

A Summary of Conclusions and Recommendations

Chapter 1 : Introduction

1. The Council, at its 232nd meeting held in May 2003, constituted the Committee for Review of Education and Training (CRET) with the following terms of reference:

- “(i) To review the existing system of education and training for membership of the Institute in order to determine and ensure its relevance and adequacy in the context of the changing environment and demands on the profession.
- (ii) To consider and adopt appropriate measures to ensure that the system meets the benchmarks and other prescriptions embodied in the International Education Standards, with reference to Pre-qualification as well as Post-qualification developed by International bodies such as the Education Committee of the International Federation of Accountants.
- (iii) To review the existing curriculum in order to consider and adopt appropriate changes in the contents of Professional Education Programs for students.
- (iv) To consider and adopt measures to gain increasing international recognition, acceptance and application of our education and training process and Mutual Recognition Agreements.
- (v) To consider issues concerning Continuing Professional Education and Development for Members (including Post-membership examination).
- (vi) To consider such other matters arising from the foregoing as the Committee may determine.”

(Paragraph 1.3)

2. The Committee is fully conscious of the fact that with the acceptance of proposed scheme of education and training, some hardship may be caused to students pursuing this course. Accordingly, the Committee recommends that the Council may work out an appropriate scheme of transitional arrangement whereby students who are currently undergoing the chartered accountancy course and particularly, those students who registered after October, 2001 shall not be put to any hardship and disadvantage vis a vis students enrolling for the proposed course to the extent practicable.

(Paragraph 1.5)

Chapter 2 : Accountancy Profession and the Economic Environment

3. The Committee feels that the phenomenon of online education needs to be considered in the context of distance education programme of the chartered accountancy course because it breaks down geographical barriers and gives an opportunity for the teaching as well as the students community to get in touch with each other, globally in a very short period.

(Paragraph 2.2.2)

4. In view of globalisation, new competitive environment, flow of outsourcing business to India and move towards harmonisation of reporting and auditing practices at global level, the Committee is of the view that all these factors need to be taken into account while proposing a new scheme of education and training.

(Paragraph 2.2.3)

5. The viability of accountancy as a profession depends on the ability and willingness of its individual members to accept responsibility for meeting challenges posed by information revolution, economic

reforms and globalisation. To meet these challenges, the profession needs to ensure that individuals who become professional accountants achieve an agreed level of competence, which is then maintained. The means by which individuals develop and maintain competence is through education and practical experience, followed by continuing professional development. The profession, therefore, needs to set and meet high standards in these areas.

(Paragraph 2.3.8)

6. The Institute as a member of the IFAC is committed to implement International Education Standards. Having regard to this and the terms of reference, the consideration of International Education Standards has been the overall part of methodology adopted by the Committee.

(Paragraph 2.5.2)

Chapter 3 : Methodology

7. The goal of accounting education and practical experience is to produce competent professional accountants capable of making a positive contribution over their lifetimes to the profession and society in which they work.

(Paragraph 3.1.1)

8. The education and practical experience of professional accountants should provide a foundation of professional knowledge, professional skills, and professional values, ethics and attitudes that enable them to continue to learn and adapt to change throughout their professional lives.

(Paragraph 3.1.1)

9. With a view to achieving goals of accounting education and to meet the challenges of information revolution and globalisation, the Committee decided to adopt a comprehensive approach to appraise the present system of education and training in terms of its strengths and weaknesses and determination of competence profile in terms of users' needs before formulating any scheme of education and training including design and analysis of questionnaires, commissioning of separate study groups, etc.

(Paragraph 3.2.1)

Chapter 4 : Pre-qualification Education and Training : An Overview

10. While designing the new scheme of education and training, the Committee was strongly guided by the fast changing economic environment, information technology revolution, global convergence as also following factors necessitating the changes in the present scheme of education and training:

- ◆ To attract bright and talented students.
- ◆ Total Duration of the Course.
- ◆ Need for integrating theoretical and practice experience.
- ◆ Need to ensure uniform input to the course.

