

## FROM THE PRESIDENT



Dear Colleagues,

The most significant event that happened after I wrote to you last, was the issue of the Concept Paper on Revision of the Companies Act, issued by the Government. We take this opportunity to compliment the Hon'ble Minister of State for Company Affairs (Independent Charge) Shri P.C. Gupta for not only adhering to his promise to develop measures to reduce the size of the Companies Act to one-third its current size within the shortest possible time, but also because he has taken steps through a consultative approach where all the stakeholders – corporates, professionals, etc. have been involved. Responding equally enthusiastically, the Institute has now taken up the task of organizing symposia etc. to obtain views of its members before this month is out.

I believe everyone agrees that the Companies Act needs to be streamlined. Certainly, this is so, but we should also be careful that standing judgements on matters of definition and matters of principle are adequately and clearly reflected in whatever new Avtaar the Act comes out in. But, this is only one part of the story. The two other major elements are the reflection of corporate, social and environmental responsibility, and the long-term implications in view of the WTO Regime. So far as disclosures on environmental matters are concerned, one must deal with questions like the necessity or otherwise of inclusion of Environmental Impact Analysis results of new projects in the disclosure section. And so far as WTO matters are concerned, the issue would be to see that the final framework of the restructured Companies Act is sufficiently broadly focused so that when the time comes for an Indian company to have its accounts and financial statements compared to a foreign one in front of the Competent Authority or the WTO grievance tribunal, the Indian company can legitimately claim to have said all that was needed to be said in the financial statements, keeping international best practices in view.

That the amendments should properly address those concerns which are emerging abroad post Sarbanes Oxley, is also something that goes without saying. The point here is that in many ways the post Sarbanes Oxley era has created a kind of fear which has led several countries to go overboard in putting very stringent measures in place, which in turn, has increased costs of compliance to phenomenal levels. In the context of a developing country like ours, some of those measures may throttle the growth of companies rather than otherwise, especially when Allied Laws are taken into consideration. I would request members to come forward and give their considered views so that we provide value-added input to this laudable initiative of the Department of Company Affairs.

The Finance Bill has been passed and amongst other changes, the suggestion of ICAI to modify section 277A has been partly accepted. While much of the sting has been taken out of that section, removal of the proposed explanation in the said section would have eliminated any possibility of misuse of the same. The Institute is now taking up with the CBDT the matter of issuing appropriate directions in the clarificatory circular on the Finance Bill.

Coming now to Institute's matters, I am happy to inform you that the Hon'ble Union Minister of State



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for Company Affairs (Independent Charge) Shri P.C. Gupta visited the Institute on the 31<sup>st</sup> of August, 2004 and launched the Placement Portal of the Institute. The Portal, which is the first phase in a process that will culminate in the setting up of a Permanent Placement Cell, will help not only newly qualified Chartered Accountants, but also senior members as well as semi-qualified professionals to find placements with various companies. It was good to see that simultaneously with the launching of the Portal by the Hon'ble Minister, a number of fresh Chartered Accountants registered on the site and a number of companies also registered themselves for making use of the candidates' database.

In his informal talk with the Members of the Council during his visit, the Hon'ble Union Minister of State for Company Affairs (Independent Charge), Shri P.C. Gupta also made it quite clear that it is not the intention of the Government to interfere in the autonomy of the Institute. His special thrust was towards enlightened self-regulation, which is at the same time, sufficiently rigorous within itself so that no comments otherwise can ever be warranted. During his talk, the Hon'ble Minister also mentioned his concern for the small investor and his shock at the securities scams which had taken place. He was of the opinion that all concerned in such matters must take due care so that in the end, society at large can not only have the needed degree of comfort, but can also be given due warning before something untoward happens.

In Technical matters, the Council has decided to take up Internal Audit as a thrust area, and in that regard has also approved of the Preface to Internal Audit Standards that will be issued on this area of professional engagement. Appropriate Guidance Notes will also be issued in due course.

The Council has also approved a Guidance Note on ESOP, and the same is being issued. In view of this, SEBI has agreed to withdraw their own guidelines on accounting treatment for ESOP. An Accounting Standard on ESOP is also forthcoming.

The SAFA Conference on 'Integrated Financial Sector in the SAARC Region', was held at Delhi. Regulators from the SAARC countries, including the heads of the Securities and Exchange Commissions of India, Pakistan, Sri Lanka and Nepal and heads of banking institutions of these countries spoke on the occasion. The overall perspective that emerged was that in view of the emerging ambience of regional cooperation, harmonization of both banking and the capital market control systems are also likely to get harmonized. It was agreed that this will result in an expanded role for the accounting profession.

The CABF is a matter that is close to our hearts always because through this we help our professional brethren who may not be as fortunate as ourselves. Unfortunately, we are unable to do as much as we would like to, in view of the financial constraints that the CABF is currently facing. In fact, the CABF will no longer be able to provide one-time financial assistance because of these reasons. This situation can be overcome if we have more funds and I would, therefore, request all to come forward and provide donations to the Fund. Let us all contribute to a good cause.

At the end, I would just like to mention that from all reports, the number of CPE programmes being organized by branches and regions have increased manifold. That members are attending these programmes in large numbers is something, which speaks volumes of our culture and our lifelong commitment to learning. I hope that this trend not only persists but also becomes strengthened in times to come.

New Delhi,  
3rd September, 2004



Sunil Goyal  
President