

Huge opportunities will be available for professionals having specialised knowledge and skills sought by global banks entering India either through investment and take over route in private sector banks or through fresh incorporation in India under liberalised regime under WTO. These will include the areas of national and international taxation, finance and corporate law. Local knowledge will of course place Chartered Accountants in a strong position to supply services to global organisations entering the Indian market.

# Emerging Professional Opportunities for Chartered Accountants

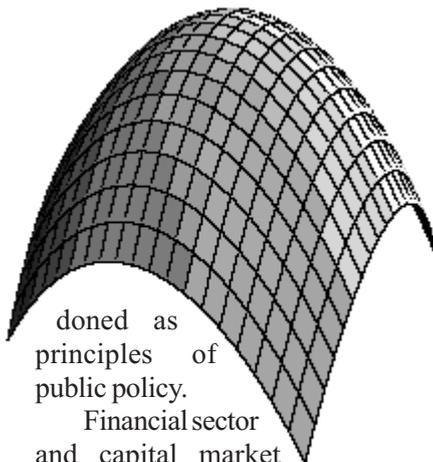
—G. Krishna Murthy

The first decade of the 21<sup>st</sup> century is bringing about several fundamental structural challenges in the economies around the world.

When we look at the preparedness of the South Asian countries as a whole, we observe that most countries have been able to achieve and maintain macroeconomic stability i.e. low inflation, low domestic interest rates, stable and flexible exchange rates. They have built up foreign exchange reserves to cushion themselves against external shocks. Fiscal consolidation and discipline have begun to set in with fiscal deficits being brought down to manageable levels.

Private sector has become the main vehicle for investment, production and distribution of goods and services while state intervention has been limited to provision of physical infrastructure, social services and

other public goods in support of private investment and making markets function efficiently. Trade liberalisation has proceeded with quite rapidly and average tariff rates have declined drastically. Export promotion is being actively pursued and inward looking import substitution and protection of domestic industry have been aban-



done as principles of public policy.

Financial sector and capital market reforms have been stepped up in

almost all countries and are at various stages of implementation. Amongst South Asian Nations, our country has become a leader and greatest beneficiary from outsourcing of information technology enabled services with our large English speaking technical manpower, availability of venture capital and networking with the US firms have brought about a major expansion in IT exports.

Indian firms are also beginning to acquire firms abroad and are integrating themselves in the global economy. Services sectors account for 60% of the output of the developed countries and many services are becoming mobile across border due to breakthrough in technology and communication.

These improvements in macroeconomic fundamentals have led to a sea change in the opportunities that become available to professionals. Huge opportunities will be available for professionals with the specialist knowledge and skills sought by global banks entering India either

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through investment and take over route in private sector banks or through fresh incorporation in India under liberalized regime under WTO. These will include the areas of national and international taxation, finance and corporate law. Local knowledge will of course place Chartered Accountants in a strong position to supply services to global organizations entering the Indian market. However, **the international arena will present even greater opportunities, not just to the large accounting firms and businesses, but to individual Chartered Accountants and small firms and businesses providing specialist services in functional areas, niche industries and geographic markets.**

In the traditional accounting markets such as audit and standard taxation there may be very limited opportunities but there will be greater opportunity for relationship-based services. In effect, the general practice will give way to specialty and superspecialty as in medical line.

### Change management

There will be a high and on going demand for professional advice and related services to assist Banks in managing change as the ownership at structural and operational levels undergo changes in both private and public sector Banks. In Public Sector Banks, the Government is already considering bringing down the shareholding to a level of 51%.

### Performance measurement services

Performance measurement incorporating non-financial criteria such as competitive performance, resource performance, process performance and environmental performance represents a new but com-

plementary market for Chartered Accountants. Likewise, demands for risk-based measures of value and other new approaches in assurance present further opportunities.

### Stakeholder value creation

The Chartered Accounting profession is well positioned to respond to the growing demands for improved measures of shareholder value and return on shareholder value. Professionals with high level strategic thinking and management skills will be even more highly marketable than is currently the case. More Chartered Accountants can specialize in these areas and to rise to the top echelons of business.

