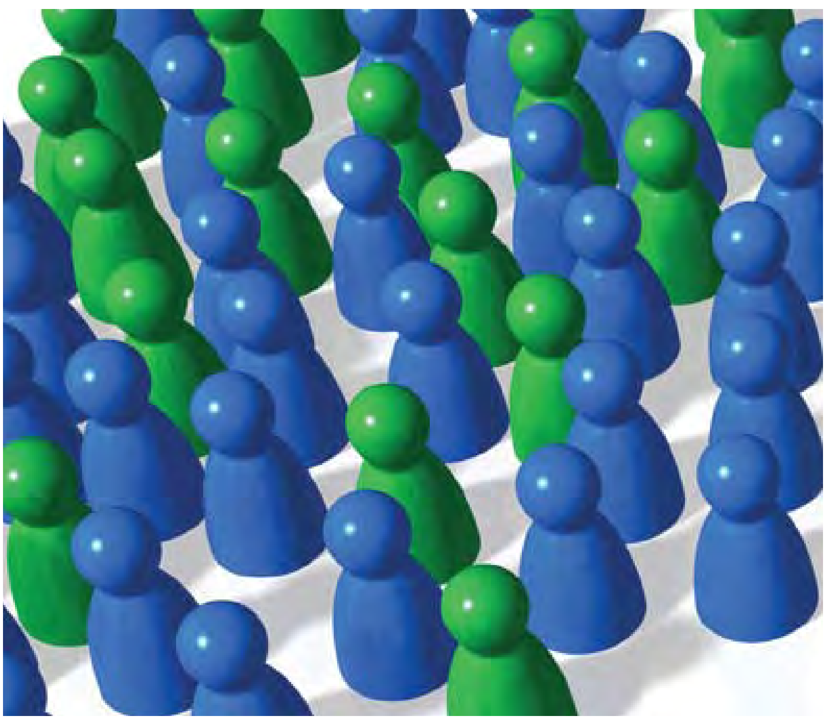
Studies done in interview situations in 2005 by the University of Florida conclude that Ingratiation could really work. They conclude, "Perhaps it's just human nature to be susceptible to flattery. One opinion says that flatterers indulge our self-love. But a less cynical explanation says that flatterers appeal to us because we believe they're like us. Researchers at the University point to the *similarity-attraction theory*, which states that we're attracted to people who are similar to us."

Yes-men or brownnosers appear to be like us by always complimenting and agreeing with us. Nevertheless, most of us enjoy getting compliments, and we grow fond of people who heap them on us. Based on this theory, we are more likely and more willing to favour these people.

But in an article, "Business Psychology" published in a leading management magazine, the researchers have put forward some fundamental points as to how an empty flattery backfires while skilled flattery paves the way for substantial gains. The researchers quote that "you are taking a chance when you flatter your boss. You could improve your performance rating, but if you are inept, your stock will fall." When bosses catch on to brownnosing "yes-men," the plan actually backfires on them as he might probably get disgusted with the brownnoser and brush off his flattering words. The effective marketer is careful not to cross that line and make his plans obvious. Psychologists call this problem the *Ingratiator's Dilemma*. It refers to a brownnoser's attempt to get on someone's good side without overdoing it or making his scheme obvious. [Source: Giacalone]

In order to keep ingratiation under check, what is required is to get integrity and honesty embedded in the genes of employees through effective and repetitive situational communication of organisational goals and objectives aligned parallel to employee/(s) interests.

