



CA. Jaydeep Narendra Shah, President, ICAI

## Dear Friends,

Accountancy profession in India has grown big not because it has come across a multitude of decades, but because it has had a glorious eventful past that we can take pride on while reflecting on its curve of growth. Our first Prime Minister Jawaharlal Nehru had said: *Time is not measured by the passing of years but by what one does, what one feels, and what one achieves.* Since the inception of chartered accountancy in India, we have always referred to our glorious high principles and they have always shown us a way. The profession through its *Code of Ethics* has helped its followers in strictly adhering to the agenda of social responsibility, eventually bolstering the economy of our nation. Quite rightly, Nehru was not ready to call us citizens if we did not present ourselves *in the service of the country.* Therefore, it is important to understand his perspective of citizenship and I am sure we could never fall behind in progress following that. He reminded all professionals in a way when he explained: *Failure comes only when we forget our ideals and objectives and principles.* I find it correct and quite encouraging too. Of course, if we remember our ideals and principles, we can never be unsuccessful eventually.

Jawaharlal Nehru exhausted himself trying to create a polity and economy in his India along the secular and socialist principles. Even today, we cannot deny that we need a vision close to and in line with Nehru's democratic, secular and socialist principles, if we want to grow responsibly. We can all realise the need if we observe our society and nation. We must salute our first Premier for that.

Jawaharlal Nehru was quite timely to understand the importance of science and technology, since he realised the need to economise resources including time, human resource, etc., and said: *It is science alone that can solve the problems of hunger and poverty, of insanitation and illiteracy, of superstition and deadening custom and tradition... Who indeed could afford to ignore science today?... future belongs to science and those who make friends with science.* At our institution too, we have been using technology to save on various resources and to advance the cause of earth and its environment; I firmly believe in our membership that they would join hands to further this cause, in order to make our mother earth a more liveable place for the young. I personally liked the way he supported socialism and warned us: *...forces in a capitalist society, if left unchecked, tend to make the rich richer and the poor poorer.* He was quite concerned for parity in society—a minimised gap among the masses. He never lost touch with the reality of his time.

It is a lesson to be anything but wise not to be oblivious of our reality. I would urge our members to be more responsible citizens, since our nation at present needs all of us to understand our responsibility and, then, to act upon that with our heart and blood.

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

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### International Initiatives

**CAPA Meetings and Member Events in Sri Lanka:** I represented the ICAI at the CAPA (Confederation of Asian and Pacific Accountants) meetings and events recently organised in Sri Lanka. I attended the CAPA meeting while my Central Council Colleague CA. Bhavna Doshi attended the CASL National Conference organised by the CAPA. Attending these meetings helped in projecting ICAI/Indian perspective and also keeping a watch on the activities taking place. It also served as a reference point for member bodies in discussions with government and regulators.

**WTO Forum in Geneva:** The WTO Public Forum 2012 on *Is Multilateralism in Crisis?* was held recently in Geneva, where my Central Council colleague CA. Jayant Gokhale represented the Institute as our third successive participation, which provided an opportunity to the stakeholders of multilateral trading system to analyse if multilateralism is in a state of crisis, taking into account both the Doha round deadlock and elements of the WTO work program. This Forum gave us a better understanding of the changing global scenario, particularly with regard to services that could arise in the Doha round of trade negotiations. It was interesting that many developing countries as well as the BRICS countries, i.e. Brazil, Russia, India, China and South Africa, were eager to look at fresh paradigms arising out of the changing economic situation. I am happy that our Institute continues to stay ahead on the learning curve using its discerning vision and foresight in handling emerging challenges. I am sure we would be in a position to suitably project the related views on the profession to the Ministry of Commerce, Government of India, and could even take up a leadership role if called upon to do so.

**IIA Annual Conference 2012 in London:** IIA Annual Conference 2012 was held recently in London where a Central Council colleague represented the ICAI. The theme of the Conference was "The changing regulatory environment and the implications for internal audit". Regulatory reform and a changing business environment mean that risks have shifted. The current scenario has highlighted the importance of effective governance, risk management and control. The Conference provided insights into how internal audit needs to respond to the changing business environment by redefining its value.

**Providing IFRS Training in Dubai:** ICAI past-President CA. Amarjit Chopra visited Dubai recently to provide training under IFRS Certification Course. The training was delivered where issues involved in the first-time adoption of IFRS based on case-study problems were covered. It is significant that the ICAI should deliver training sessions on IFRS in Middle East countries where most of our foreign members are based, helping them to understand the issues involved in the adoption of IFRS.

