



CA. Subodh Kumar Agrawal, President, ICAI

Dear Friends,

It is the responsibility of the strong to help the weak.

Not resorting to any populist measures, the Government has not touched the direct and indirect tax structures in principle in the Union Budget 2013-14; neither has it touched the middle class. Some of the experts have felt that they were expecting something more miraculous in the Budget that could tackle the existing economic issues at hand.

When the Union Finance Minister Shri P. Chidambaram introduced the concept of super-rich tax, i.e. people having their annual income more than ₹1 crore will have to pay a surcharge of 10%, his agenda apparently was quite clear, i.e. to inspire the capable people to act in the best interests of their nation. Shri Chidambaram expressed the underlying expectations behind this: *There is a little bit of the spirit of Mr. Azim Premji in every affluent taxpayer.* Our Government has never appeared more confident about their intention.

Let us not forget that the Union MCA Minister Shri Sachin Pilot had prepared the ground much before for this agenda, while he met the corporate executives and shared the Government's intention

with them. I, in fact, take pride in agreeing with Shri Sachin Pilot's declaration: *We are perhaps going to be the first country in the world that will have corporate social responsibility in the statute.* Eradication of extreme hunger and poverty, promotion of education and gender equality, and women empowerment are some of the prime concerns as CSR activities, according to the proposed *Bill*. Accountancy professionals will be ready to take an active role while inspiring, persuading and checking if their client corporations are effectively complying with the regulation of CSR. Profit-making PSUs have already started spending on CSR.

It is actually high time that we should start getting serious about payback to our society and the state for what we are at present. This has to be all the more a serious agenda for the stronger and more capable strata of our society, who must extend a helping hand to uplift their less-privileged and disadvantaged fellow countrymen.

Shri Sachin Pilot Dedicates Iconic ICAI Tower in Mumbai to Profession and Nation

In a major infrastructural milestone in the glorious ongoing journey of our profession, the iconic *ICAI Tower* was dedicated to the ICAI members and students by the Union Corporate Affairs Minister (Independent Charge) Shri Sachin Pilot in the vibrant financial capital of our country, i.e. Mumbai. Inaugurating the *Tower*, Shri Pilot hailed the accountancy profession's role in nation-building and said that this tower in the financial capital of the country would complement the infrastructural drive of the Government. This Ground+8 floors tower, which will house the Western India Regional Council office of the ICAI, is spread over an area of 32,090 sq. feet and has been carefully designed to cater to the ever-increasing requirements of our members and students from the western as well as other regions of the nation. This is ICAI's biggest venture yet, born out of a vision of tomorrow—as a symbol of dominance of the world's second largest accountancy organisation.

It is frequently said: *Stronger the foundation, higher the building.* This is especially true for us who have seen our Institute go from strength to strength over decades. And in this context, I believe that given the mammoth rise in the membership and number of students, we need excellent infrastructure to cater to their needs, which is one of my key focus areas. I am sure that this *ICAI Tower* in the heart of Mumbai will take our infrastructure development drive to the next level. A strong accountancy profession is the key to a strong financial infrastructure of our country. This

Tower will lend that strength to our accountancy profession. I firmly believe that this will prove to be a landmark in the field of education and training and also act as a research hub for accountancy in India, and a major force for formulation of economic and financial policies.

Plan to Strengthen National and International Initiatives in 2013-14

Going by the core of current Action Plan, i.e. of 2013-14, our focus is on embedding sustainability. We intend to do more collaborations with the Government offices and departments, and Ministries to develop effective transparency and establish better accountability in the system. We have set our goals to increase the avenues of our professional fraternity exercising our efforts on various initiatives of financial inclusion of our Government. We have to pay back to our society and we will do this fairly by training and educating our society in the sectors where we are strong. We already have been going strong with regard to convergence with IFRSs and promotion of XBRL, and we have been extending our technical help and support to various initiatives of international accounting bodies like IFAC, CAPA, SAFA, etc. We need to accelerate these endeavours further, keeping the increasing scope of our accounting professionals in mind. Our agenda is clear: to help our Government and our society using our academic and technical expertise.

On Provisions in Companies Bill, 2012

The Companies Bill, 2012 as passed by the Lok Sabha is substantively a law based on Rules (that will be prescribed). The concept of CSR in the Indian context as introduced in the Bill is definitely a welcome step. However, there are some key issues in the Bill that are affecting CA profession, such as the constitution of National Financial Reporting Authority (NFRA), reporting of fraud by the auditors, revision of annual audited and adopted accounts, ceiling on audit assignments and harsh penalty provisions introduced in the Bill. The ICAI has given representations to the Ministry of Corporate Affairs expressing its concerns over certain issues in the Companies Bill, 2012 that will have an impact on the profession.

Our Suggestions Incorporated in Finance Bill, 2013

Every year, the ICAI submits its Pre-Budget and Post-Budget Memoranda to the Ministry of Finance to put forward its suggestions that are largely based on the concerns of our membership on the one hand and our society on the other. I am extremely happy to share with you that like every year, all our significant suggestions were considered while some

of them were incorporated in the Finance Bill, 2013.

