



CA. Jaydeep Narendra Shah, President, ICAI

Dear friends,

Economists across the globe have extended countless explanations for the recurring trend of economic meltdown, now a part of business cycle. Uneven sharing of profit, i.e. less return of profit money to lower and middle level workers, has also been cited as one of the reasons. Generally it is seen that industries give back less money and, thereby, share very less profit with their workers in terms of their remunerations than the goods manufactured by them, i.e. price at which goods are sold at. Industries share this profit mainly with the top rung of their workers, i.e. management or policy-/strategy-makers, apart from putting it for fundamental investments.

May Day has just passed, but its relevance will always remain. I wish all stakeholders, including the employees across organisations, a healthy work environment and a justified payback against their efforts. I would like to address the need for *inclusive growth*, a growth that considers all stakeholders of a business in the present economic circumstances. It may appear idealistic to reach a condition called *economic democracy*, as promoted by the celebrated economist J. S. Mill, when workers will start electing their management. But we must respect its spirit as we respect that of the political democracy. I personally would never like to be seen as rich and immaculate amidst the poor. Let me recall what the revolutionary poet Shri Avtar Singh Pash had once said: *The most dangerous eye is that which is frigid ice despite looking at all turbulence of our world, and whose vision forgets to kiss the world with love...* How can we even think of being happy living in castles amidst the people living in huts? We ourselves say that we like to be among people who have similar tastes and sensibilities. Why should we not try to drag more and more people to the class of our tastes and sensibilities? I can never forget even for a while what Gandhiji asked us, i.e. not to hate sinners but

their sin, probably because people become sinner because of their sin and sin is a conditional product that could be diverted and corrected. It is this corrective stand, I would like to pronounce before our stakeholders who are not limited to accountancy, I am sure.

Let us vow to spread prosperity, convenience and, yes, love and respect to the people in our vicinity. Our world at present is badly suffering from imparity and hatred, and we being among the frontrunners of our society will have to start somewhere for the cure.

Now, let me update you on some major developments pertaining to our profession over the last month:

International Initiatives

ICAI and NZICA to Sign MoU: I am happy to inform our stakeholders that necessary clearances have been obtained from the Ministry of Corporate Affairs and the Ministry of External Affairs with regard to our MoU with the New Zealand Institute of Chartered Accountants (NZICA). The NZICA has suggested signing of the MoU at the CAPA meeting to be held in Beijing on 31st May, 2012.

International Scenario on Rotation of Auditors:

International Ethics Standards Board for Accountants (IESBA) Code of Ethics recognises that a threat to professional skepticism is created by the long-association of an auditor. The concept release on rotation by the IFAC explores whether mandatory firm rotation is an appropriate way to address that threat. Recently, Chairman, Ethical Standards Board CA. K. Raghu represented us in the IESBA meeting held in New York. While discussing the issue of *auditors' independence* and *audit-firm rotation* in Indian perspective, it was noticed that many jurisdictions were working on the issue of rotation to enhance the independence of the auditors. As the issue is currently being discussed in many countries, I hope that it will be settled in the forthcoming meetings of IESBA and an international policy and provision on rotation will soon be formulated for compliance by member countries.

Launch of ICAI's Certificate Course on Valuation in Dubai:

I, along with the ICAI Vice-President CA. Subodh Kumar Agrawal, recently visited Dubai to attend events aimed at promoting brand Indian CA. One such event was the Annual International Conference organised by the ICAI UAE (Dubai) Chapter on *Global Economy - Poised for a Paradigm Shift* in which we highlighted the feats and potential of Indian CAs. We also started there a batch of the Certificate Course on Valuation. I must thank CA. S. Santhanakrishnan for his valuable support in this regard.

World Accounting Summit:

I, along with Vice-President CA. Subodh Kumar Agrawal, recently represented Indian CA fraternity at the 8th World Accounting Summit in Dubai on '*The Emergence of the New Condorsement Approach during the Eurozone Crisis & Global Turbulence*'. I was a speaker on the panel to discuss what guidance and services the accounting bodies have been providing to their members through challenging times, along with Mr. Atsu Kato, Vice Chairman, Accounting Standards Board of Japan, CA. G.

