

ANNOUNCEMENT

RULES OF NETWORK AND MERGER - DEMERGER AMONGST THE FIRMS REGISTERED WITH THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

The Council at its 245th Meeting held from 31st August, 2004 to 2nd September, 2004 at New Delhi considered the Report of the Study Group on Capacity Building Measures of CA Firms and accepted the same with certain modification. The report as accepted has been hosted in the web site of the Institute under the title, 'Capacity Building Measures 2004'.

The Council at its 247th Meeting held from 4th January to 6th January, 2005 at New Delhi has decided that the Rules of Network amongst the firms registered with ICAI, Rules of Merger & Demerger formulated and finalized on the basis of recommendations of the Study Group shall come into force w.e.f. 6th January, 2005.

In the matter relating to network of firms registered with ICAI and entities outside India, the Council decided that in addition to the compliance with the Rules of Network amongst the firms registered with ICAI, the entities outside India willing to form network with Indian CA firms would give a declaration in **Form 'D'** (enclosed).

RULES OF NETWORK

1. These Rules are called Rules for Network amongst the firms Registered with The Institute of Chartered Accountants of India.
2. **Definition.**

(i) Network -

"Network amongst two or more firms means an arrangement to facilitate the better functioning of the affiliate member firms in the interest of the profession and not for acquisition of any gain. Such Network shall include the formal Network to use the collective resources such as turnover, infrastructures, manpower, location for execution of Professional services of one or more type.

[Explanation –

1. An affiliation as referred to above shall also include: -

- (i) having an association with an accounting entity within or outside India such that it results directly or indirectly in a common professional economic or beneficial interest.**
- (ii) one or more of the entities holding out that it is so affiliated or networked.**

2. An entity shall not be treated as an affiliate of another merely for the reason that they

- (a) share professional knowledge and data base;**
- (b) refer certain professional assignments or authorize the other to represent certain specific matters.**

3. If different Indian firms are networked with a common Multi National Accounting Firm (MAF) then irrespective of the presence/absence of any 'affiliate' relationship between the Indian firms inter-se, they shall be considered as part of a network.]

- (ii) Formal Network - Formal network means a network amongst two or more firms registered with The Institute of Chartered Accountants of India (ICAI), where the object of**

network is to use the collective resources of the affiliates for execution of professional services of one or more types at one and/or at multi-locational points. The resources would include financial, technical and other logistic support required to execute the professional assignments. In such type of network, the common resources may be pooled and exhibited together before the service user as those belonging to one particular set of professionals.

- (iii) **Referral Practice** – Referral Practice means a practice to refer professional work by a firm to one of its associate/affiliate either situated at a different place or rendering professional services not provided by it, to the user of the services. The pre-dominant objective of such a network is not to pool in their collective resources and exhibit them as those belonging to one particular set of professionals.
- (iv) **Act** – Act means The Chartered Accountants Act, 1949.
- (v) **Regulations** – Regulations means Chartered Accountants Regulations, 1988.
- (vi) **Code of Ethics** – Code of Ethics means the Code of Ethics issued by the Institute and decisions of the Council in this regard.
- (vii) **Institute** – Institute means the Institute of Chartered Accountants of India.
- (viii) **Council** – Council means the Central Council of the Institute.
- (ix) **Member** – Member means a Member in Practice. Member in Practice means a Member in Practice as defined in the Chartered Accountants Act, 1949.

3. Name of Network:

- (i) The Network may have distinct name which should be approved by the Institute. To distinguish a "Network" from

a "firm" of Chartered Accountants, the words "& Affiliates" should be used after the name of the network and the words "& Co." / "& Associates" should not be used. The prescribed format of application for approval of Name for Network is at **Form `A'** (enclosed).

- (ii) Standards prescribed in Regulations 190 of the Chartered Accountants Regulations, 1988 shall be applicable to the name of Network. However, even if a name is provided and subsequently it is found that the same is undesirable then, the said name can be withdrawn at any time by the Institute. The Institute shall reject any undesirable name and the provisions in respect of names of companies as prescribed in the Companies Act, 1956 shall be applicable in spirit.
- (iii) The network should neither be permitted to advertise nor to use logo. The firms constituting the network are permitted to use the words "Affiliates/Members of" (a network of Indian CA firms) on their professional stationery.
- (iv) Network may work without a Name also.