On Direct Tax: We had suggested an increase in the amount of deduction in respect of interest on housing loan. This was considered and an additional deduction of Rs. 1 lakh has been proposed in respect of interest on loan taken for purchase of the first house. We would be seeking clarification as well as submitting further suggestions through our Post-Budget Memorandum on certain issues arising out of this proposal. Considering the difficulties being faced by our membership with regard to valuation under Section 50C, we had submitted that the section should require adoption of stamp-duty value as on the date of agreement and not on the date of registration of such a transfer, which was appreciated and incorporated in Sections 56(2)(vii) and 43CA of the Bill. In order to dissuade cash payments, we had recommended a threshold limit for deduction under Sections 80GGB and 80GGC in respect of donations made in cash, which got accepted in principle, being the need of the hour. Many of our recommendations with regard to GAAR have also been incorporated.

On Indirect Tax: Our suggestions about an amendment in the definition of 'process amounting to manufacture or production of goods' and inclusion of the process of manufacture of products liable to excise duty under Medicinal and Toilet Preparation (Excise Duties) Act, 1955, with regard to Section 65B(40) of Finance Act, 1994, has been incorporated in the Finance Bill, 2013. We had also submitted with regard to Section 77(1) of Finance Act, 1994, that in case of non-registration, a suitable cap be provided on the amount of penalty to be levied, which was accepted as the cap on maximum penalty for failure to obtain registration has been decided. On our recommendation with regard to the Rule 7 of Service Tax Rules, 1994, the format of ST-3 Return was revised and the field for entering amount of exemption of R&D cess from service tax was inserted. With regard to Section 96A (b) (iii) of Finance Act, 1994 and Sections 35C (2A) and 35D of Central Excise Act, 1994, our submissions were partially accepted.

Initiatives for Effective Bank-Branch Audit

We are concerned that all the public-sector bank branches having outstanding advances of more than ₹20 crore and rest of the branches only 1/5th every year will be subject to statutory branch audits. We met many parliamentarians including the officials from Finance Ministry and communicated our concerns on non-audit of branches of banks. Recent media reports on non-compliance with KYC norms and AML Guidelines by some of the banks and the

report of Comptroller and Auditor General of India on Agricultural Debt Waiver and Debt Relief Scheme, 2008, is a matter of concern. We professionals need to rise to the occasion to prove our quality.

Bank Audit and Audit Report Format

Members will become busy in April for completing Audits for year ending 31st March, 2013, especially listed companies and, more particularly, bank branch audits. With regard to bank branch audits, the RBI has observed that some statutory auditors of banks claimed that bank's (branch's) failure to make adequate provisions was reported in the long-form audit report (LFAR), but not in the Auditor's Report. Therefore, any matter affecting the *true and fair view* of financial statements like inadequate provisioning of advances should be reported in the Auditor's Report also.

In response to the concerns raised by RBI, the ICAI's 2013 Guidance Note on Audit of Banks presents a guidance on this aspect (*ref: para 3.44 of Chapter 3 of Part I*), and an illustrative format of bank branch auditor's report in its Appendix. An expert panel has also been constituted by the ICAI to deal with members' technical queries relating to bank branch audits, which is open from 26th March 2013 to 10th April 2013. The details in this regard have been published elsewhere in the Journal. With respect to the Auditor's Report, the members should comply with the three standards issued by ICAI, viz. SA 700 (Revised), SA 705 and SA 706, which are applicable for the periods commencing on or after 1st April, 2012. Complete text of these SAs is available on ICAI's website.

Get Your Journal on Mobile/Tablet

Technology is altering the media business dramatically and irreversibly. Given the changing reader habits and a huge potential of cost savings in shifting from print to digital, we at *The Chartered Accountant* journal are promoting a combination of print and digital versions. As you know, we already have a highly user-friendly e-journal hosted on our website with journal highlights being regularly e-mailed to our members. Taking this drive forward, we have now made our e-Journal compatible on iOS (used by mobile phones and tablets like iPhone, iPad, etc.) and android devices from 1st March, 2012, to enable our readers to browse through the journal just at the push of a button anywhere, anytime. You may now access the e-journal on the above mentioned platforms without any specific download requirements, under *e-Journal* tab at <http://www.icaai.org/>. This initiative is part of our commitment to keep pace with changing times, technology and innovation.

Health/Professional Indemnity Insurance for Members & Students

We recently signed an MoU with the New India Assurance Co. Ltd. and arranged a facility of customised health insurance and professional indemnity insurance for our members. Health insurance that has features like no health check-up, no age limit, no entry barrier, premium discount in lieu of cumulative bonus, 5% discount in premium to be paid to insurance company, etc., is for members and students of the ICAI. Our MoU with New India Assurance Co. Ltd. also provides an insurance protection for members-in-practice/firms in the form of special professional indemnity insurance at a reasonable premium, i.e. 85% discount on market rate. Both the insurance schemes have already been made effective. Website <http://icaai.newindia.co.in> could be checked to know the details and to apply online for insurance.