**International Fiscal Association's 66<sup>th</sup> Annual Congress in Boston:** The International Fiscal Association's 66<sup>th</sup> Annual Congress was held in Boston, USA recently, wherein my Central Council Colleague CA. Mahesh P. Sarda and another Council member represented the ICAI. The Association is the world's

only non-governmental and non-sectoral organisation dealing with the fiscal (tax) matters. Based in Rotterdam, it provides, in conjunction with the activities of each country branch, a blend of comprehensive research on international taxation and the development of programmes and initiatives of current practical importance.

**Collaboration of ICAI and CPA Ireland in London:** The British CPA Society of the Institute of Certified Public Accountants in Ireland (CPA), in collaboration with the UK (London) Chapter of ICAI, recently co-hosted a seminar titled *Where do we stand in globalised accounting? The roadmap, opportunities and challenges* recently, sponsored by the CPA Ireland; this formally launched the collaboration in the UK between CPA Ireland and ICAI by the mutual recognition agreement that is in place between both Institutes. The speaker, IASB member CA. Prabhakar Kalavacherla, delivered an engaging presentation which was well-received by participants from both the institutes. The seminar was attended by a host of dignitaries including John Devaney, CPA Council member and Chairman, British CPA Society, and CA. Ajay Agrawal, Chairman UK (London) Chapter of the ICAI.

**24<sup>th</sup> Annual International Seminar 2012 by Abu Dhabi Chapter Scheduled:** I, along with one of my Central Council Colleagues would be attending the 24<sup>th</sup> Annual International Seminar 2012, 1<sup>st</sup> GCC Seminar, to be organised by the Abu Dhabi Chapter of ICAI in November 2012. The Seminar on *Waves of Change: Oceans of Opportunity* would bring together a galaxy of experts and leaders, i.e., industry-leading CEOs, CFOs, finance and management professionals.

**ICAI International Conference Scheduled to be held in Mumbai:** We are organising a mega international conference on the theme "Accountancy Profession: Enablers of Economic Growth" on 24<sup>th</sup> and 25<sup>th</sup> January, 2013, in Mumbai. The Conference would be an assimilation of learned resources in areas of financial reengineering, Governance, harmonisation of standards; Financial cauldron & learning lessons and SMP context. The Conference would see participation by over 1,500 stakeholders from the Asia Pacific region specifically and would veritably have participation from 'Who's Who' of the accountancy profession.

#### **Initiatives for Profession**

**Breakthrough in Our Efforts with Regard to Autonomy of Bank Audit:** I am glad to communicate that, in a

major breakthrough with regard to the autonomy of bank audit, the Government has agreed to handle the selection of auditors for state-run banks on its own instead of leaving it to the public-sector banks, as a result of our effective advocacy for a need of auditors' appointment by an independent regulator such as RBI instead of some public-sector bank doing that on its own. We had expressed concerns over a possible laxity in the audit followed by lenders and possible overstatement of profits. The Ministry of Finance is expected to issue guidelines in this regard soon. We had been repeatedly representing before the Ministries (of Corporate Affairs and Finance) regarding that practice of management self-selecting auditors in public-sector banks, as that was not ethical given the conflict of interest. The selection of auditor in most state-run banks was being done by the bank management.

***Report on Strengthening Capital Market Submitted:***

The Ministry of Corporate Affairs had constituted a committee under my chairmanship that has representatives from ICSI, ICAI (erstwhile ICWAI), SEBI, RBI, IMC, etc., with tasks related to developing a 20-point summary of annual report, financial literacy, colour coding of financial products, effective investor grievance redressal mechanism and so on. I am pleased to inform that the committee deliberated all the matters and finalised and submitted their report to the Corporate Affairs Minister Dr. M. Veerappa Moily and Secretary Shri Naved Masood. In line with its terms of references, the Committee has addressed all aspects in the report providing resolution framework on all given action points. I am sure that this report will be useful in taking initiatives to promote a healthy corporate environment for a vibrant capital market.

***Study Group on Practising CAs Engaged as Lecturers in Colleges/institutions:***

I am happy to inform you that, in order to streamline and render more services by practising chartered accountants engaged as lecturers in colleges and institutions at graduate and postgraduate levels all over the country, I have constituted a study group comprising one of my council colleagues as Convenor and some other members from across the country. The Group will identify the members who are engaged as full-/part-time faculty in colleges/institutions and find out ways and means to streamline and render more services by practicing chartered accountants engaged as lecturers in colleges and institutions for practical subjects like Accounting, Auditing,

Taxation, etc., as expert faculty, which is expected to reduce the gap between theory and practice and make commerce education more meaningful, practical and effective. The Group will also study the rules and regulations of University Grants Commission and All India Council for Technical Education with regards to the appointment of CAs as faculty. I am sure this initiative will prove to be immensely beneficial to our related members in particular and our nation in general.