4. Registration:

- (i) A Formal Network is required to be registered with the Institute in a prescribed **Form `B'** (enclosed).
- (ii) Referral Practice requires no registration.
- (iii) It is for each firm to decide whether its affairs and relations with another firm results in creation of a Formal Network. Network shall evaluate for itself whether or not it is a formal network requiring registration with the Institute.
- (iv) If different Indian firms are networked with a common Multinational Accounting Firm (MAF) then irrespective of the presence/absence of any 'affiliate' relationship between the Indian firms inter-se, they shall be considered

as part of a network. As such, for these firms the registration with the Institute is not mandatory. It is only if these Indian firms decide to constitute a Formal Network, then the registration with the Institute is mandatory.

5. Ethical Compliance:

Once the relationship of network arises, whether registered or not with the Institute, it will be necessary for such a network to comply with all applicable ethical requirements prescribed by the Institute from time to time in general and the following requirements in particular: -

(a) If one firm of the network is the statutory auditor of an entity then the associate [including the networked firm(s)] or the said firm directly/indirectly should not accept the internal audit or book-keeping or such other professional assignments which are prohibited for the statutory auditor firm.

(b) The Notification No. 1-CA(7)/60/2002 dated 8th March, 2002 (enclosed) in respect of ceiling on Non-audit fees is applicable in relation to a Network as follows: -

i) For a constituent member of a Network who is doing statutory audit (including its associate concern and/or firm(s) having common partnership), it shall be the same as mentioned in the said notification; and

ii) For other constituent member(s) of the same Network collectively, it shall be 3 times of the fee payable for carrying out the statutory audit of the same undertaking/company.

(c) In those cases where rotation of firms is prescribed by any regulatory authority, no member firm of the network can accept appointment as an auditor in place of any member firm of the network which is retiring. However, this restriction shall not apply in case of appointment as Statutory Central Auditor of Government agencies/Undertakings such as Public Sector Undertakings (PSUs), Public Sector Banks and Financial Institutions etc.

(d) The Constituent member firms of a Network & the Network shall comply with all the Ethical Standards prescribed by the Council from time to time.

6. Consent of Client:

The network shall obtain consent of the client to engage an affiliate in discharging the professional assignments.

7. Constitution of Network:

- (i) Proprietary/partnership firm(s) as well as individual member(s) are permitted to form a Network.
- (ii) A proprietary/partnership firm as well as individual Member are allowed to join only one Formal network.
- (iii) Firms having common partners shall join only one network.

8. Object of Network:

The Network itself will not carry on any business for acquisition of gain for itself and only act as a facilitator for its members/constituent Member firms to pursue their professional jobs.

9. Responding to Enquiries:

Only one firm/Member can apply on behalf of the network showing the collective strength of all the constituent firms of the network, when responding to any enquiry.

10. Issuing Reports:

Only the firm(s)/Member(s) forming Network are eligible to issue/sign/attest any certificate/Report/professional document/assignment.

11. Violation of Act:

In case of alleged violation of the provisions of the Act, Regulations framed thereunder, guidelines/directions laid down by the Council from time to time and Code of Ethics by the Network firm, the proprietary/partnership firm(s)/individual Member constituting the Network would be answerable.

12. Exit From Network:

A constituent Member firm/Member of a Network can exit from the network by sending the declaration in **Form 'C'** (enclosed) to the Institute and also to each and every constituent of the network. The concurrence/acceptance of the same by other firms forming part of the network firm shall not be required.

13. Framework of Internal Byelaws of Network requiring Registration:

To streamline the networking, a network shall formulate operational byelaws. Byelaws may contain the following clauses on which the affiliates of the network may enter into a written agreement among themselves:

- (i) Appointment of a Managing Committee, from among the managing partners of the member firms of the network and the terms and conditions under which it should function. The minimum and maximum number of members of the Managing Committee shall also be agreed upon.
- (ii) Administration of the network
- (iii) Contribution of membership fees to meet the cost of the administration of the network.
- (iv) Identifying a partner of any of the member firms of the network to be responsible for the assignment (engagement partner)
- (v) Dispute settlement procedures through arbitration and conciliation
- (vi) Development of training materials for members of the network
- (vii) Issue of News-letters for staff and clients

- (viii) Development of softwares for different types of assignments
- (ix) Development and maintenance of data bases relevant for different types of assignments
- (x) Library
- (xi) Appointment of a technical director to whom references can be made
- (xii) Determining the methodology for drawing resources from each member firm
- (xiii) Determining compensation to member firms for resources to be drawn from them
- (xiv) Peer review of the member firms

These clauses are illustrative.