Ramaswamy, IFAC Board Member and ICAI past-President, and Mr. Rashid Rahman, President of Institute of Chartered Accountants of Pakistan.

SAFA Meetings in Dhaka: We have effectively put forward the ICAI's vision, perspective and professional growth agenda at various meetings of SAFA organised recently in Dhaka. The meeting was attended by representatives of accountancy bodies from SAARC countries namely India, Pakistan, Bangladesh, Sri Lanka and Nepal. Vice-President CA. Subodh Kumar Agrawal, along with Central Council members CA. Nilesh Vikamsey, CA. Pankaj Tyagee, CA. Vijay Kumar Garg and CA Charanjot Singh Nanda represented ICAI in these SAFA meetings.

National Standard Setters & AOSSG Meetings in Kuala Lumpur: Chairman Accounting Standards Board, CA. Manoj Fadnis and Vice Chairman CA. S. Santhanakrishnan represented ICAI at the meeting of the National Standard Setters in Kuala Lumpur recently where CA. Fadnis made a technical presentation on IAS 32 regarding effect on accounting for foreign currency convertible bonds. Another Central Council colleague CA. Atul C. Bheda attended the Asian-Oceanic Standards Setters Group (AOSSG) meeting in the same city, where matters related to foreign currency translation, insurance contracts, agriculture, leases, etc., were discussed.

International Conference on Corporate Social Responsibility: I recently represented the Indian CA fraternity in the International Conference on 'Making CSR an Actionable Business Agenda' in Dubai, which was organised by the Institute of Directors in association with the ICAI, Federation of Indian Chambers of Commerce and Industry and others. I chaired and moderated a session on *Strategic Corporate Social Responsibility: Creating Shared Value* and put forward Indian CA profession's views on this vital area of CSR. Other distinguished personalities included UAE Minister of Education Mr. Humaid Mohammed Obeid al Qattami, and Ambassador of India to the UAE Mr. M.K. Lokesh.

Asian Round Table Meeting in Singapore & XBRL Conference in Abu Dhabi: Making Indian chartered accountant a matchless professional, well versed with the latest developments in accounting and related fields, is high on my agenda. Towards that end, the XBRL, which has vast potential of providing global opportunities, is one of my focus areas. We at XBRL India have been spearheading the XBRL revolution in the country with the active participation of the Ministry of Corporate Affairs (MCA), SEBI, IRDA and RBI. Taking this drive forward, my Central Council colleague CA. Atul Bheda, who is also a Director, XBRL India, recently participated in 3rd Asian Roundtable meeting hosted by Accounting & Corporate Regulatory Authority of Singapore, which is similar to MCA in India. The meeting deliberated upon the experiences and issues for XBRL implementation. Alongside the meeting, an XBRL National Conference was organised wherein CA. Bheda also presented a paper on the XBRL implementation by MCA in India. Meanwhile, in line with our broader XBRL objectives, XBRL India Director CA. K. Raghu also attended the Membership Development Committee meeting of

XBRL International, which was organised alongside the 24th XBRL International Conference at Abu Dhabi. On behalf of the ICAI, both my central council colleagues made presentations about the developments in India in various sessions of the Conference.

EFAA Annual Conference in Rome: My Central Council colleagues CA. Pankaj Tyagee and CA. Vijay Kumar Garg recently represented ICAI at the European Federation of Accountants & Auditors (EFAA) Annual Conference at Rome, Italy. The conference focused on the theme 'Exploring Business and Professional Ethics for SMPs and SMEs'. The conference provided an excellent opportunity to the participants to discuss the strategy as to how SMPs across the regions can come together and share hands for mutual benefits.

UNCTAD – ISAR Special High-Level Meeting: My Central Council colleague CA. Bhavna Doshi represented us at the UNCTAD – ISAR special high-level meeting on Accounting for Investment and Development in Doha, Qatar. The objective of the meeting was to raise the awareness of policy makers and other stakeholders about the fundamental and critical role that accounting and reporting plays in economic growth, financial stability, facilitating domestic and international investment; and improved transparency.