### Information technology and IT-enabled Services

For chartered Accountants, advances in technology will close some markets but open others. For example, sophisticated software will enable new competitors from around the globe and minimally skilled in-house staff to perform traditional technical accounting tasks. Further, universal access to communications technology will render some intermediaries, including some professional advisers, obsolete. But the application of technology in new areas to achieve efficiencies and add value to business. Knowledge management will become a professional discipline in its own right. Opportunities in this area will include the following:

- Information authentication, management, interpretation and evaluation
- Management of proprietary,

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**Advising on cross-border tax issues, Developing new tax-efficient products for the financial services sector, Forensic work generated as a result of increased Inland Revenue audit and investigation activity will test the skills of Accountants of the future.**

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external and individually-held knowledge to add value to business

- Continuous real time reporting.

### Out-sourcing

Out sourcing is a growing area of opportunity for all Chartered Accountants. For those working in government, large private organizations and large firms, out-sourcing will present opportunities to reduce costs, extend service offerings and deliver new specialist services. For those operating individually or working in small business and firms the opportunities are to supply the out-sources services either as stand alone service components or packaged as end to end services with other suppliers.

### Assurance Reports

Developing new assurance reports on pension funds, reporting on whether the systems used by investment managers are adequate to protect a pension fund's investments etc. can gain prominence. Developing adhoc reports to third parties such as banks and credit agencies particularly in respect of smaller businesses. There may be need for assurance on specific items such as stock rather than on the financial statements as a whole.

### Risk Based Audit

Internal audit, however, is one area where the number of accountants

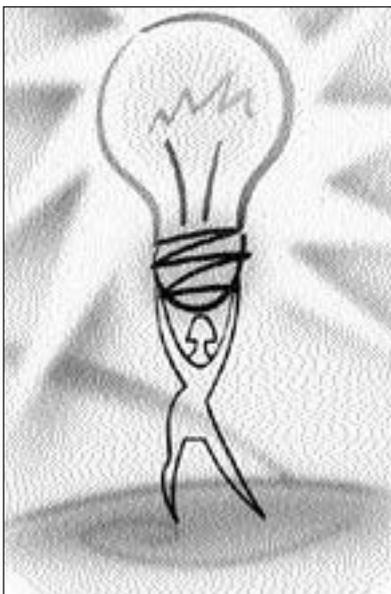
could increase. Banks have now Risk Based Audit, which is getting increasingly outsourced. This is a virgin area for practicing Chartered Accountants. These are no longer traditional internal or concurrent audits but Risk Based Internal Audits where the various risks run by the Bank are identified, analysed and mitigants suggested to the Management. Internal auditors will in effect become risk and control consultants working on the risks on systems, products and processes.

## Re-engineering

With many banks completing Core Banking Solution a need also arises for re-engineering of processes so that the full benefit of the Core Banking Solution is realized. This is another virgin area for Chartered Accountants.

## Due diligence area in Banks

Another area emerging is in due diligence work for Banks espe-



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cially where Foreign Banks may try to acquire well run private sector banks. Due diligence is also possible to be carried out for credit proposals as the retail and SMEs are financed as part of strategy but the Banks may not have the required infrastructure for the kind of volumes that are needed to break even.

## Financial Reporting

The internationalization of business and the harmonization of reporting standards will increase the pressure to raise the quality of financial information, and for it to be fully consistent across national boundaries.

At the same time, management and financial accounts are likely to converge with non-financial performance measures, as companies and stakeholders demand greater value from the financial reporting process. Although, the analytical and interpretative functions (including benchmarking) are likely to remain the preserve of skilled professionals, those professionals will not necessarily be accountants.

Small companies, on the other hand, are likely to see a significant simplification in their statutory reporting requirements

This simplification, coupled with increasing competition and new technology, will reduce the amount of financial reporting support small companies need from

Chartered Accountants. But this effect may be partially offset by demands from banks and other third parties for customized financial reports.

The drive for greater accountability and efficiency will open up new financial reporting (and auditing) opportunities in the public sector.