APPLICATION FOR APPROVAL OF NAME FOR NETWORK OF FIRMS

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
[See Rule 3 of Rules of Network amongst the firms registered with The Institute of Chartered Accountants of India]

1. Proposed name of Network (in order of preference) if the Network has a distinct name

1. _____
2. _____
3. _____
4. _____

2. Name(s) of the firm(s)/Member(s) forming network	Firm Name/ Member Name	Firm Regn. No./ M.No.
	1. _____	_____
	2. _____	_____
	3. _____	_____
	4. _____	_____

3. Address of the Office of the Network

_____ Pin _____

E-mail (if any) _____

4. We hereby declare that the above firm(s)/Member(s) proposed/have entered into an understanding to form a network in accordance with Rules of Network amongst the firms registered with The Institute of Chartered Accountants of India and further affirm and confirm that the partner signing the application has been duly authorised by the other partners of the respective firms.

Place : Name(s) with Membership No(s) and signature(s) of duly authorized Partner(s)/Proprietor(s) of the firms/ Member constituting Network

Date :

**DECLARATION FOR REGISTRATION OF FORMAL
NETWORK AMONGST FIRMS REGISTERED WITH ICAI**

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

PARTICULARS OF NETWORK HAVING INDIAN AFFILIATION

1. Name of the Network
2. Address of the Network
3. Names and addresses of firms/Member constituting the Network

Names and addresses of Firm(s)/Member(s)	Firm Registration No./M.No.
---	--------------------------------
4. (a) Date of formation of Network
(b) Date on which present network arrangement was entered into
5. We undertake to comply with the guidelines/directions laid down by the Council regarding Network from time to time.

We hereby declare that:

- (a) the network constituents have entered into an agreement to form this network.
- (b) that the partner(s) signing this declaration has been duly authorized by the other partners of the firm

Place : Name(s) with Membership No(s).
and signature(s) of duly authorized
Date : Partner(s)/Proprietor(s) of the firms/
Member constituting Network

Notification No.1-CA(7)/60/2002**8th March, 2002**

1-CA(7)/60/2002: In exercise of the powers conferred by clause (ii) of Part II of the Second Schedule to the Chartered Accountants Act, 1949, the Council of the Institute of Chartered Accountants of India hereby specifies that a member of the Institute in practice shall be deemed to be guilty of professional misconduct, if he accepts the appointment as statutory auditor of Public Sector Undertaking(s)/Government Company(ies)/Listed Company(ies) and other Public Company(ies) having turnover of Rs. 50 crores or more in a year and accepts any other work(s) or assignment(s) or service(s) in regard to the same Undertaking(s)/Company(ies) on a remuneration which in total exceeds the fee payable for carrying out the statutory audit of the same Undertaking/company.

Provided that in case appointing authority(ies)/regulatory body(ies) specify(ies) more stringent condition(s)/restriction(s), the same shall apply instead of the conditions/restrictions specified in this Notification.

Explanation:

1. The above restrictions shall apply in respect of fees for other work(s) or service(s) or assignment(s) payable to the statutory auditors and their associate concern(s) put together;
2. For the above purpose,
 - (i) the term "other work(s)" or "service(s)" or "assignment(s)" shall include Management Consultancy and all other professional services permitted by the Council pursuant to Section 2(2)(iv) of the Chartered Accountants Act, 1949 but shall not include: -
 - (i) audit under any other statute;
 - (ii) certification work required to be done by the statutory auditors; and
 - (iii) any representation before an authority;