IAASB NSS Meeting: My Central Council colleague CA. Abhijit Bandyopadhyay represented ICAI at the IAASB NSS meeting at New York. The prime focus of discussion at the meeting was "audit reporting" viz. how to strengthen the audit report so as to enhance its value to a wide array of stakeholders and reduce the expectation gap by giving timely information on possible problem areas to auditee.

IFAC PAO Development Committee Meeting: My predecessors, Past Presidents CA. Amarjit Chopra and CA. G. Ramaswamy represented the Indian CA fraternity at the IFAC PAO Development Committee meeting and the Pan African Federation of Accountants Pre-General Assembly Conference at Tunisia. The PAODC meeting primarily focused on developing the capacity of accountancy profession and updating on activities of other IFAC boards and committees.

Initiatives for Government

Standing Committee on Higher Education and Research Bill, 2011: As you may be aware that recently Ministry of Human Resource Development has released *The Higher Education and Research Bill, 2011*. We were invited by the Ministry to appear before the Standing Committee on Human Resource Development (Chaired by Hon'ble Oscar Fernandes, Member of Parliament) to share our perspective on the proposed model of higher education at national level. It may not be out of place to mention that the ICAI is proposed to be made part of the General Council so as to advise the proposed National Commission on Higher Education and Research on accountancy education in India. Recently, myself, accompanied by Vice-President CA. Subodh Kumar Agrawal, Secretary Shri T. Karthikeyan and Board of Studies Director Shri Vijay Kapur attended the Standing Committee meeting in this regard. We explained

to the Standing Committee about the high position attained by the ICAI in national and international perspective. We also shared our thoughts as to the difficulties in regulating the entire education activity through a seven member commission.

ICAI Organises Workshop for Tamil Nadu Finance Department: After successful conduct of training programmes for officials of the Finance Department during April-December 2011, we would be holding a workshop on *Role and Responsibilities of Nominee Directors in the Board of Government Companies* in the last week of May 2012 on request from the Finance (BPE) Department of the Government of Tamil Nadu, to help their senior officials in keeping pace with the new developments in corporate governance. I am sure that such endeavours will take our brand-building exercise forward.

Suggestions Contained in ICAI's Post-Budget Memoranda Accepted: We had submitted the Post-Budget Memorandums, 2012 on Indirect Taxes and Direct Taxes to the Government, and I am really happy to note that some of our suggestions have been accepted.

Indirect Taxes: The Post-Budget Memorandum on Indirect Taxes, preparation of which was coordinated by Chairman Indirect Taxes Committee CA. Madhukar Hiregange, was duly taken note of by the Government. The suggestions which were accepted included the one on 'specifying time limit for deemed notices issued under sub-Section (1A) of Section 73 of the Finance Act, 1994,' and 'Repair and maintenance contracts under works contracts service'. Further, amendment relating to the exclusion of transactions, which are deemed to be sale of goods in terms of Article 366(29A) of the Constitution namely works contract, lease or hire of goods and temporary transfer of the right to use any goods had been suggested by the Committee in its comments sent to the CBEC on *Revised Concept Paper on Taxation of Services Based on Negative List*.

Direct Taxes: Chairman Direct Taxes Committee CA. Sanjay Agarwal coordinated Post-Budget Memorandum on Direct Taxes, which was seriously considered by the Government. Apart from the members and officials of CBDT, a copy of the Post-Budget Memorandum had also been submitted to Shri Gujaral, Revenue Secretary, Shri Yashwant Sinha, Chairman, Parliamentary Standing Committee on Finance, and Shri. S. S. Palanimanickam, Minister of State (Revenue). Besides this, a copy of the same had also been sent to CCIT's/DGIT's/DIT's for their consideration and feedback. I am happy to acknowledge that many of our suggestions pertaining to direct taxes have been accepted. A statement about the suggestions accepted has been hosted on the ICAI website too.

Request to RBI for Amendments in Provisions on Independence of Auditors: On the issue of conflict of interest, in case an existing internal auditor having been offered statutory audit assignment by the same bank accepts the same after relinquishing the internal audit assignment, we have decided to request and pursue RBI to amend its circular dated 1st January, 2010, in the light of the provisions

mentioned in the *Guidance Note on Independence of Auditors*.