(Paragraph 4.2.1 to 4.2.5)

11. The Committee decided to continue with 10+2 examinations or equivalent as the minimum entry requirement for taking the Common Proficiency Test (CPT). However, students may enroll with the Board of Studies for the CPT after passing Class X examination (or its equivalent) or thereafter.

(Paragraph 4.2.2)

12. The Committee proposes to work out a scheme whereby total duration of the course can be brought down.

(Paragraph 4.2.3)

13. The Committee to design the course in such a manner that theoretical education can be tested progressively in the light of the practical experience gained by them.

(Paragraph 4.2.4)

14. The Committee decided to retain one common examination for all students coming from 10+2 stream or graduation route to examine the proficiency of a student intending to join the chartered accountancy course.

(Paragraph 4.2.5)

15. The overall scheme of pre-qualification education and training leading to the membership of the Institute as under:

- Enroll with the Board of Studies for the Common Proficiency Test (CPT) after passing Class X examination (or its equivalent) or thereafter;
- Taking the Common Proficiency Test after appearing in 10+2 examination (or its equivalent) or thereafter provided there is a gap of at least three calendar months between the enrolment for CPT and appearance at CPT; and passing both;
- Register for practical training and enroll with Board of Studies after passing CPT and 10+2 (or its equivalent) for undergoing theoretical instruction for Professional Competence Course (PCC) and practical training simultaneously;
- Undergoing integrated theoretical instruction and practical training for a period of three and a half years while pursuing Professional Competence Course and Final Course;
- Undergoing compulsory Information Technology Training (ITT) of minimum of 100 hours (or as decided by the Council from time to time including modalities thereof) which may commence immediately after appearing at CPT examination or during practical training relevant to professional subjects included in the chartered accountancy course (to be decided by the Board of Studies from time to time in consultation with the Council) to be eligible to appear for the Professional Competence Examination;
- Passing the Professional Competence Examination after 18 months of commencement of practical training;
- Undergoing General Management and Communication Skills Course of minimum 100 hours (or as decided by the Council from time to time as to duration and modalities thereof) after passing the Professional Competence Examination but before enrolment as a member of the Institute.
- Passing Final Examination conducted by the Institute held either during the last six months of the practical training or thereafter, provided there is minimum one examination gap between the Professional Competence Examination and Final Examination, if such Final Examination is taken up during the practical training.

(Paragraph 4.3.1)

16. The pattern of question paper at this level should aim to test knowledge through objective-type answer type questions rather than by descriptive questions.

(Paragraph 4.5.2)

17. The Committee recommends continuation of compulsory Information Technology Training (ITT) of minimum 100 hours or as decided by the Council from time to time during the practical training before appearing in Professional Competence Examination in areas relevant to the course-curriculum of the chartered accountancy course. As far as practicable, students may undergo compulsory information technology training either before joining the articles or after office hours so that practical training does not get affected. The scope of training and course curriculum for the same is to be decided by the Board of Studies in consultation with the Council from time to time. The change in nomenclature from, "practical training in computers" to "Information Technology Training" should not be mere cosmetic but the course content must reflect the changing information technology environment. The Committee further recommends that with a view to avoid any administrative problem, students must successfully undergo the ITT before submitting the examination form for PCE.

(Paragraph 4.6)

18. The course curriculum of Professional Competence Examination has been designed in a manner that practical experience undergone by the student would give him an opportunity to integrate the same with his theoretical knowledge.

(Paragraph 4.7)

19. The Committee recommends that a General Management and Communication Skills Course of minimum 100 hours (or as decided by the Council from time to time as to duration and modalities thereof) after passing the Professional Competence Examination but before enrolment as a member of the Institute. Such an option would provide flexibility to students to attend the course either during the practical training or even after passing the Final Examination but in any case before enrolment as a member of the Institute. The scope and curriculum may be decided by the Board of Studies in consultation with the Council. The Board may devise the scheme in such a manner that students may be given option to undergo the course either on a full-time basis or part-time basis.