- (ii) the term "associate concern" means any corporate body or partnership firm which renders the Management Consultancy and all other professional services permitted by the Council wherein the proprietor and/or partner(s) of the statutory auditor firm and/or their "relative(s)" is/are Director/s or partner/s and/or jointly or severally hold "substantial interest" in the said corporate body or partnership;
 - (iii) the terms "relative" and "substantial interest" shall have the same meaning as are assigned under Appendix (10) [now Appendix (9)] to the Chartered Accountants Regulations, 1988.
3. In regard to taking up other work(s) or service(s) or assignment(s) of the undertaking/company referred to above, it shall be open to such associate concern or corporate body to render such work(s) or service(s) or assignment(s) so long as aggregate remuneration for such other work(s) or service(s) or assignment(s) payable to the statutory auditor/s together with fees payable to its associate concern(s) or corporate body(ies) do/does not exceed the aggregate of fee payable for carrying out the statutory audit.
 4. This notification is applicable for any appointment(s) on or after 1st April, 2002.

DECLARATION FOR DISSOCIATION FROM A NETWORK

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
[See Rule 12 of Rules of Network amongst the firms registered
with The Institute of Chartered Accountants of India]

1. Name of the Network
2. Address of the Network
3. Names and addresses of firms constituting the Network

Names and addresses of Firm(s)/Member(s)	Firm Registration No./M. No.
---	---------------------------------
4. Name and address of the firm/member
willing to dissociate from the Network

Name and address of Firm(s)/Member(s)	Firm Registration No./M. No.
--	---------------------------------

In pursuance to the Rule 12 of Rules of the Network issued by The Institute of Chartered Accountants of India, We/I hereby declare our dissociation from the Network w.e.f.

I hereby declare that I have been duly authorised by the other partners to issue this declaration.

Place : Name with Membership No(s).
and signature(s) of duly authorized
Date : Partner(s)/Proprietor of the firm/
Member dissociating from the Network

Form 'D'

DECLARATION TO BE FILED FOR NETWORK WITH ENTITIES OUTSIDE INDIA

NETWORK WITH ENTITIES OUTSIDE INDIA
REGISTRATION NO.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

PARTICULARS OF NETWORK WITH ENTITIES OUTSIDE INDIA

1. Name of the Network
2. Address of the Network
3. Name(s) & address(es) of firm(s)/entity(ies) constituting the Network

(A) Indian firm(s) forming part of Network:

Name(s) of Firm(s)	Firm Registration Number(s)
--------------------	-----------------------------

(B) Outside entity(ies) forming part of Network :

Name(s) of the entity(ies)	Registration No. of entity(ies), the name(s) of enactment(s)/charter(s) under which Registered with the name of country(ies)
----------------------------	--

4. (a) Date of formation of Network
(b) Date on which present network arrangement was entered into
5. Detail of ownership and management structure of outside entity(ies) constituting the Network

We, the authorized representative(s) of the entity(ies) outside India, hereby solemnly declare and undertake that :

- (1) we are conversant with the provisions of the Chartered Accountants Act, 1949, the Chartered Accountants Regulations, the Code of Ethics and guidelines/directions regarding Network issued by the Council from time to time;

-/ 02 /-

- (2) in regard to the activities of the Network in India, we undertake to comply with the aforesaid provisions/guidelines/directions, in general, and in particular clauses (2) to (7) of Part-I of the First Schedule to the Chartered Accountants Act, 1949; and
- (3) the activities under the Network will not tantamount to rendering services so as to constitute a commercial presence in India or in any way result in Mode 3* or Mode 4* rendering of services as per WTO terminology.

Place : Name(s) with membership no. (if any) and signature(s) of duly authorized representative(s) of the entity(ies) outside India constituting Network
Date :

We, the authorized representative(s) of Indian Firm(s), solemnly declare as under:-

- (1) the information given above is true and correct as per our information and belief; and
- (2) non-compliance with the provisions of the Clauses (6) & (7) of Part I of the First Schedule to the Chartered Accountants Act, 1949 and the guidelines/directions laid down by the Council thereunder by the outside entity(ies) shall be deemed to be on our behest, unless proved otherwise.

Place : Name(s) with Membership No(s) and signature(s) of duly authorized representative(s) of the Indian firm(s)/ Member constituting the Network
Date :

- * Mode 3: Commercial Presence – Where services are provided through establishment of an office in the other country.
- * Mode 4: Movement of Natural Persons – Where the professional accountant travels from one country to another to deliver a service.