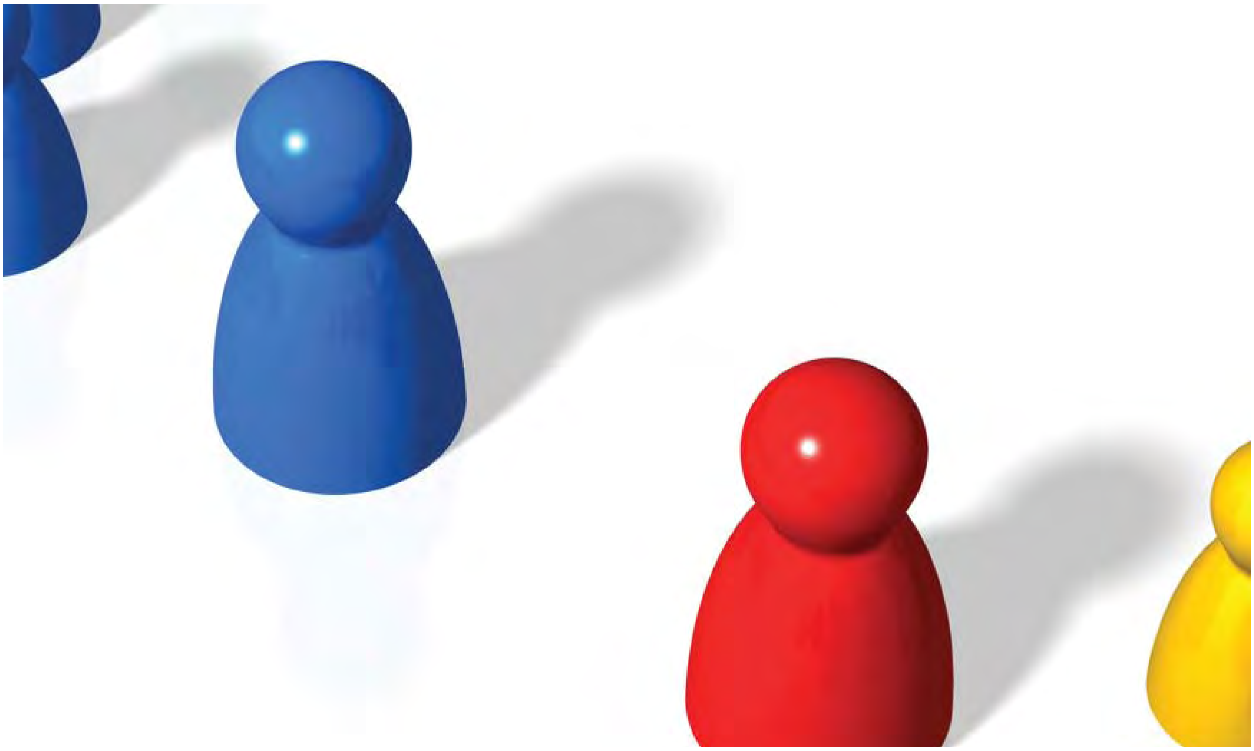
Even if people don't consider themselves a brownnoser, they might run into this situation. For instance, to get an effective recommendation letter written by the boss, one might do a bit of shoe polishing. Also, flattery is a subjective issue and calls for double opinions more times than not. Studies show that when we witness someone flattering another, we are likely to be suspicious of such moves. But if the same person aims the compliment at us, we will probably fall for it. Although we, as a third-party observer see right through a brownnoser, but when our boss or we ourselves are the target, we are unable to or might not see that clearly. This is a simple and a fundamental human psychology termed as *"Defensive Appreciation Psychology"*, whereby we genuinely condition our brains into believing the compliments to be true, thereby not doubting them as ingratiation.



Along with, a mix of appropriate comments and flattery, all Sudhir did was to imitate his boss, his behaviour, language, etc. For instance, every boss probably has a style and a rhythm of all his own, and all Sudhir did was try to match it. Like the maxim says, "Imitation is the sincerest form of flattery." Mimicking his behaviour helped Sudhir win his favour.

Among many ideas, some measures adopted by employees include: staying late beyond the situational demands and shooting a mail to all concerned with a "cc" to the boss at the time of leaving the office, mooching on and around the boss, trying to complete a file way too early, hence rotting the entire organisational structure and giving rise to unhealthy and untimely demand of completion of files.

At an age where executives are competing for the best quotable compliments, bosses should understand, filter and then retain from among what is being said. It's seemingly getting very tough to be a good, just and jovial boss. It's very easy to get emotionally



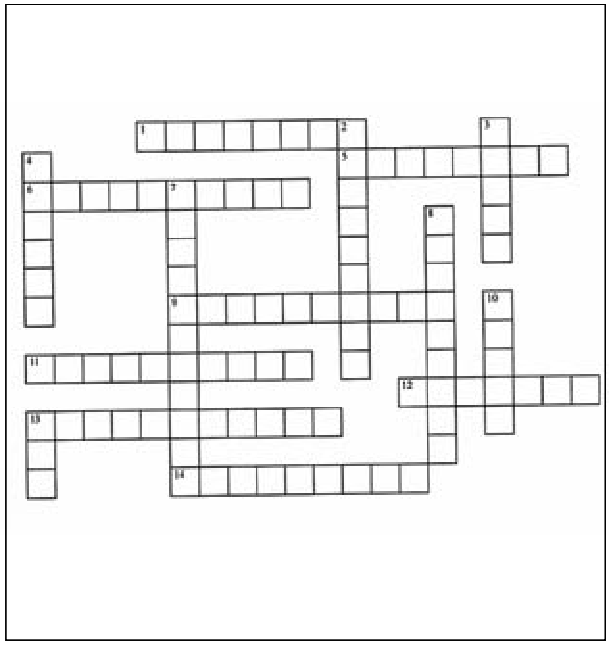
rocketed when a nubile damsel with curly sheen shoots pampers targeted at the boss, like the *holi pichkaris*, but a good boss should be emotionally intelligent alongside being technically intellectual, so as to understand that a lot of his employees are watching him and that he needs to think and balance his actions in terms of accepted codes of organisational behaviour so as not to make things traumatic to the non regular marketing guys.

