



Dear colleagues,

The capital market in India has grown exponentially due to corporatisation of businesses which has resulted in the diversity of ownership from management. The India Incorporated has truly come of age and is becoming truly global in character. Many Indian Companies are on acquisition spree, undertaking expansion plans overseas and accessing capital markets abroad. This has by far speeded up the need for having strict Code of Corporate Governance. Theme of the current issue of the Journal dissects these aspects from various angles.



As you are all aware, the introduction of the State-level Value Added Tax (VAT) in the country is a major reform in the area of indirect taxes. Many states have implemented the State-level VAT w.e.f April 1, 2005 and the remaining states are expected to implement it in the near future. With a view to ensuring successful implementation of VAT and to provide guidance on various accounting issues that are likely to arise on implementation of State-level VAT, the Institute has issued 'Guidance Note on Accounting for State-level Value Added Tax'. This Guidance Note deals with various aspects of accounting for State-level VAT like accounting for VAT credit available on purchases of inputs and capital goods, accounting for VAT credit available on opening stock at the inception of the VAT scheme and accounting for VAT payable on sales.

I am delighted to share with you that Hon'ble Dr. Asim Kr. Dasgupta, Chairman of the Empowered Committee of State Finance Ministers on VAT dedicated the Guidance Note to the nation at a function organised by the Institute at New Delhi. Hon'ble Dr. Dasgupta applauded the efforts of the Institute and expressed hope that such an initiative by the Institute should help in understanding the nitty-gritty of the subject and ensure smoother implementation by all concerned in the larger interest of the nation.

Being front-runners in the field, we are planning series of publications in the area of VAT, not only for the use by members but also for disseminating technical knowledge for the public and taxpayers, especially to allay the fears arising out of implementation of VAT. The Fiscal Laws Committee has decided to hold seminars and conferences across the country having regard to focussed attention to those states where VAT has been implemented.

Under the new VAT regime, audit of the accounts and certification of the information required to be submitted by the dealer will be very crucial. VAT authorities are to rely heavily on the information provided by the dealer and as such it is important that the information, which is filed with the authorities, is authenticated and audited by a Chartered Accountant. VAT is a tax on transaction of sale, which is recorded in books of account. The tax liability on a dealer would arise on the basis of information to be collated from books of account. Any recording in books of account requires application of accounting standards. The generally accepted accounting principles have to be adhered to. A person verifying the VAT Return must be technically qualified and should apply auditing standards uniformly to authenticate the VAT Return.

In this context, I am extremely happy to inform you that the State of Maharashtra has legislated

that the audit of VAT Return should be exclusively done by Chartered Accountants. This is a significant milestone for the accountancy profession and I am sure that the entire profession will rise to the occasion and prove itself to be worthy of the great confidence reposed by the state government in our profession. I am confident that other States would take note of this and ensure that the audit of VAT Return is done only by Chartered Accountants. The ICAI is also embarking on preparing a standard format of Audit Report, which shall be recommended by ICAI for implementation across the country.

The profession of chartered accountants being an integral part of the society and also realizing its avowed duty to contribute its mite to help those devastated in the Tsunami calamity, has come forward through its members, students and staff, by generously donating to Prime Minister's National Relief Fund, an amount of Rs. 42.50 lakhs. I am thankful to donors for their wholehearted support to this noble cause. The list of donors is published elsewhere in the journal.

A high-level team of evaluators of the Asia/Pacific Group (APG) on Money Laundering, which is a regional body responsible for implementation and assessment of the international standards to contain money laundering and financing of terrorism in member jurisdictions, visited the ICAI recently. APG on Money Laundering comprises 28 member jurisdictions in the Asia/Pacific Region and, currently, 11 jurisdictions are participating as observer in its activities. The team of six evaluators led by Mr. Rick Mc Donnel, Head, APG Secretariat, Australia had interactions with the ICAI. The team lauded the proactive approach of the Institute in this area while noting the release of publication on "Study on Money Laundering: An Accountant's Perspective" by the Auditing and Assurance Standards Board.