**RULES OF MERGER & DEMERGER AMONGST THE FIRMS
REGISTERED WITH THE INSTITUTE OF CHARTERED
ACCOUNTANTS OF INDIA**

- 1. These rules are called Rules of Merger & Demerger amongst the Firms registered with The Institute of Chartered Accountants of India.**

- 2. Concept of Merger & Demerger:**
 - (i) The Partnership Act has not prescribed merger & demerger of partnerships. In the corporate world, merger and demerger have become universal practices for securing survival, growth, expansion and globalization of enterprise and achieving multitude of objectives. Merger is the fusion of two or more existing companies. On the other hand, demerger signifies a movement in the company just opposite to merger. `Demerger` is also used to describe spinning off of an "undertaking" of a Corporate entity. The concept of `Merger`, `Demerger` & `Acquisition` are arising out of the `Arrangement` under Sections 391-394 of the Companies Act, 1956. Merger and Demerger are natural corollary of globalization.

 - (ii) To incorporate the spirit of Corporate World and to imbibe the consolidation creed, the Council used the term `merger` and `amalgamation` of CA firms. The Council in its 198th Meeting held from 25th to 27th February, 1999 and in 223rd Meeting held from 2nd to 5th February, 2002 considered the Seniority and Mergers of the firm and implications of the decisions, are enclosed in **Tabular form**.

 - (iii) In order to have an orderly and sustainable growth of the CA firms, it is desirable that the coming together of the firms begins with networking and then matures to mergers. Networking will enable the firms to develop working relationships with each other. However, it is not to suggest that there cannot be mergers without networking.

- (iv) The mergers should be effected to develop core competencies and to render professional services of a larger range spread over bigger geographical area. A merged big entity will always be superior to a network arrangement.

3. Merger

- (i) To effectuate merger, a merger agreement in **Form 'E'** (enclosed) is to be filed with the Institute within 30 days from the date of the agreement. The re-constitution agreement/partnership deed shall be filed with the Registrar of Firms.
- (ii) Upon the merger of the firms, the Institute will freeze the names of the merging firms and shall not allot the same names to any other firm.

4. Demerger

- (i) The merger has to precede the demerger. The merger agreement itself shall contain the terms and conditions for demerger. Therefore no concurrence/acceptance is required from the continuing partners. The merger agreement shall stipulate that in case 75% or more of the continuing partners of one of the erstwhile firm(s) are willing to demerge then they can do so after giving due notice in **Form 'F'** (enclosed) to the other partners and to the Institute.
- (ii) In case 75% or more of the continuing partners of one of the erstwhile merging firm have demerged after giving due notice to the other partners, then in such case, the merger shall come to an end and if the remaining erstwhile merging firms/partners of the erstwhile merged firm decided to continue, then they should enter into a fresh Merger/Partnership Agreement.

- (iii) The Demerged Firm is entitled to practice in its old trade name, which existed at the time of merger.
- (iv) The Constitution Certificate issued by the Institute to the demerged firm shall state the original date of establishment, the date of its merger and the date of the demerger. For the purpose of computing the seniority of the firm, the total period will be reckoned from the original date of establishment.
- (v) The demerger can be demanded within a period of 5 years from the date of merger.

Council Decision on Change in Firm name/Seniority of firms

Prepared on the basis of Council Decisions of 198th Meeting held from 25-27th February, 1999 & 223rd Meeting held from 2 - 5th February, 2002.

PARTICULARS OF CASES:	SENIORITY	DATE OF EFFECT
<p><u>I Proprietor of firm:</u></p> <p>A member practicing as a sole proprietor in a trade name, admits one or more members as partners thereby constituting a firm, and</p> <p>i. the firm name is the same trade name</p> <p>ii. the firm name is different from the trade name</p>	<p>The date of establishment of practice in the trade name</p> <p>The date of approval of the firm name or the date of establishment of the firm in the firm name, whichever is later</p>	<p>27.2.1999</p> <p>27.2.1999</p>
<p><u>II Death of the individual member</u></p> <p>If the member practicing in a trade name dies and if the trade name is sold/assigned to another member and if the other member practices (either as sole proprietor or in partnership with others) immediately after such sale/assignment</p> <p>(i) In the same trade name</p>	<p>Date of establishment as recognized by the Institute in the case of the deceased</p>	<p>27.2.1999</p>