Initiatives towards Social Responsibility

Orienting Media in Finance/Accountancy Scenario and Reporting: An orientation programme for the media fraternity was recently organised in Delhi to make them aware of the evolving accountancy/financial services sector in the country and knowledge dissemination on financial management and regulatory policies. The objective was to enable media professionals to comprehend the financial matters/policies and report these in a simple format for the understanding of common man. Some 30 media professionals comprising editors, correspondents, reporters, etc., from print as well as visual media including *The Times of India, Economic Times, HT Mint, CNBC TV 18, Business Today, Money Today, Business Standard, Business Bhaskar, Punjab Kesari*, etc., attended the programme. Eminent speakers included Padma Shree Awardee and ICAI past-President CA. T. N. Manoharan and another ICAI past-President CA. Ved Jain.

Initiatives for Profession

Interaction with CBEC Chairman: We recently had detailed discussions on issues of professional interest with CBEC Chairman Shri S.K. Goel when he visited ICAI and addressed us. CBEC Joint Secretary Shri V. K. Garg was also present at the meeting. As you may know, the amendments in Service Tax Rules, along with Point of Taxation Rules, 2011 have withdrawn the facility of payment of service tax on receipt basis, which affect CA firms (firms whose value of taxable services exceeds ₹50 lakh). We impressed upon Shri Goel that this would create a lot of hardship for our members and requested him to extend the facility of payment of service tax on receipt basis to all the CA firms. We also took up transitional issues with Shri Goel. As you may be aware, for CAs, the Point of Taxation (POT) till 31-03-2012 was determined on receipt basis. The POT is also made as a basis of determining the rate of tax under Service Tax Rules, 1994. Consequent to the same, a position has arisen that even in cases where services are provided as well as invoice was raised prior to 31st March 2012 [at old rate of 10.3%], the professionals (which include Chartered Accountants) have to pay service tax at the higher rate of 12.36%. As such, additional 2.06% has to be paid though the same has not been billed nor could be recovered from the clients. We brought to the notice of Shri Goel that this would create hardships for the CAs and thus, relief may be granted to Chartered Accountants from this additional burden by making appropriate changes. We also made a pitch for parity between CAs and lawyers as both the professionals provide similar services when it comes to legal consultancy and representational services. Shri Goel has taken our points of request in right earnest and has promised to look into the issues.

Meeting with Union Minister Mukul Wasnik: I, along with my Central Council colleague CA. Vijay Garg, recently met Union Minister for Social Justice and Empowerment Shri Mukul Wasnik and discussed various matters of professional and national interest. We offered the involvement and services of the Institute and its members to his ministry in

various capacities, to which he expressed keen interest. It was proposed to hold a secretary level meeting to discuss the areas in which the Ministry can use the services of ICAI and its members. We also invited him to address our Council, to which he was quite positive.

Meeting with Odisha CM Naveen Patnaik: As part of our guided efforts to promote professional involvement across various levels of governance in Central and State governments, as also to expand infrastructural base of our profession, I, along with Vice President CA. Subodh Kumar Agrawal and Bhubaneswar Branch Chairman CA. Rajendra Kumar Das met Odisha Chief Minister Shri Naveen Patnaik and discussed as to how more and more services of the CAs can be utilised by the state government. Principal Secretary of Finance Department of Government of Odisha Shri Jugal Kishore Mahapatra, and Past Chairmen of Bhubaneswar Branch CA. Prashant Shekhar Panda and CA. Sarat Kumar Sahu were also present at the meeting. We also specifically discussed allotment of land for proposed ICAI's centre of excellence in Bhubaneswar. He showed keen interest in our proposals and I am quite hopeful of a positive outcome. Separately, we also met the Chief Secretary, Government of Odisha, Shri Vijay Kumar Patnaik to discuss these issues.