CAs— Ever Changing, Never Changing

Mahatma Gandhi had advised: *...you must be the change you wish to see in the world*. I sincerely believe in that. In fact, change is the only phenomenon that has been constant in this world. The spirit to change *vis-à-vis* time has put us on a high pedestal professionally in our country. Some achiever had said: *...continuity gives us roots; change gives us branches, letting us stretch and grow and reach new heights*. As you know, the Action Plan for this Council Year is ***embedding sustainability & developing leadership through core values, distinguished virtues and focused vision***; this will require certain changes in the work environment in the ICAI too. These changes have to be in line with the betterment of accountancy profession and its membership, and society as a whole. Celebrated coach Bob Proctor says: *It does not matter where you are, you are nowhere compared to where you can go*. Therefore, our passion and endeavours to aim at becoming the best in profession globally will remain unaffected, considering that a pursuit of excellence is a journey of continuous and ongoing efforts; we promise to keep marching ahead in action.

However, in these times of change, what shall remain unchanged is our passion to be on top of the accounting world, and our commitment to our professional ethos and ethics. Let's recall a line from the Mahabharata which is as relevant today as it was then, which says: *No matter what conditions you encounter in life, your right is only to the efforts, not to the fruits thereof. You should not be impelled to act for selfish reasons, nor should you be attached to inaction*.

Come Forward and Strengthen CABF

I appeal all stakeholders of our profession to come forward and actively support and contribute for the cause of membership of accountancy profession, i.e. Chartered Accountants Benevolent Fund (CABF), which is an initiative of ICAI to provide financial assistance to our members-in-distress for sustenance. Contributions to CABF are exempted under Section 80(G) of the Income-tax Act, 1961. We have been helping the accounting fraternity using this Fund for quite some years. We sincerely need to increase the corpus of the fund so that we may bring back smiles on the faces of more needy families from our professional fraternity.

Sincere Article Training Goes a Long Way in Life

Somebody had said: *Never surrender before. It is not part of our training.* Our students should remember this. Future of accountancy profession in India depends on the efficacy of the system of article training, which is an integral aspect of the CA course. As a senior and an experienced in the field and from this high office of accountancy profession in India, I can assure our students that training with sincerity will take them much ahead in professional life, and help in evolving their basic personality. In the past, we have taken many initiatives in this regard, like bringing out guidelines on article training, with an objective to ensure that students take the training sincerely and seriously. Remember, practical training is the cornerstone for our profession.

Opportunities & Consolidation

It's time for the CA fraternity to change its mindset and start developing itself with the changing technology scenario. Opportunities are coming up in the domains of ITATs, internal audit, VAT audit, insurance and risk management, excise, consultancy, international taxation, transfer pricing, cross-border transactions, merger & acquisition, etc. We need to tap them. Many a time, these come disguised as difficult situations. Let's not wait for extraordinary opportunities and instead seize common occasions and make them great. It is the weak who wait for opportunities, the strong simply make them.

Now, firms can be formed as limited liability partnership. Networking is beneficial but not essential and enough for survival and for a long-term growth. As such, consolidation could be the key to a sustainable long-term growth of the profession. Consolidation of smaller firms can change the scene and can bring in effective competition in the market for large company audit services. Besides building great opportunities, consolidation may also result in higher expectations and responsibilities. But with

the quantity and quality of training and education our members and students undergo, we could meet any professional challenge.

Membership Restoration for Empowerment

Considering the multifarious activities being taken up by the ICAI today to empower its members and make them stand as one of the best in profession globally in these critical times, I would like to appeal to all the chartered accountants who are not members of the Institute at present, to restore their membership in order to avail the benefits of empowerment initiatives taken by their alma mater, i.e. the ICAI. The members of ICAI enjoy many privileges such as training programmes to bring them up as globally-competent professionals. Knowledge is power and, in this way, the ICAI intends to make its members powerful. Programmes also give opportunities to the members to network with the accounting stakeholders, apart from getting updated in matters of professional interest. Membership of the Institute is a privilege, as it helps you in keeping connected to your roots.

Advocating Women Empowerment

It is actually encouraging that the Government proposes to set up banks for women. This step becomes quite significant as the CSR activities that the Ministry of Corporate Affairs has proposed to the corporate houses to take up, include promotion of gender equality and women empowerment, and contribution for socio-economic development for the welfare of the backward and minority including women.

Women empowerment should be an essential item on the agenda of our times if we want to see our nation in the category of really-developed nations. The result of our efforts in this regard is for everybody to observe. The fact that the topper of CA Final examination this time is a girl called Prema Jayakumar, that too coming from a humble background, indicates a lot on the change that the ICAI has effected over the years. I take pride in pronouncing that this is not a story of exception. Percentage of women members too is on the rise.

Best wishes



CA. Subodh Kumar Agrawal

President, ICAI

New Delhi, March 23, 2013