(ii) In the new trade/firm name	<p>member if the sale/assignment is made (within one year from the date of death of the member)</p> <p>The date of approval of the new trade/firm name or the establishment of practice under new trade/firm name by other member/members, whichever is later</p>	27.2.1999
<u>III Partnership firms</u>		
<p>(a) Firm consisting of two partners – If one of the partners retires/dies and if the remaining partner continues either as sole proprietor or in partnership with others</p> <p>(i) in the same firm name</p> <p>(ii) in a new firm name</p> <p>(b) Firm consisting of more than two partners – If one or more of the partners dies/retires and the remaining partners continue to practice in the same firm name with or without dissolution.</p>	<p>There is no change in the date of the establishment of the firm</p> <p>Date of approval of new firm name or the date of establishment of the firm under the new firm name, whichever is later</p> <p>There is no change in the date of establishment of the firm.</p>	<p>27.2.1999</p> <p>27.2.1999</p>
<u>IV Merger or amalgamation of two or more firms</u>		

<p>If two or more firms merge/amalgamate, the new firm after merger/amalgamation practices.</p>		
<p>(i) in the firm name of one of the merged firms.</p>	<p>Date of establishment of the firm, which firm name is continued to be used after merger.</p>	<p>27.2.1999</p>
<p>(ii) in a new firm name, in cases where the existing firm is seeking change of firm name and approval thereof.</p>	<p>(i) Change of name from the date of approval.</p> <p>(ii) There is no change in the date of establishment. The old trade/firm name will be frozen in the Institute's records for three years from the date of approval of the new trade/firm name. In the constitution certificate issued by the Institute during that period of three years, the name will be mentioned as "M/s.....(formerly known as M/s.....)"</p> <p>During that period of three years, the firm will be given the option to have its original name at the choice of all the partners only if all those partners so apply to the Institute in the prescribed manner.</p>	<p>4.2.2002</p>

Example:

Name of firm	Name of firm	Name of new firm	Seniority	Date of Effect
1. A & Co., 1966	B & Co., 1980	A & Co.	Date of establishment will be 1966	27.2.1999
2. A & Co., 1966	B & Co., 1980	B & Co.	Date of establishment will be 1980	27.2.1999
3. A & Co., 1966	B & Co., 1980	Y & Co.	Date of establishment will be date of approval of Y & Co. by the Institute or constitution of the Partnership firm, whichever is later.	27.2.1999
4. A & Co., 1966	B & Co., 1980	Either AB & Co. or BA & Co.	Date of establishment will be 1966	4.2.2002

<u>V. Change in trade/firm name</u>	(i) Change of name from the date of approval. (ii) There is no change in the date of establishment. The old trade/firm name will be frozen in the Institute's records for three years from the date of approval of the new trade/firm name. In the constitution certificate issued by the Institute during that period of three years, the name will be mentioned as	27.2.1999
The member/firm continues the practice (with or without change in constitution) with the change in trade/firm name.		

	<p>“M/s.....(formerly known as M/s.....)”</p> <p>During that period of three years, the firm will be given the option to have its original name at the choice of all the partners only if all those partners so apply to the Institute in the prescribed manner.</p>	
--	--	--

Note:

1. Trade name: The name in which the member practices as a sole proprietor.
2. Firm name: The name in which the firm practices.
3. `Trade name' and `Firm name' are the names as approved by ICAI.
4. Merger/amalgamation is a term not applicable to firms under the Partnership Act. It is reconstitution of firm by addition/deletion of partners. The principles applicable to any reconstitution will, therefore, apply in these cases.

FORMAT OF MERGER AGREEMENT

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
[See Rule 3 of Rules of Merger & Demerger amongst the firms
registered with The Institute of Chartered Accountants of India]

We, (1)..... (2) (3) partners of (1)
M/s. A & Co. (2) M/s. B & Co. & (3) execute this
Merger Agreement on this ____ day of _____, at _____:

1. M/s A & Co., a Partnership/Proprietorship firm of Chartered Accountants having its registered Head Office at _____, duly registered with the Institute of Chartered Accountants of India vide Firm No. _____ in _____ region (which expression shall include its successors, heirs and assigns).