(Paragraph 4.9)

Chapter 5 : Practical Training

20. An integrated approach involving a combination of theoretical education, on the job training, work experience and professional education is *sine qua non* to develop both functional competency and appropriate professional values and ethics amongst the potential chartered accountants subject to certain measures to strengthen it.

(Paragraph 5.1.7)

21. The practical training period should be long enough and intensive enough to permit candidates to demonstrate they have gained the professional knowledge, professional skills, and professional values, ethics and attitudes required for performing their work with professional competence and for continuing to grow throughout their careers".

(Paragraph 5.2.1)

22. The Committee recommends that the total period of practical training be raised to three and a half years.

(Paragraph 5.2.4)

23. The minimum age limit for entering into training contract for practical training may be reduced to 17 years.

(Paragraph 5.2.5)

24. It is necessary to re-emphasise the need and commitment of proper training through inculcating a collective promise with oneself to support the training programme.

(Paragraph 5.4.4)

25. On an overall consideration of the matter, with a view to ensuring implementation of provisions of Training Guide more effectively and strengthening the monitoring aspects of practical training, the Committee recommends the following steps to strengthen it:

- Principal / MIT should submit report on practical training to the Institute to be duly signed by the Principal at the time of termination/completion of articles based on practical training records maintained on a monthly/weekly basis. . In addition, MIT, if any, may also sign the report.
- Report should be countersigned by the articulated trainee on a yearly basis.
- Board of Studies to work out modalities for compliance with the provision of Training Guide, to ensure that proper training has been imparted.
- Review of practical training records should form an integral part of peer review process by examination of records at the firm's office

(Paragraph 5.4.8)

26. Regulation 54 may be amended so as to provide the maximum period of secondment permissible be one year as per the present requirements but the same can be served even with a single principal. To ensure that this facility is not misused, the Committee is of the opinion that it is important to lay down the monitoring mechanism in the Regulations as under :

- An intimation to be sent to the Institute.
- Records of practical training undergone during the secondment will be maintained by the person who is responsible for imparting training during secondment and forwarding the same to the main principal.

(Paragraph 5.5)

27. The present criteria for entitlement to train articulated clerks on the basis of efflux of time may continue become such criteria is simple and objective and has stood the test of time. Further, Clause (8) of Regulation 43 may be made operational in such a manner that maximum limit on additional vacancies is fixed with reference to firm as per criteria to be laid down by the Council from time to time.

(Paragraph 5.6.4)

28. The Training Guide may be modified to ensure imbibing of ethical values during the practical training as a compulsory component and evaluation of same by the Principal and MIT (if any) on a periodic basis.

(Paragraph 5.7.3)

29. The Committee recommends effective implementation of Code of Conduct so as to inculcate ethical values in trainees to highlight the objective, social need, social expectations from the profession and the conflict areas which would lead to lowering the ethical values.

(Paragraph 5.8.2)

30. The present scheme of keeping the option of Industrial Training may continue as at present but to strengthen the system, detailed guidelines may be laid down.

(Paragraph 5.9.2)

31. The working hours of articled clerks should be increased to 40 hours per week.

(Paragraph 5.10.2)

32. The pursuance of an additional course, out of the specified list and outside the normal working hours may continue. The specified list may be modified to provide for "integrated courses leading to award of two degrees" by certain universities.

(Paragraph 5.11.2)

33. The present provision regarding leave period may be modified in a manner to provide that maximum entitlement of six months' leave for a student during practical training spanning over three and a half years..

(Paragraph 5.12.2)

34. Principals may encourage their articles to attend seminars/conferences on regular basis and sponsor them for such events. The attendance at such programmes should not be treated as leave.