Meeting with IBA Chairman MD Mallya: I recently met Indian Banks Association Chairman Shri M. D. Mallya (who is also chairman and managing director of Bank of Baroda) and discussed a range of issues concerning the profession, including bank branch audit and concurrent audit. I also impressed upon him that there was a crucial need for sharing with the ICAI the technological advancements and upgradations being made by the banks, so that the ICAI members can be made aware and be trained with respect to these developments, for the ultimate benefit of the banks and other stakeholders. He was quite positive on this proposal.

Meeting with Secretary, Dept. of Public Enterprises: I, along with Vice-President CA. Subodh Kumar Agrawal, recently had a meeting with Secretary of Department of Public Enterprises Shri O. P. Rawat and discussed various issues of professional and national interest. We offered him the quality services of the Institute in various areas and initiatives of the Department of Public Enterprises. He has showed keen interest in our proposal.

ICAI Membership and Studentship Strengthened: I am glad to inform you that strength of membership and students has been increasing massively, leading our Institute to greater eminence and stature. Number of members has touched a figure of 1,94,690. It is noteworthy to acknowledge here that we have received a good response from our members to the General Amnesty Scheme introduced by us to restore the membership in retrospect, and a total of 732 members have so far responded and got benefited by this Scheme. Student strength has also increased and reached a massive 9,19,884.

Representation to Forward Markets Commission: We have sent a representation to Forward Markets Commission

(FMC) Chairman Shri Ramesh Abhishek regarding audit/inspection of books of accounts of commodity exchanges and its members and fees thereof. FMC is a regulatory and statutory body set up in 1953 under the Forward Contracts (Regulation) Act, 1952, which is overseen by the Ministry of Consumer Affairs, Food and Public Distribution, Government of India.

Initiatives for Members

Orientation for DIRM-Qualified Members: We recently organised an orientation programme for the members who qualified in the DIRM Technical Examination, in Mumbai. It was inaugurated by my Central Council colleague CA. Nilesh S. Vikamsey. I, along with the Vice-President CA. Subodh Kumar Agrawal and my other Central Council colleague CA. Charanjot Singh Nanda also addressed the participants. Here, I am happy to inform that suggested answers for the DIRM Technical Examination held in November 2011 have been hosted on the ICAI website for the members pursuing the DIRM course.

Implementation Guide to Risk-Based Audit Released:

We have recently released *Revised Implementation Guide to Risk Based Audit of Financial Statements* providing comprehensive guidance primarily on implementing the auditing standards relating to understanding the entity and assessing the risk of material misstatements, audit planning, responding to assessed risks beside fraud considerations. Meanwhile, considering the importance and need of internal auditors to have updated knowledge of the global standards and initiatives related to the corporate social responsibility, we have come out with '*Guide on Internal Audit of Corporate Social Responsibility*' under the guidance of Chairman Internal Audit Standards Board CA. Rajkumar S Adukia. Besides, a '*Technical Guide on Internal audit of Tendering Process*' has also been released for the guidance of the members and other stakeholders.

ISA Eligibility Tests Conducted: We conducted ISA eligibility tests at 38 centres across India and Nepal recently. A total of 1,859 candidates took the tests. ISA professional training classes have already been started in India in Lucknow, Raipur, Jamnagar, Jodhpur, Nagpur, Delhi, Mumbai and Latur besides in Sri Lanka.

Approaching Public-Sector Banks: We have sent communications to the chairmen and managing directors of all public-sector banks across the nation, impressing upon them to utilise the services of CAs and CA firms for their various internal assignments.

Certificate Courses: I am happy to inform you that to enhance the capabilities of the members and encourage specialisations by them, we are conducting Certificate Courses on '*Concurrent Audit*', '*Enterprise Risk Management*', and '*Internal Audit*' in Hyderabad, Delhi, Mumbai, Chennai and Kolkata. A one-day workshop on Tender Audit was also organised recently in Delhi for the benefit of our members.

Initiatives for Ethical Professional Practice: Our Ethical Standards Board has recently taken various decisions

for better professional practice. On the issue whether a chartered accountant in practice can sign the revised transfer pricing report which was certified by some other chartered accountant without having his permission to sign the same, it has been decided that she/he will not be signing a revised transfer pricing report but will be issuing a fresh and separate independent report and should, therefore, satisfy himself before issuing such a report.

