

## Matrix Of Accounting Profession— Re-engineering The Role



**Vikas Chandra Guru**

*(The author is a member of the Institute.  
He can be reached at vikasguru@eth.net)*

**The changing and vibrant environment is signaling a rapid adjustment; the new matrices mean that full and wide new space is created to deliver the best. The professional journey is never ending. While the intention to benefit the society of which the profession is one of the limbs remains, the manner and form of assistance has been changing. Derivatives is the new addition in the financial theory, the benefit of which cannot be derived without the assistance of well-equipped professionals.**

**A**lthough our life expectancy has improved the business survival rate is going to be a key concern. Sickness is causing unbearable losses and is sheer detriment to the economy. As a business biologist, our role is set to grow, because ascertaining the viability by independent professionals has gained prominence in the business circles. Privatisation of insurance has started giving fruits with new products and schemes. Crowded market has made the choice difficult for laymen requiring professional help to guard business interest in effective manner.

Technology has impacted us and routine operations are computerised. The time so saved by technology can be used now creatively for innovations, which always deserve premium. The Software sector in the world is fast changing. The client who outsources the work to a company expects to get full solution and not mere service. This approach has changed the mindset of software companies to look for subject experts in the field of accounting, insurance, etc.

There is need to revisit the role, reshuffle the priorities and rewrite the historical background in view of contemporary developments.

Matrix is a mathematical expression in which the numbers are placed in array called rows and columns. The manner of setting the numbers in such a systematic fashion allow to uniquely identify a number in a group, when desired, and at the same time make the whole group a meaningful entity to work with. A profession needs such model in order to preserve individuality of members and at the same time derive the benefit of a group, which otherwise would have gone unnoticed. The change is only universal truth. The professional matrices has numbers of changing strength, weaknesses, opportunities and threats, which need to be optimised for enhancing the role in order to benefit the society at large. There are welcoming entrants in the matrices; there are farewells too and lastly even if the existence of activity remains the place it occupies is not the same that it has before. Environment in which we operate has changed and expectations of society have multiplied. The expectations may be legitimate or not but cannot be done away with, as in the service arena the society needs to be placed at centre. Perception of the profession in the minds of the *aam adami*, cannot be abandoned to the detriment of profession. We have to set our radars right and high to capture the potential areas of importance.

## Taking Inventory Of Members

Before we travel to the whole new world of opportunities, it is better to see inside. There are about 1,30,000 members of the ICAI; every year nearly 6000 numbers are added to the existing inventory. A view of the membership data reveals that new members are absorbed largely by the corporate sectors and particularly by the Services sectors like, Banking, Telecom, Finance, Security market intermediaries, etc. The reason for lower preference to practice by youngsters is obviously due to higher packages being offered at the entry level and perceived initial teething trouble in setting up the practice. The need for a CA in the organisation has emerged as a business compulsion apart from statutory obligation, as may be applicable. Though the service sector is rewarding handsomely, in the long run independent practice will continue to reward. Practice is an age-old version of outsourcing model, which has gained global relevance with the advancement in technology. Business process outsourcing has been renewed by a new term Knowledge Process Outsourcing (KPO). The boundaries are dismantled with Internet and other communication advancement and professionals can spread their wings conveniently. The practising unit needs a major uplift for which the ICAI has facilitated an important concept of networking. Networking enables the pooling of different expertise for an involved and effective solution to the business problems. Practising units need to be institutionalised. A new concept for Limited Liability Partnership (LLP) is under discussion and will soon become reality, giving freedom to form a new nature of entity.

In the gender data, though not available as part of the Annual Report, women have shown keen interest in pursuing the CA course and it is very likely that they are nearly 5% of our total membership strength. Similarly, the data of the members abroad is also not available but number of members going abroad are increasing with the global mindset and increasing overseas demand. Members serving abroad are our brand ambassadors. It is humbly submitted to include gender data and members overseas information as a part of Annual report.

## CA As Business Biologist

India is emerging market on the globe and no one can afford to ignore it. At the same time it is a

typical market too because of different Language, Taste, Preference, Belief and Outlook, etc. The dynamics, which drive business, is differs from situation to situation. Competition is cutthroat. In this situation it is better to understand the undertone perfectly by undertaking various surveys and studies for viability of the theme. Chartered Accountants are known for their rational and conservative approach in the business circles that have no interest in portraying an otherwise picture. Chartered Accountant can play a pioneering role in guiding business endeavors. As a business biologist, our role is set to grow, because ascertaining the viability by independent professionals has gained prominence in the business circles. There is need to increase the intimacy of the profession with business by undertaking surveys and research having well defined quantitative approach.

**In the gender data, though not available as part of the Annual Report, women have shown keen interest in pursuing the CA course and it is estimated that they are nearly 5 per cent of our total membership strength.**

Some of the members have performed notably in business restructuring and dispute resolution of the business houses. Such examples can be emulated successfully by others. To be successful as business biologist, it is essential to understand particular business models, trends, etc.

The members in big and small towns can give their findings in newspapers, local channels, etc. The author has provided useful information in the local newspapers as regard to various dubious schemes being floated by the fly by night operators and protected the interest of innocent people. This type of content will catch the eye because of its demand and generate recognition of CA in such a dynamic field. A new concept of advertisement audit has just started, which is adding value to the advertisement spending. The amount incurred by multinational and transnational companies on advertisement run into crores and if this spending fails to generate desired business, it

will prove very costly. Infrastructure sector is increasing with new projects being floated by Central/ State agencies. Traffic surveys are essential before such exercise is undertaken with the private participation. Bidding for road project on Net Present Value has also started. Market Research and Surveys are the new value added services in which CA can make mark because such a field requires a different discipline, which we can better adhere to.