(Paragraph 5.12.3)

35. Stipend rates may be reviewed more frequently.

(Paragraph 5.13.2)

36. The Committee recommends the following as an integrated package in respect of Information Technology Training:

- Compulsory training in Information Technology be imparted before a student is eligible to appear for Professional Competence Examination. Accordingly, a student may undergo such training during the first fifteen months of practical training or may register immediately after appearing at CPT Examination
- Duration of compulsory training in Information Technology be 100 hours (subject to the Council's decision from time to time) and such training should be treated as an integral part of practical training;
- Content and scope of compulsory training in Information Technology be drawn in such a manner that it is absolutely relevant to the core of the accountancy profession;
- Explore the feasibility that the programme is conducted by the Institute wherever such facilities exist;
- Lay down appropriate standards to measure the performance of candidates, first, at the completion of the course and, secondly, as an integral part of the Institute's examination system;

- The policy for accredited institutions be laid down and implemented in a very rigorous manner to ensure that only institutions of fulfilling laid down criteria are empanelled to impart training; and
- An in-built monitoring mechanism must be established to assess whether practical training imparted is of requisite quality.

(Paragraph 5.14.3)

37. The Committee recommends the following steps in respect of General Management and Communication Skills:

- To continue General Management and Communication Skills course of minimum of 100 hours (subject to decision of the Council from time to time both as to the duration and modalities thereof);
- The course may be conducted during the practical training after a student has passed Professional Competence Examination but before one applies for enrolment as a member;
- Explore the feasibility that the programme is conducted by the Institute wherever such facilities exists;
- A fresh review of the entire process of accrediting the institutions for imparting General Management and Communication Skills Course be done in a rigorous manner and guidelines should be laid down, to ensure that only institutions fulfilling laid down criteria are accredited for the purpose;
- Review the contents of General Management and Communication Skills Course and make it relevant keeping in view its objectives; and
- Build up a mechanism to monitor the progress of the accredited institutions imparting this course.

(Paragraph 5.15.4)

Chapter 6 : Theoretical Education

38. The study material should continue to be supplied to all students of Common Proficiency Test, Professional Competence Course and Final Course and suggests the following measures for improvement:

- Including practical situations and case studies so as to give it a practical orientation;
- Improving the get up and presentation;
- Utilizing electronic media as part of study material; and
- Simplifying language for better understanding.

(Paragraph 6.3.2)

39. The study material for Common Proficiency Test should be published in a single module covering both papers. Further, having regard to the fact that the time gap between enrolment and appearance at Common Proficiency Test is only of minimum three calendar months and study material will be supplied in single module, the Committee recommends that reasonable fee structure be worked out for the CPT course.

(Paragraph 6.3.3)

40. In view of the time gap intended between the enrolment and appearing for the Common Proficiency Test is only of three months, the test paper scheme for Common Proficiency Test candidates is not feasible and accordingly not required.

(Paragraph 6.4.4)

41. Accordingly, the Committee also recommends that the test paper scheme for Professional Competence Course and Final Course is not required.

(Paragraph 6.4.4)

42. The Board of Studies has been taking several steps to ensure that accredited institutions are imparting education properly. Accordingly, the Committee recommends that further steps may be taken to enhance the effectiveness of such classes.

(Paragraph 6.5.2)

43. RTPs should be supplied in time to the students so that they can get maximum benefit out of them. RTPs should not contain topics/updation/ amendments which are not relevant for the examinations as they lead to unnecessary confusion among the students.

(Paragraph 6.6.4)

44. The Institute needs to evolve a combination of e-learning and classroom teaching technique gradually through a well-designed structured programme in a phased manner.

(Paragraph 6.7.4)

45. Continuous Training Programmes (CTPs) to be organized on regular basis for students by all branches and Regional Councils. Board of Studies may work out modalities for the same.

(Paragraph 6.9.3)

Chapter 7 : Course Curriculum

46. The Committee recommends “Basic knowledge” at the level of Common Proficiency Test Examination, “Working knowledge” at the level of Professional Competence Examination and “Advanced knowledge” at the Final Examination in case of all subjects.