Recently, I had an opportunity to address the International Seminar on "E-Challenges and Focus, 2005" organised by Dubai chapter of ICAI. The Conference was also addressed, amongst others, by H E Ahmad Khajoor, Under Secretary, Ministry of Labour, H E Mr. Yash Sinha, Consul General of India for Northern Emirates and Mr. Tariq Loota from Dubai Chamber of Commerce and Industry. During my visit, I had an occasion to meet the Ambassador of India in UAE, Mr. Sudhir Vyas, and the Counsellor, Mr. S K Reddy, and apprised them about the activities of the Institute.

Lack of uniformity, transparency and accountability in the school accounts has been an area of great concern for sometime for various stakeholders, including the Ministry of Human Resource Development. Sometime back, the Ministry had approached the ICAI to issue an authoritative pronouncement on 'Accounting by Schools'. I have great pleasure in informing the members that the ICAI, being the apex accountancy body of the country, has issued the Guidance Note on Accounting by Schools. The implementation of this Guidance Note will impart greater transparency and uniformity in the financial statements of schools thereby increasing their accountability to various stakeholders.

The Council of the ICAI, as always, has been alert and vigilant about the continually changing environment and has responded positively by providing necessary guidance to ensure that its members continue to discharge their duties to render professional services of the highest standard in the larger interest of the society. In this context, I am happy to note that the Auditing and Assurance Standards Board released a thoroughly revised 2005 Edition of the Guidance Note on Audit of Banks. The revised Guidance Note deals with the impact of various new revised circulars of the Reserve Bank of India with respect to prudential norms, exposure norm on investments, service tax, etc. I am sure that this edition of the Guidance Note too will prove to be

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immensely useful to the members in discharge of their audit function in more appropriate manner.

Officials of the Education and Training Department of members of South Asian Federation of Accountants (SAFA) countries recently met at Karachi and deliberated upon the collaborative process on various academic aspects like designing of syllabus, developing the course material, the delivery mechanism and examination process. It also emphasized the need for organising students exchange programme on a continuous basis in which a student would be able to work with a firm of Chartered Accountant of another country for a limited period and would be enlightened with diverse areas of practice. The officials exchanged the approach adopted by the respective Institutes to comply with the International Education Standards 1-6 and International Education Paper-2 signifying co-operative and collaborative spirit in the area of professional accountancy education and training.

With a view to maintaining and building up industry-wise competence level of members of the ICAI, the Committee for Members in Industry has decided to organise industry-specific conferences. The first conference in this series on "Construction Industry" has been scheduled to be held in Mumbai in July this year.

The Fiscal Laws Committee has finalised various suggestions to be included in the Post-Budget Memorandum-2005, which has since been submitted to the Government. An executive summary of the same has been published elsewhere in the Journal.

The ICAI is participating very actively in the deliberations of the Expert Committee on New Company Law headed by Dr. JJ Irani. As part of the sub-group on "Accounts and Audit" and "Investors' Protection and Minority Interest", the presentation made by the Institute has been well received by members of the Committee.

The Corporate and Allied Laws Committee of the ICAI made a presentation to the committee set up by the Ministry of Company Affairs headed by Ms. Komal Anand, Secretary, Ministry of Company Affairs to consider concept paper on Limited Liability Partnership based on recommendations of the Naresh Chandra Committee Report on Regulation of Private Companies and Partnership.

Your attention is drawn to the clarification regarding inclusion of "insurance financial advisory services under the Insurance Regulatory and Development Authority Act, 1999, including insurance brokerage" in the definition of "Management Consultancy and Other Services" which has been hosted on the website of the ICAI. This clarification explains the scope of participation of members in the area of insurance financial advisory services. Members may also note that they are not permitted to do any work relating to insurance agency either individually or in partnership/proprietorship or in corporate form.

The cornerstone of the profession is the adherence to code of ethics. Ethics must be practised not only in letter but also in spirit. The entire future of the profession and the trust which the society has on the profession is built on strong Ethical Standards to be followed by the members. I urge members to observe highest ethical standards.

Many complaints have been received from several quarters on impersonation of Chartered Accountants. The ICAI is taking steps to legally prosecute such persons. Members may bring to the attention of ICAI any such matter which they are aware of.

I look forward to cooperation of all members to achieve new heights for the accountancy profession in India.

With best wishes,

New Delhi,
22nd April, 2005


Kamlesh S Vikamsey
President