**As a business biologist, our role is set to grow, because ascertaining the viability by independent professionals has gained prominence in the business circles. There is a need to increase the intimacy of the profession with the business by undertaking surveys and research that have a well defined quantitative approach.**

## Public Finance

India Inc is shining. If the growth rate together with the fiscal reforms continues, we will have surplus budget rather than a deficit Budget, very soon. Foreign reserves are mounting. WTO is a new theme to promote international trade. Trade barriers have been dismantled barring few exceptions. Inflation numbers are computed following different methodologies affecting common men. State Government finance is again a very crucial area and it will assume importance in the years to come.

Government Accounting rules are framed under the constitution by the ministry of finance on the advice of CAG. Government Accounting Standard Advisory Board (GASAB) is keen for transition from cash based accounting system to that of accrual based double entry accounting system, which is a more scientific system and normally adopted by commercial organisations. GASAB comprises representations from four major accounting counterparts of the government, Indian Accounts and Audit Department, Indian Civil Accounts department, Indian Defense Ac-

counts department and Indian Railways accounts department. D.N. Gosh Committee has been appointed to draw a road map for such a harnessing task. The committee has indicated that it will take as long as 12 years to completely shift from cash to accrual system. Author is of the view that such duration can be reduced, if professional pool is utilised. Moreover the sequence of approaching the whole exercise can be more effective and less painful, if the experienced professionals are involved in the activity.

The size of public spending in India is quite huge and requires a professional approach. The Railways churn out more than Rs. 40,000 crore in a year. The state Government finances are also over rupees 1 lakh crore. The provident funds manages the hard earned savings of the thousands of workers and the government is politically compelled to offer a decent rate, though there may be substantial gap in the income received by it and expenses incurred on account of interest paid. We can contribute to the effectiveness of the investment thereby narrowing the gap. Pension liability of the government again is a grave issue requiring immediate attention. Government has established a Pension Fund Regulatory Development authority (PFRDA) and it will carry forward the long-awaited reforms in the pension sector. The PFRDA would also prescribe guidelines on the number of players, prudential norms, investment criteria and capital requirement of pension fund managers.

There are welcome innovations in the last two budgets. The Gender Budget, the outcome budget, etc. Budget speech 2006 proposes a new innovation, a statement of revenue foregone, and known worldwide as tax expenditure statement. According to Hon. Finance Minister this statement captures the departures from normal tax regime. As a professional, we have to promote a better understanding of the budget data. There is need to present the budget data in a purportful manner like a schedule- VI to Companies Act with requirement of getting it published quarterly. Since the present finance minister is quite innovative, suggested format of budget data, if provided by us, will have better chances of getting adopted.

Taken together, the field of public finance holds a vast scope for accounting professionals in future and our radars need to be reset to identify

the potential opportunities arising out of such developments. Public finance is an area where our talent is underutilised but holds vast potential to be tapped.

## Derivatives

Derivatives is a relatively new financial innovation, which is fast spreading in India. Derivatives are the instruments to defer basic financial obligation of the parties i.e. Payment and delivery. Derivative can be described as a device to enable postponement of the basic or fundamental obligation to the overall benefit of market participants. Derivatives in Foreign exchange, Security market, Commodity is changing the way the business is done. Interest rate futures has been started to plan the interest rate exposure. The availability of these derivative products known as forwards, futures, and options has empowered the participants in the market. But availability of products is not sufficient, it is the requisite skills and ability to utilise the available device according to the individual needs and changing environment that is very important to derive the harnessing potential that these products command. Various committees for development of derivatives have emphasised the need for proper education and training of the concept. Forward Market Commission, with four national commodity exchanges under its fold, is keen to educate the investors about the hedging properties as a virtue and evil effects of excessive speculation. There is ample scope for experts in the field of Derivatives as there are very few persons in the country to understand the taxation, technical and regulatory aspects of the theme. The derivative in securities and commodity is attracting large volumes and the growth is also encouraging. This new theme in the professional matrices needs attention, as we have authority of knowledge and training to gain command in the field. The ICAI at apex level can form alliance with BSE/NSE to offer joint course in derivatives.

## Impact of Technology

Technology has impacted us and routine operations have been computerised. The time so saved by technology can be used now creatively

for innovations, which always deserve premium. The Software sector in the world is fast changing. ERP is a new architecture, which combines the various business processes and departments together into an integrated software program with the single database. It enables to get real time information for business decisions. ERP, as is commonly perceived and apparently appears, is not a Technology tool but a different approach to handle the business function. Therefore, it is not only desirable but also essential to induct Functional consultants into customisation process. ERP like SAP, BAAN, and Oracle are adopted by

**There is ample scope for Chartered Accountants in the field of Derivatives as there are few persons in the country who understand the taxation, technical and regulatory aspects of the theme in such detail.**

different companies in India. Besides various Indian implementations, technology companies have taken overseas projects for development and maintenance of ERP. The members with passion for technology can pursue career, which is quite challenging and rewarding.

## Insurance Sector

The privatisation to the insurance sector is delivering now. New products are launched every day. Crowded market has made the choice difficult for laymen and the situation calls for professional help to guard business interest in effective manner. We have to add intelligence to the insurance by offering advice on selection of plan looking to the individual needs. Presently the policies are delivered with the network of agents whose motivation and focus is different. We can make an informed assessment to benefit client looking to the taxation and other associated aspects. Apart from the advisory, the CAs are also appointed as surveyors and loss assessors by the companies for which requirements of IRDA need to be complied with. □