(Paragraph 7.3.2)

47. There should be two papers in the Common Proficiency Test to ensure that the proficiency of such students for entry to the course is tested are as under:

S.No.	Name of Papers	Max. Marks	Max. Hours
1.	Accounting and Mercantile Law	100	3
2.	General Economics and Quantitative Aptitude	100	3

(Paragraph 7.4.1)

48. There should be six papers divided in two groups in Professional Competence Examination as under:

S.No.	Name of Papers	Max. Marks	Max. Hours
<i>Group I</i>			
1.	Advanced Accounting	100	3
2.	Auditing and Assurance	100	3
3.	Business and Corporate Laws	100	3
<i>Group II</i>			
4.	Cost Accounting	100	3
5.	Income-tax Law and VAT	100	3
6.	(A) Financial Management (50 marks) and (B) Strategic Management (50 marks)	100	3

(Paragraph 7.5.1)

49. There should be eight papers in the Final Examination divided in two groups as under:

S.No.	Name of Papers	Max. Marks	Max. Hours
<i>Group I</i>			
1.	Financial Reporting	100	3
2.	Strategic Financial Management	100	3
3.	Advanced Auditing and Professional Ethics	100	3
4.	Corporate and other Laws	100	3
<i>Group II</i>			
5.	Advanced Management Accounting	100	3
6.	Information Technology and Systems Control	100	3
7.	Direct Tax Laws	100	3
8.	Indirect Tax Laws	100	3

(Paragraph 7.6.1)

Chapter 8 : Assessment of Professional Competence

50. The written examination requiring candidates to analyse and solve practical situations should form the basis for testing professional competence of the students.

(Paragraph 8.2.1)

51. The pattern of question paper, as far as possible should have an appropriate mix and includes objective-type questions and analytical questions requiring short answers. There should be more emphasis in question papers on case studies at the Professional Competence Examination and Final Examination level whereby the student is tested in respect of his practical training.

(Paragraph 8.3.1)

52. The Committee recommends a change in the nature of the paper and recommends a mix of objective-type, short questions and advanced questions as follows:

Particulars	CPT	PCE	FE
Objective-type	100%	30 %	NIL
Short Questions	NIL	30 %	30%
Other Questions (Descriptive case-studies etc.)	NIL	40 %	70%

(Paragraph 8.3.2)

53. Having regard to the fact that the nature of question paper at CPT level shall be 100% objective-type, the Committee recommends computer assessment method for the same.

(Paragraph 8.3.4)

54. The Committee, in view of the provisions of the Chartered Accountants Act, 1949 and the Regulations made thereunder and the confidential aspect of the entire process, does not favour the proposal of setting up an Independent Examination Board. However, it strongly recommends that the entire examination process must be evaluated in a very rigorous manner and necessary safeguards be built in the process so that the system can retain its pinnacle status.

(Paragraph 8.4)

55. The Committee recommends following measures to improve standards of evaluation:

- (i) Core competency and eligibility of a person to be in the panel of examiners needs to be strictly verified before inclusion and monitored thereafter.
- (ii) All the examiners are selected based on the details furnished in the empanelment form.
- (iii) Constitute a panel for screening all the applicants from that Region for selection.
- (iv) Lay down a scientific method for grading the examiners based on their performance and experience so that they can accordingly be retained or upgraded to higher levels of examinations or removed from the system.
- (v) Verify and monitor proficiency of examiners for Hindi medium both in the subject and the language.
- (vi) Where alternative steps or answers are possible to a given question, examiners should be

accordingly instructed and implementation thereof should be verified.

(Paragraph 8.5.1)

56. Common Proficiency Test being mainly an Aptitude Test, the following modalities are also recommended:

- (i) Any paper should not be divided section-wise, however, requisite number of objective-type questions may be set from each subject.
- (ii) Examination for CPT may be held four times a year on a single day or on two consecutive days (preferably on Saturday and Sunday on account of administrative considerations) each time.
- (iii) Minimum marks for qualifying the CPT examination be fixed at 60% of total marks.
- (iv) The system of negative marking should be introduced to avoid guess-work by students.
- (v) Question set in each paper be jumbled up, if considered feasible, so that menace of copying is prevented.