The date of establishment, name of the partners, their membership nos, are as follows:-

- (i) Date of establishment
- (ii) Name of the Partners Membership No.

2. M/s B & Co., a Partnership/Proprietorship firm of Chartered Accountants having its registered Head Office at _____, duly registered with the Institute of Chartered Accountants of India vide Firm No. _____ in _____ region (which expression shall include its successors, heirs and assigns).

The date of establishment, name of the partners, their membership nos, are as follows :-

- (i) Date of establishment
- (ii) Name of the Partners Membership No.

3.

Now, therefore, in consideration of mutual promise herein made and the consideration hereunder expressed,

the parties hereto mutually covenant and agree as follows:

1. That the name of the merged firm will be _____ and the date of establishment of the merged firm is the date of establishment of the oldest/older firm i.e. _____.
2. That this merger will come into force w.e.f. _____ 20XX, whereafter, the merging firm i.e. M/s A & Co., and M/s B & Co. cease to exist and a separate partnership deed has been executed on _____ amongst the partners of the merged firm.
3. That the following persons are the partners of the merged firm:
 1. Mr. _____ Membership No. _____
 2. Mr. _____ Membership No. _____
 3. Mr. _____ Membership No. _____
 4. Mr. _____ Membership No. _____
 5. Mr. _____ Membership No. _____
 6. Mr. _____ Membership No. _____
 7. Mr. _____ Membership No. _____
 8. Mr. _____ Membership No. _____

We, all the partners of the merged firm understand that this merger has the following consequences in pursuance to the decision of the Council of the Institute: -

1. That the name of the erstwhile merging firms will be frozen by the Institute.
2. And in case 75% or more of the continuing partners of one or more erstwhile merging firm(s) are willing to demerge, they may demerge after giving due notice and will be entitled to the following benefits :
 - (i) They shall be entitled to the total seniority acquired i.e. their earlier pre-merger seniority and the years during which they were in merged firm.
 - (ii) They are entitled to their old firm's name.

Provided in case, 75% is a fraction, then the same shall be rounded off to the next number.

3. That the date of establishment of the new demerged firm shall be the date of demerger.
4. That to effectuate such demerger, no concurrence/acceptance is required from the other continuing partners of the merged firm. The partners of such demerged firm shall execute a partnership deed. The merged firm as well as the demerged firm shall submit fresh Form 18 as prescribed under the Chartered Accountants Regulations, 1988 to the Institute within the prescribed period.
5. In case of 75% or more of the continuing partners of one of the erstwhile merging firm have demerged after giving due notice to the other partners, then in such case, the merger shall come to an end and if the remaining erstwhile merging firms/partners of the erstwhile merged firm decided to continue, then they should enter into a fresh Merger/Partnership Agreement and shall submit fresh Form 18 as prescribed under the Chartered Accountants Regulations, 1988 to the Institute within the prescribed period.
6. That the demerger in the manner hereinbefore mentioned can be demanded only within a period of 5 years from the date of merger.

IN WITNESS WHEREOF, the Partners of the Merged firm M/s..... hereto set their hands on this agreement in the presence of the witnesses.

WITNESSES :

1.

(i) _____

(ii) _____

(iii) _____

(iv) _____

(v) _____

(vi) _____

2.

(vii) _____

(viii) _____

Partners of M/s.....

NOTICE FOR DEMERGER

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
[See Rule 4(i) of Rules of Merger and Demerger amongst the firms registered with The Institute of Chartered Accountants of India]

1. We the following persons

Name(s)	Membership No.(s)
_____	_____
_____	_____

being partners of M/s _____ which merged with the firm M/s _____ as per merger agreement dated _____ willing to demerge with effect from _____

2. We are the partners of the erstwhile Merging firms, M/s _____ merged with M/s. _____ & constitute the merged firm _____ with effect from _____. The Merger Agreement dated _____ and Form 18 were filed before the Institute on _____

3. We constitute 75% or _____ % of the continuing partners of the erstwhile firm M/s. _____

4. This demerger is within a period of 5 years from the date of merger.

5. We desire that our pre-merger name be allotted to us.

Place: _____
Date: _____

Signature of all the Partners of the Erstwhile Firm M/s. _____ willing to demerge.