

## Challenges Before the Profession: The Path Ahead



Ever since the economy has opened up and world has become a small village, the Institute has grown in leaps and bounds. With membership of more than 1,70,000 (during my tenure as President in 2007 it was 1,41,516) and around 7,00,000 students pursuing the course, there are several challenges. But then the opportunities are also ample, areas are many, service seekers are increasing and there is a need to substantially improve the standard of delivering the best services to the clients while keeping intact our higher ethical standards and ever increasing image of the profession. In this article, the author analyses the challenges before Indian accountancy profession and the path that needs to be followed for sustained growth of the profession and to stay ahead of the rest.

The accountancy profession and for that matter the profession of auditing is more than a century old. But it really gained momentum and recognition when the Institute of Chartered Accountants of India was founded under an Act of Parliament 62 years ago. In the 50's, when the population of India was less than 40 crore and the nation was known as underdeveloped country, from that it has now grown to more than 110 crore Indians being part of one of the fastest growing economies in the world. Agricultural incomes have gone up and the farmers are seeing better days. Trade, commerce and industry are at its peak and each year's growth is proving better than the previous one. As against this, where does the profession of accountancy stand in the country? Time, challenges, opportunities and areas were different from 1950 to 1990. But ever since the economy has opened up and world has become a small village, the Institute has grown in leaps and bounds. With membership of more than 1,70,000 (during my tenure as President in 2007 it was 1,41,516) and around 7,00,000 students pursuing the course, there are several challenges. But then the opportunities are also ample, areas are many, service seekers are increasing and there is a need to substantially improve the standard of delivering the best services to the clients while keeping intact our higher ethical standards and ever increasing image of the profession. However,



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the statistics of the professional speaks otherwise. Even now more than 80 per cent, i.e. around 80,000 Chartered Accountants, who are in practice, are either Proprietor or Partnership of two to three. With the Foreign Consulting firms practising in collaboration with many Indian firms with different names and different services under one roof at exorbitantly high fees it is for the professional to decide how small and medium firms of Chartered Accountants can consolidate and meet the ever increasing expectations from the business community and the dire needs of industrialists, who are spreading their wings across the globe in various countries by acquisition and takeovers left, right and centre.

I feel that there is a tremendous potential for new smart techno savvy small and medium Chartered Accountants to grow and develop the practice particularly doing away the disparity in remuneration and rewards. We daily hear about the extremely high fees being charged by advocates and substantially high fees being received by various professionals in medicine and several other professions. The standard has been by and large matched by the Chartered Accountants, who are in Industry particularly servicing in Financial Service sector, Information Technology sector and like many other areas as employees are drawing hefty packages. But what I feel is that particularly in next ten years' time to come, these small and medium Chartered Accountants need to substantially improve and increase their services and consequential financial rewards in the form of fees. That was the reason I launched and requested Council to come out with document of **Vision 2021 of ICAI**.

Having served the Council for nine years I had the opportunity to meet various classes of members across the country and in turn gained lot of experience to improvise many areas personally. But there are thousands of professionals who are still working under compromising conditions, having no time for introspection for the fees received *vis-à-vis* knowledge

possessed, intellect displayed and sincere and hard working services rendered. Be it fear of losing the work, greed of increasing the volume, rapidly increasing cost not met with by appropriate increase in fees, not learning the arts and skills of billing and competition phobia are major factors or obstacles in glorifying the Practice. All these are not allowing many of my young and even senior Chartered Accountants to increase their fees and improve upon the services and areas on which they really have best experience and knowledge compared to any other equal professional in the world.

These kinds of set notions, old traditions or orthodox professional approach prevented them from getting appropriate rewards in the form of fees compared to many others including their own colleagues, who are serving in the Industry. This is one of the reasons that younger generation is not coming/intending to come in practice side which in my opinion may affect the quality of execution in many Chartered Accountants firms. Traditional areas of Audit, Tax Audit and Income Tax have become overcrowded and there is a dearth of expertise in special areas which is being monopolised by a very few.

