



There exists tremendous scope for Chartered Accountants to work and excel in the field of finance, thanks to the required basic education and continuous training provided to them by the ICAI.

Scope for CAs in Finance field



Vikas Chandra
Guru

Despite a vast scope for Chartered Accountants in the field of finance, as of now the contribution of CAs in the field has not been as widespread as it should have been.

Finance is typically a function involving mobilization and utilization of funds to achieve broad objectives of profitability and liquidity.

Thus the same involves analysis and interpretation, and

thereafter arranging the borrowings and investments. In recent years, the trend is towards shifting from high cost loans to low cost ones. It was noticed that corporates have shown better results because of their better debt and treasury management. It stresses the very fact that finance is such a function when we are divorced from our traditional role of scorekeeper to a more dynamic role of player.

Finance has become a specialized subject and it has crossed its boundaries. A new framework of the finance field is desirable to give scope and ramification of the theme and to put the subject in a proper perspective.

Table A'

BUSINESS AND INDUSTRIAL FINANCE		PERSONAL FINANCE		PUBLIC FINANCE	
1.	Project report preparation and follow up with FI/Bank	1.	Housing loan with fixed and floating rates.	1.	Ensuring availability, adequacy of funds to local bodies.
2.	Availing subsidy /concessions from various government agencies	2.	Credit cards usage	2.	Analysis of central budget and tools like fiscal deficit, etc
3.	Use of Off Balance sheet tools like LC/BG/ Leasing to facilitate smooth business operation	3.	Investment product like LIC/ MF/ post office schemes/ PPF		
4.	To search for alternative sources of funds to bring down the cost of funds	4.	Car loan		
5.	Use of Forwards/ option product to eliminate or minimize the incidence of foreign exchange fluctuations	5.	Portfolio management		
6.	Taking Risk management by insurance products and other commodity derivatives	6.	Planning for long-term liabilities like marriage, education of children		
		7.	Property Planning with regard to tax laws		

The author is a member of the Institute. He can be reached at ckn_1977@yahoo.com

As can be seen from Table A, finance is a single term but is wide enough to cover every spectrum. For the purpose of better understanding, it is classified into three broad heads, Industrial/Business Finance, Personal Finance and Public Finance. Now we shall discuss in detail the activities in which we can make a mark as a Chartered Accountant.

BUSINESS AND INDUSTRIAL FINANCE

1. Project Report preparation and Follow up with FI—

This activity requires specialized knowledge of various RBI circulars applicable to particular type of loans. It is also necessary to understand the policy matter of a specific Bank/FI. The project report preparation requires knowledge of computing software like Excel, etc. The bank requires certain ratios to be strictly obeyed, for example current ratio in the case of working capital and DSCR /D/E in the case of term loan. However, new ratios have also been demanded by various institutions, which we, by virtue of our sound accounting and business knowledge, can provide with accuracy. In recent past, new concepts in finance like factoring, venture capital, forfeiting and takeout financing are also making their presence felt. Chartered Accountants are the best agents to provide such noble beginnings to their clients based on their individual financial needs. Some of the banks are insisting on a signed project report, which we cannot do going by the basic framework of our Code of Conduct. However, we can give a certificate to the effect that assumptions implicitly stated in the project report are given effect to while arriving at the data. This is a certificate of arithmetical accuracy and not involving vouching for the future performance.

The nature of this activity is such that it allows to integrate in both the ways forward and backward. For example a backward link can be exploited by undertaking market research/survey, feasibility study for the firm, a forward integration is possible by taking care of auditing, internal audit function etc.

Banks arrive at credit rating based on various sets of parameters. Chartered Accountants can ensure that legitimate benefit for the performance is received by the organization and the applicable rate is applied to the unit. Going by our experience, we have noticed that there have been errors in calculation of interest because of wrong application of rate and arithmetical error, the

CAs can make a mark in the area of project report Preparation and Follow up with any financial institution. This activity requires specialised knowledge of various RBI circulars applicable to particular type of loans.

magnitude of which have translated sometimes into lakhs of rupees. Even if we examine the loan of a farmer involving 20 lakh rupees borrowings, 1% itself will translate into Rs. 20,000, although this will give us small monetary rewards but satisfaction of serving the community and brand-building will be immense.