(Paragraph 8.5.2)

57. The Committee recommends that no restriction of attempts be imposed on all three examinations, namely, Common Proficiency Test, Professional Competence Examination and Final Examination.

(Paragraph 8.6.1)

58. Special efforts must be devoted by the Principal and Board of Studies to provide counselling to such students.

(Paragraph 8.6.2)

59. On an overall consideration of the matter, and with regard to the national policy, the Committee recommends the continuation of the *status quo* in the matter of medium of the examination.

(Paragraph 8.7.2)

60. On an overall consideration, the Committee recommends to strengthen the existing verification procedure recommends that the same to be completed within time bound framework.

(Paragraph 8.8.1)

61. On account of administrative considerations and having regard to number of students and time constraints the Committee does not recommend the system of reevaluation.

(Paragraph 8.8.2)

62. The Committee recommends certain general measures to improve the examination system:

- Increased use of technology so as to expedite the entire process of conducting examination.
- Simplify examination form to call for relevant data.
- Centralized evaluation at different location (subject-wise decentralization) to be specified by internal faculty.
- No examiner should be given more than 250 answer papers in case a paper carries 100 marks and 500 answer papers in case a paper carries 50 marks.
- Same examiner should not be involved at two levels of examination.
- Suggested scheme of marking can be prepared by a panel of examiners and the same may be consolidated by the head examiner.

- Ceiling in term of age and duration of examiners may be laid down.

(Paragraph 8.9.1)

63. The Committee recommends that the introduction of any scheme of 'accounting technicians' may undermine the overall focus of title 'Chartered Accountant' and thus should not be introduced for the time being.

(Paragraph 8.10.3)

Chapter 9: Continuing Professional Development

64. The Committee fully endorses standards laid down by IES 7 "Continuing Professional Development: A Programme of Lifelong Learning and Continuing Development of Professional Competence" for member bodies as under:

- To promote the importance of continuous improvement of competence and a commitment to lifelong learning for all professional accountants;
- To facilitate access to continuing professional development opportunities and resources to assist professional accountants in meeting their responsibility for lifelong learning;
- To lay down mandatory requirement that all professional accountants develop and maintain competence relevant and appropriate to their work and professional responsibilities. The responsibility for developing and maintaining competence rests primarily with each professional accountant.
- To follow the principles of input and output system while implementing a combination of input - and output - based approaches.
- To establish a systematic process to monitor whether professional accountants meet the continuing professional development requirement and provide for appropriate sanctions for failure to meet the requirement, including failure to report or failure to develop and maintain competence.

(Paragraph 9.1.1)

65. To make continuing professional development more effective the Committee recommends as under:

- CPD should be mandatory for all members irrespective whether they are in practice or not;
- System of monitoring the CPD requirements should be strengthened;
- Members above 60 years of age in practice may be exempted from the mandatory CPD requirements;
- Increase number of CPD programmes relevant to needs of membership which may either be structured or unstructured;
- Modalities regarding action to be taken in respect of members who fail to comply with the mandatory CPD requirements be laid down; and
- To gradually move towards an effective and efficient combination of the input-and output-based approaches, setting the amount of learning activity required and measuring the outcomes achieved.

(Paragraph 9.1.5)

66. With a view to making post-qualification courses more relevant and meaningful, the Committee recommends the following:

- Consider introduction of new courses of an appropriate duration which are in line with contemporary economic scenario and the users' expectations such as international taxation,

internal audit and risk management, fraud detection and forensic accounting, alternate dispute resolutions, information systems audit, corporate governance, indirect taxes, financial management, etc;

- Introduce classroom teaching through professional institutions for post-qualification courses;
- Requirement for eligibility test for members be dispensed with.

(Paragraph 9.2.5)