The time now is ripe to change the basis of charging fees. When client loyalties are no longer stable as used to be in earlier days, particularly when clients are now depending on use of technology, brands, labels and techniques instead of in-depth analysis and sincere efforts, it is for all practising Chartered Accountants to analyse and decide how more time can be devoted for increasing the compliance work as expected by the Institute and more than that by the clients.

Most of the practising Chartered Accountants are tangled in the vicious circle of low fees, lower

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remuneration of staff, inadequate infrastructure facility on one side and not finding sufficient time for enrichment of knowledge, technological upgradation and increasing expertise in several areas on the other side.

### How to Overcome Undercutting and Increase the Level of Fees and Services?

For a Chartered Accountant the only asset besides his brain is time, which is the key factor for his practice and client must appreciate that time must be devoted by a Chartered Accountant while applying his skill, knowledge and experience. Out of 365 days, if holidays and Sundays are deducted and even around 30 days of annual leave/vacation is deducted, the total working days would be on an average 252 days i.e. 21 working days a month. A Chartered Accountant, who has set up his practice and expects net monthly income of ₹50,000/- (after deduction of overhead expenses like electricity, vehicle, internet, books and periodicals, seminar, computer, telephone and depreciation, etc.) the rate per hour would come to ₹1,100/-. If he wants to earn ₹1 lakh then the rate per hour would be ₹1,500/- and if he expects net monthly income of ₹2 lakh the rate would be ₹2,400/- per hour. For a senior person, who deserves and desires to have ₹5 lakh per month, the rate would be ₹4,500/- per hour and for ₹10 lakh per month income, the rate works out at ₹8,600/- per hour. As against this how poorly or how low are most of the practising Chartered Accountants charging to the client? Even if we start charging half of this, the entire problem of undercutting and low income in the competitive market will be well-answered. The problem is that 80 per cent of the activities in life contributed to 20 per cent of the results and 20 per cent of events and activities would contribute to 80 per cent of the results. Therefore, it is very necessary for Chartered Accountants to concentrate on important few clients rather than more clients paying less by undervaluing our services. A Chartered Accountant must do ABC analysis and rate of client based on parameters like fees per client, quality of client, potential of growth, profile of client etc. Who is a Cynic? Man who knows the price of everything and the value of nothing). Chartered Accountants must dispense with this category of clients. Learn to pass on the client where 20 per cent of revenue is coming from 80 per cent of your time.

This will benefit and give a win win situation to both seniors and juniors. Newcomers will get from elders and seniors an attractive practice. Elders and seniors will get time to acquire new knowledge and better skills. In the times where complexities of business and regulations are multiplying, the expectations from the users of our valuable services also are increasing, we

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must devote more time to challenging assignments, making room for accepting new/good clients and start giving value added services to existing clients.

In these times of consumer awareness, devoting proper time to deserving clients would avoid scope of litigation for him and giving all kinds of services under one roof is the need of hour.

With latest technology being what it is today, geography is no barrier. In fact geography is now history. Younger generation is using latest technology to communicate, to interact and to impress clients as well as users. We must remove the perception of audit considered "necessary evil" when it is enforced by regulators. We need to add value to the clients where they would say even if not required by law please audit the accounts for better governance and control of the business. Let us learn to increase delegation of work, put services-first attitude, systemised work procedure, do proper and regular clients' appraisal, make projects of various services, improve office areas and also best manpower, learn use of technology effectively, give personalised services by achieving specialisation in niche areas, learn the art of saying no to undeserved recipients/clients and above all please generate the concept of coming together.

In spite of Institute and Council doing so many efforts endlessly every year for networking and for systematic growth of small and medium practising Chartered Accountants, the fruits and results are not yet up to the expectations. Now that MCA has cleared the path for LLP we all must think big and in turn start acting big. Not as an answer or competition with big firms, but to really grow big and see that profession of Accountancy and Auditing in India becomes world's best. And when this will happen then I am sure you will join and rejoice in saying;

**I Adore My Profession  
I Salute My Institute  
I Respect My Council  
I am proud to be a Chartered Accountant. ■**