## Tax Compliance

We believe that tax compliance services have some (limited) scope for expansion. But we also believe that tax compliance will be an unattractive area for many practitioners - except possibly as a semi-detached adjunct to the main practice of those able to exploit technology to handle high volumes profitably.

Self-assessment, and the broadening of the groups of taxpayers having to complete tax returns, will mean more people will be looking for help.

But work in this sector will be increasingly driven by technology and will need only a relatively small number of trained tax staff in supervisory roles. And margins will be low because of the competition from banks, ex-Revenue staff, tax shops and unqualified advisers made possible by the low barriers to entry.

Annual compliance work will, of course, continue to be a platform from which accountants can sell other advisory services. But even here we may well see banks and other competitors moving 'upmarkets' into advisory roles.

## Tax advice and planning

Advising on cross-border tax issues, Developing new tax-effi-

cient products for the financial services sector, Forensic work generated as a result of increased Inland Revenue audit and investigation activity will test the skills of Accountants of the future.

Supporting companies with their VAT and Customs & Excise duties planning, and helping them to design effective procedures for routine compliance work

Advising high net worth individuals, families and trusts on how to manage their income tax, inheritance tax and capital gains tax exposures. Longer life expectancy, early retirement and the expansion of the middle classes will make this a particularly attractive target market.

Niche opportunities for those offering specialised advisory services without the overheads of the international firms.

The prospects for senior tax specialists and managers in industry look very good. Larger companies are increasingly recognizing the enormous contribution that tax planning can make to strategic planning and shareholder value. As a result, the profile and workload of tax departments in industry will inevitably grow.

But there will also be pressure on tax departments to use their resources more efficiently. Part of their response to these pressures will be to look at outsourcing non-core functions: for example, personal tax planning for internationally mobile staff.

Outsourcing tax compliance work will also become a popular corporate strategy – mainly because of the cost savings professional firms and others can make using IT applications that are common to all clients and supported by in-house training facilities.

*Some of the new demands on tax specialists in industry will*

### *include:*

- Becoming more accountable for bottom-line results: that is, tax as a percentage of pre-tax profits
- Developing much closer ties with the finance function in planning and executing tax strategies
- Developing international financial products
- Campaigning against Finance Bill provisions that are not in the company's interest
- Integrating tax planning into long-term strategic planning, and setting benchmarks for judging success
- Advising on the organization and accountability of tax staff
- Responding to uncertainties caused by the changing judicial approach to the interpretation of statute law
- Managing the outsourcing of direct and indirect tax compliance work.

### Corporate finance

Corporate finance will continue to be major growth area for Chartered Accountants in both business and practice, underpinned by the continuing high level of deal activity. Corporate restructuring under competitive pressures, in particular, will create many opportunities to advise on mergers and acquisitions, share issues and listings, and management buy-outs and buy-ins. Firms will profit from associated due diligence work.

### Insolvency and corporate recovery

- Assignments will require more partner and less junior time
- Firms that can operate across borders have the resources to develop industry specialisms,

and can exploit technology to trace assets and automate procedures will have a major competitive advantage.

### Management consultancy

Consultancy and advisory services will continue to grow in importance, expanding from traditional financial and business planning into wider issues of business effectiveness and on to leading edge areas such as re-engineering and corporate transformation. Some, at least, of the major firms will challenge the strategic consultancies.

At the same time niche opportunities will open up for smaller operators. And the business advice traditionally offered by practicing accountants would be an increasingly important value-added service, although it will not necessarily be badged as consultancy.

The overall growth in this sector will continue to create demand for the financial management and business appraisal skills in individual accountants. In the larger consultancies, at least, they will increasingly also find themselves working in multi-disciplinary assignment teams, alongside post-experience specialists from other disciplines (such as marketing, supply chains, information systems and economics), MBA graduates and those with industry-specific knowledge. In the words of TS Elliot:

*"We shall not cease from exploration*

*And at the end of all our exploring*

*Will arrive where we started*

*And know the place for the first time."*

When we see the old accounting profession in the new light as if for the first time, we discover new opportunities. ■