***XBRL Filings:*** As you all may be aware that the second phase of MCA mandate of filing of financial statements of a certain class of companies has begun from 14<sup>th</sup> October, 2012. The taxonomy being used for filing for the year commencing on or after 1<sup>st</sup> of April 2011 is based on the requirements of Revised Schedule VI to the Companies Act, 1956, which became applicable for the financial statements for the financial year commencing on or after 1<sup>st</sup> of April 2011. This year also, the XBRL filings require certification by the professionals like last year. While I believe that our members would discharge their responsibilities of certification diligently, I appeal to them for being more cautious in view of the recent General Circular No. 33/2012 dated 16<sup>th</sup> October, 2012 issued by the MCA expressing their concerns over XBRL filings done last year. I am of the firm belief that our members would stand up to the trust reposed by the Government in us.

***Visit to Amravati Branch of ICAI:*** As part of my efforts to go closer to ICAI membership at large, understand their viewpoints and give them first hand information about various initiatives of the ICAI launched for them, I recently visited Amravati Branch of the ICAI to interact with local members and students in separate meetings. In a well-attended meeting, I spoke at length on present challenges before the profession, new opportunities, quality maintenance of attestation function and infrastructure initiatives of the Institute. For students, I spoke about various examination reforms initiated by the ICAI besides stressing the bright career prospects of our students. I also visited the Amravati Branch building whose construction is at an advanced stage.

***Visit to Akola Branch of ICAI:*** I recently visited the Akola Branch of the ICAI to interact with members and students in two separate meetings. At these well-attended meetings, I informed about the various new initiatives taken by the Institute to boost the status and capacities of the members and students, and to help them avail new opportunities to serve the nation. I plan

more such programmes, for these give us opportunities to closely interact with the members across the country and better understand their viewpoints pertaining to the growth of the profession and its members.

#### ***CPE Residential Refresher Seminar in Tirupati:***

As part of our persistent efforts to keep the members up-to-date on various areas of professional interest, the Continuing Professional Committee of the ICAI recently organised a 3-day CPE Residential Refresher Seminar in Tirupati. Shri K. S. Srinivasa Raju, IAS Joint Executive Officer, Tirumala Tirupati Devasthanam, was the Chief Guest on the occasion. The various topics discussed in the seminar included real estate transactions, preparation & presentation of appeals before the CIT (Appeals) and ITAT, forensic audit, emerging techniques and benefits to auditors, emerging challenges and opportunities for CA, tax risks/issues and implications, etc.

#### **Initiatives for Government Offices/Officials**

##### ***Suggestions for Central Direct Taxes Advisory Committee meeting:***

On a request from Central Direct Taxes Advisory Committee, we have flagged some important matters soon to be discussed during the meeting of CDTAC. I have been invited to take part in this meeting under the Chairmanship of Finance Minister Shri P Chidambaram. Suggestions were called for on measures for developing and encouraging mutual understanding and co-operation between taxpayers and the Income-tax Department and removing administrative and procedural difficulties of general nature. The points of discussion submitted by ICAI were determined keeping the same in mind. It may be noted that apart from other points, ICAI has specifically requested the Honourable Finance Minister to consider the many suggestions to curb the alleged misuse of membership numbers in tax audit reports by the assessee while uploading income-tax returns. We have suggested that Tax audit report digitally signed by the tax auditor may be allowed to be uploaded along with the return of income at the earliest. We have suggested that on the basis of data provided by ICAI, a validation link may be created on the Directorate of Income Tax website, which would enable the Department to verify the details of member who is conducting the audit. In case the membership details so entered do not match with the ICAI Data, the system should not allow the uploading of the return after two attempts. To further strengthen the system, it is suggested that a user ID and a password

may be made available to every practicing member by the Income tax Department, so that the member can view all the tax audit reports uploaded in his name.

***Meeting with Member (L&C), CBDT:*** The Direct Taxes Committee met the Central Board of Direct Taxes member Dr. Sudha Sharma recently to follow up with regard to representations made by us on Review of Form No. 3CD & ITR Forms *vis-à-vis* requirements of Revised Schedule VI, 'Request to allow uploading of Tax audit report along with income-tax returns and allotment of user id and password to members,' 'Request to clarify the applicability of provisions of Section 44AB to Co-operative Societies carrying on activities in the nature of business,' and 'Suggestions of ICAI on Discussion paper on Tax Accounting Standards (TAS), and 'Guidelines for the empanelment of auditors under Section 142(2A).' The concerns of ICAI were well received and assurance was given that the same will be duly considered.

***Meeting with Disinvestment Secretary:*** I recently had a discussion with the Secretary of Department of Disinvestment from Ministry of Finance, Shri Mohammad Haleem Khan, on matters of interest to Indian accountancy professionals. During the meeting, I also proposed and discussed various ways in which the department can effectively utilise the services of chartered accountants in various related processes and procedures. His response was quite positive.