2. Availing subsidy/ concessions from Central/ State Agencies- Various benefits in the form of subsidy/concessions being extended to various types of organizations. For example there is subsidy for food

processing units to the extent of 25% , KVIC subsidy for small projects, State-level subsidy for capital investment, herbal subsidy for growers, etc. This will enable to lighten the burden of investment on the part of entrepreneur. If the project is cheap, it is better equipped to fight the pressures prevailing in the market.

3. Use of 'Off-balance sheet items' like LC, BG, Leasing - Off-

balance sheet items are popular in various deals. For example, letter of credit in international dealings to boost the confidence level of parties in each other, bank guarantee often asked from an allottee of a contract, leasing of equipment to avoid the massive outgo for acquisition. This function is very much in line with the emerging role of a Chartered Accountant, which calls for a help in enabling the transaction rather than just auditing the same after the same took place.

4. To search for the alternative source of funds - Reliance has borrowed for years from international market. Many of companies have gone in for ECB/ FCNR(B) loans. A number of small borrowers shift from one bank to another in order to get better terms with regard to rate of interest etc. Banks are allowed to give loan sub-PLR. Certain loans are converted into



In personal finance category, the housing loan is a common feature. A CA can suggest the appropriate agency and suitable plans for the housing loan based on cash flow position and tax impact etc for the individual borrower.

dollar denominated because even after forward cover cost, they are found cheap. Therefore, in the rapidly changing economy there should be continuous search for the better alternatives. Chartered Accountants can perform this function with great ease.

5. Use of forward cover/derivatives - New instruments like forwards/futures/options are in vogue in India in various underlying areas like shares, interest rate, commodity etc. As a Chartered Accountant, we can best use these products for minimizing the incidence of any adverse change. Forward cover is an old and widely used product in foreign exchange dealings. But options are also permitted recently.

6. Risk management by Insurance - Security is a primary concern to any living being or a business concern. The need for insurance, adequacy, coverage, costing, etc, are matters, which we can effectively deal with. Finance manager can choose from various policies available based on the cost/benefit analysis.



PERSONAL FINANCE

1. Fixed/floating interest rate- In personal finance category, housing loan is a common feature, thanks to comparatively cheaper interest rates and competition in banking sector. The Chartered Accountant can suggest the appropriate agency and suitable plans for the housing loan based on cash flow position and tax impact, etc., for the individual borrower. For example, if the interest rates are hardening it is wise to shift to fixed rate loans. Some of the banks offer facility to divide the loan into component on which fixed rate will be charged and another component on which variable rate based on changes in interest rate environment will be levied. So taken together, Housing finance has become a large canvass for the professionals to draw various propositions based on requirements of the client.

2. Credit card selection - The CA can help client

in selection of appropriate credit cards. A number of companies and banks are into business offering diverse facilities. The credit limit is arrived at based on the income shown in the return. We can induce the client to show correct position of his income in the return failing which number of benefits, including better credit limit etc. will not accrue to them. We can play a vital role to ensure better tax compliance in the nation in general and for the direct benefit of our clients in particular. Credit card people give different rates, which are stated in flat terms, which is intricacious for a layman. Here also, a small but important role can be played by us.

3. Investment Products like LIC, PPF, MF - India is one of the nations where savings rates are over 20%. At the same time, inflation is also an issue, which is integral to the subject of investment. As a Chartered Accountant we can suggest better plan for life insurance. This is because of the very reason that we act in a fiduciary capacity and our relationship with the client does not emanate from the Commission. Therefore, we will be better able to advice our clients based on his requirement. Now, days of fixed rate plan are over. Unit linked plan have emerged which require complete study of basic profile of the client. It is a retail area but rewards are felt at individual level giving immediate satisfaction to the client.

PUBLIC FINANCE

It is a very neglected area but upcoming one. The scope and ramification can be gauged from the fact that the central budget involving more than Rs.5 lakh crore are not audited by any qualified professional. There are very small number of experts who understand the nitty-gritty of the public finance like fiscal deficit, monetary deficit, VAT, etc. State governments have also started swapping their high cost loans into a lower cost loan. Therefore, members can adopt this area and do certain research work for this theme, which has remained unexploited for years.

A small beginning has been made to introduce double entry system at municipal level. A local body borrows from various international institutions. Our core skills can be utilized for preparation of reports for better borrowings.

We can develop an expertise in reading and analysing central/state/local level budget. If a few of us can make a mark in this field by positive criticism, it will give a new direction to the profession. ■