Also like two eminent authors of a leading management magazine in an issue two years back, have pointed, an organisation should also have the practice of having unpleasant conversations, even if that calls for interactions with the boss rather than preferring interaction only with those who either shower praises to the boss or have been in the organisation for a fairly long time.

While it's entirely human to trust someone with a trustworthy track record who in-between passes crafted insidious compliments to portray deep respect to the target, it is exactly then people become venerable. These human tendencies give rise to inertial trusts because bosses are humans, after all. Such blind trusts, as per Paul Krugman, are the founding fathers of scams and misappropriations. It is only because the biggest and best financial advisors unconditionally trusted the top notch stock brokers, investment brokers and founder of leading ICT (Information, Communication and Technology) company, etc. that that scams in billions were possible. Also, such behaviour by the bosses gives rise to a psychological pompous characteristics in certain employees while the interest of the majority is slackened, inducing thereby a rickety organisational structure.

To tame these organisational behaviours, bosses needs to revisit their trust once in a while. Of course compliments and pampers at workplace act as lubricants to keep the days running smooth and deepening further the elements of trust, but revisiting trusts once in a while has become an absolute necessity in this era of financial scams. The toughest part though is to effectively curb such unhealthy practices, as hard actions not only solve such problems fractionally, but also leads to proliferation of the organisational image as Employee-Unfriendly, a risk any organisation wouldn't want to take at an age when every organisation wants to be *'The Employer of Choice'*. In order to keep ingratiation under check, what is required is to get integrity and honesty embedded in the genes of employees through effective and repetitive situational communication of organisational goals and objectives. ■

CROSS WORD 061



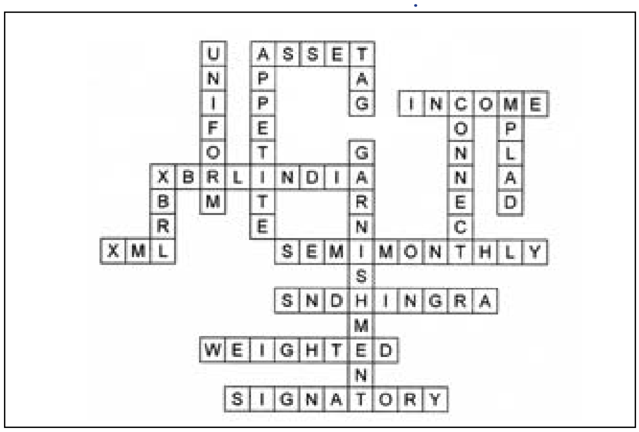
ACROSS

1. Started in Motorola, USA, in 1985, this set of performance improving techniques are called______. (3,5)
5. India wants US to exempt professionals from social ______ tax. (8)
6. CAs and CA firms can work together by doing this (without being partners). (10)
9. Share option when exercise price at which the option was granted is above the current market price of the share. (10)
11. _______ is one of the features of the Forex Markets. (10)
12. The compliance standards to be followed by banks. (7)
13. _______ of all kinds are marked to market as on reporting date. (11)
14. The logo of ICAI was designed by ______. (9)

DOWN

2. An enterprise in which an investor has a significant influence and which is neither a subsidiary nor a joint venture of an investor. (9)
3. The salary of the vice-president of human resources is likely to be classified into which cost behavior? (5)
4. A signal in which amplitude varies continuously with time is called _________. (6)
7. This debars Courts from entertaining issues. (11)
8. Balance __________ is the matrix which considers management of all stakeholders of the company i.e. customers, employees, shareholders, banks/lending institutions and suppliers etc. (9)
10. A device that connects a computer to a standard telephone line so that data can be transmitted and received electronically is called_______. (5)
13. Abbreviation for Deutsche Aktien Index.

NOTE: Members can claim one hour – CPE Credit – Unstructured Learning for attempting this crossword by filling the details in the self-declaration form to be submitted to your regional office annually to avail CPE hours credit for Unstructured Learning activities under the activity 'Providing Solutions to Questionnaires/ puzzles available on Web/ Professional Journals'. There is no need to individually send this crossword in hard copy or email.



SOLUTION CROSSWORD 060

1 Two neighbors were talking about work, when one asked, "Say, why did the manager fire you?"

Replied the second, "Well, you know how a manager is always standing around and watching others do the work. My manager got jealous. People started thinking I was the manager."

2 Employer: "In this job we need someone who is responsible."

Applicant: "I'm the one you want. On my last job, every time anything went wrong, they said I was responsible."