On the issue whether a CA in practice can establish a TIN facilitation centre (TIN FC), it has been decided that a chartered-accountant-in-practice may establish a TIN-FC. However, it is not permissible for her/him to establish a TIN-FC under franchise from other entity which is already a TIN-FC.

Initiatives for Students

e-Learning: Education and training of students has been my prime endeavour. Towards that objective, I am happy to announce availability of the following twin online facilities for the benefit of CPT Students, particularly those in small towns where quality coaching is not available: (a) Revamped bi-lingual (English & Hindi) e-Learning Modules for CPT Course are now available at www.CAShiksha.com which can be accessed free of cost on self-registration on the said site; and (b) Online Self-Assessment Quiz for the CPT Course to enable students make a self-assessment of their preparation for the forthcoming, examination, chapter-wise and subject-wise. This online facility is available on the Institute's website, which enables the students to assess their preparations quickly. Moreover, every time a different set of questions would appear on the screen as and when students take the tests. Further, we have also hosted additional e-Learning Modules on General Economics subject of CPT which shall prove to be of great help to the students in their preparation. I would earnestly encourage CPT students to make best use of these twin online facilities for better preparation for examinations.

Conventions/Conferences: We are organising National Conventions for students covering all the regions and major cities in June, July and August. A mega International Conference for CA Students is being held in Nagpur on 13th & 14th July, 2012, offering a unique opportunity for Indian students to interact with overseas students and share experiences and learning. An All India Students Conference is also being organised in Baroda on 6th and 7th July, 2012. Some of the other National Conventions for CA Students which are scheduled for June to July, 2012 are at Ghaziabad (23rd and 24th June), Hyderabad (28th and 29th June), Vasai (30th June and 1st July), Jaipur (9th and 10th July), Kolkata (14th and 15th July) and Indore (21st and 22nd July). I request the members to encourage their articulated assistants to not only be present in these conferences but also contribute papers which will go a long way in sharpening their speaking skills.

Faculty Development Programme: With a view to strengthen the CPT Coaching Classes at various places, we recently successfully organised 2nd CPT Faculty

Development Programme at the Centre of Excellence in Hyderabad. As many as 97 faculty members from different branches participated in the programme. I am confident that through this initiative, Regional Councils and Branches would organise more and more classes for CPT students.

Orientation Programme for Chairmen of Students Associations: An orientation programme was organised in Hyderabad recently to enhance awareness amongst the Chairmen of Students' Associations and Branches of Students' Association about activities to be organised by them for students. The programme was attended by 67 members apart from officials from various Regions and Branches and my Central Council colleagues CA. Nilesh S. Vikamsey, CA. Madhukar N. Hiregange, CA. J. Venkateswarlu and CA. Devaraja Reddy.

CA May 2012 Examinations: We successfully conducted Chartered Accountants Examinations of May 2012. A total of 2,52,542 candidates were admitted to appear the examinations, i.e. 83,319 CA Final, 1,43,970 IPCE and 25,253 PCE. The examinations were held at 343 centres in 135 cities of India and 4 cities abroad. I wish these students all the success in these examinations.

Before I conclude, let me acknowledge that our Government has taken a much-required and right step of implementing the *Right to Education Act* and has raised many relevant questions before the responsible and privileged of our nation, indicating especially at their responsibility towards the underprivileged of the nation. At least, it has started a debate. It is up to us as to how we respond and take forward this cause. Being associated with an academic institution and, particularly, with its studies wing for years, I have been strongly in support for our students' access to education and training while critically agreeing to the American Gandhi Martin Luther King, Jr. that the *function of education is to teach one to think intensively and to think critically*, and that the goal of true education is *intelligence plus character*. The most fundamental need of the hour, thus, would be to provide people with an accessible education system, if we want to see our coming generations truly intelligent and with character.

May this Act empower all government and private schools, and control all existing irregularities in their systems! Let us be educated and educate all others around us.

Best wishes,



CA. Jaydeep Narendra Shah
President, ICAI
New Delhi, May 24, 2012