***Training Course for Senior Tax Officials:*** We are happy to inform that the Institute, in collaboration with the CBEC, is organising a five days Training Course from 29<sup>th</sup> October, 2012 to 2<sup>nd</sup> November 2012 for senior service tax officials in New Delhi. The training course is being organised with a view to enable the trainees to have a systematic exposure to understanding modern financial statements and audit techniques to increase the effectiveness of the revenue assessment. The training would primarily be on review and analysis of financial statements with specific focus on indirect taxes. I am sure that this initiative will help in bettering the governance in general and sharpening the skills of the officers in particular.

***27<sup>th</sup> GASAB's Board Meeting at C&AG:*** 27<sup>th</sup> meeting of the Government Accounting Standards Advisory Board (GASAB) was held recently at the office of C&AG of India. I being a member of GASAB, attended the meeting along with ICAI Technical Director Dr. Avinash Chander. At the

meeting, a status report on newly created structure of GASAB's secretariat was presented and discussed. It was informed that the Ministry of Finance, at the apex level, has constituted a committee for implementation of accrual accounting in the Government of India, which has asked the GASAB to bring out an advisory on *Asset Accounting* within the framework of present system of accounting followed in the Government to provide guidance to capture assets for disclosure in the financial statements. Accordingly, a task-based group of GASAB prepared a draft advisory on *Asset Accounting*, which was also discussed in the meeting. Draft *IGAS 9- Investment in Equity: Government* and draft *IGFRS 3: Revenue from Exchange Transactions* were discussed in the meeting. Our opinions were well-received and appreciated, and it was agreed in principle that we would be contacted further for input on the subject.

**Training Programme on Revised Schedule VI:** Department of Public Enterprises (DPE), Union Ministry of Heavy Industries & Public Enterprises & Public Undertaking Department, Government of Himachal Pradesh in collaboration with Committee on Public Finance & Government Accounting (CPF&GA) of the ICAI recently organised a Training Programme on "Revised Schedule VI and its implications" for State Level Public Enterprises (SLPEs) Himachal Pradesh in Shimla. This programme being the third in the series was aimed at developing the skills and refining the capabilities of the officers to handle the issues concerning Revised Schedule VI. The prominent dignitaries present on the occasion included Dr. Sharat Kumar, Economic Advisor, DPE, Past President of the ICAI CA. Amarjit Chopra, Chairman, CPF&GA, CA. Bhagwan Das Gupta, faculty, Shri Subhasish Panda, IAS, Spl. Secretary (Finance)-cum-Director Public Finance & Public Enterprises to the Government of Himachal Pradesh, and Shri Ashok Sharma, Project Coordinator, H.P. State Electronics Development Corporation Ltd. CA. Amarjit Chopra, Chairman, CPF&GA, addressed the participants on *Overview of Revised Schedule VI along with comparison with old Schedule VI*. A large number of officials of State Level Public Enterprises attended the Programme.

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We are progressing rapidly. However, discrimination still exists all over the world with regard to colour, race, continent and religion of human beings. We must consciously refrain from having such tendencies in us. I would like to quote the remarkable response

of the martial arts instructor-philosopher Bruce Lee in response to the acceptance of a regional recognition: *You know what I want to think of myself? As a human being, because I mean, I don't want to sound like 'as Confucius says', but under the sky, under the heaven, man, there is but one family. It just so happened, man, that people are different.* Loving our identity should not be at the cost of others' respect and identity. He rightly says: *all types of knowledge ultimately lead to self-knowledge.* If we are educated, we must have a mindset with a vision of an equal world—a world that could give equal opportunity and treatment to all. We being evolved individuals of our society cannot do away with our responsibilities.

Here, I would like to recall an anecdote from the life of a great Italian Renaissance painter called Michelangelo. Once, while painting frescos in the Sistine Chapel, he was lying on his back in a posture that caused pain on a high scaffold, carefully outlining a figure in an obscure corner of a ceiling. A friend asked him why he was taking such pains with a figure which could hardly be seen by anyone, and, *after all, who will know whether it is perfect or not.* Michelangelo replied: *I will.* This illustrates the attitude of a dedicated and responsible perfectionist, which is worth taking note of, particularly when we being at advantage are expected to contribute more. It is also worth taking note of because we are regarded as the trustees of professional excellence in the service of the nation. Let us resolve to proactively pursue perfection with dedication and be satisfied with nothing less. We cannot expect the world to be perfect; however, we may look within and exact the best from ourselves. We can at least try to add to the efforts towards transforming our world into a better and equal world. Only then, can we justify the trust bestowed on us and the compliments given to us by the founding fathers of our nation and a host of leaders throughout since then.

Let us act with diligence and bring in support for the people at disadvantage.

Best wishes



**CA. Jaydeep Narendra Shah**  
**President, ICAI**

New Delhi, October 23, 2012