



CA. Subodh Kumar Agrawal, President, ICAI

### Dear Friends,

Ethics is all about our becoming and feeling responsible about everything that is around us. We are responsible only when we appreciate everything that is ethical and denounce all that is not ethical around us. I would like our membership to ensure that they always go for the stricter interpretation, foregoing the liberal one wherever and whenever they realise a presence of two interpretations on a matter of professional interest, despite both being legal. Such a courageous display of moral conduct will inspire not only generations of our professionals, but also those from other walks of life.

Thomas More, in his *Utopia*, raises the same question when he asks: *Having distinguished between three types of 'good', psychological, physiological, and environmental, they proceed to ask whether the term is strictly applicable to all of them or only to the first.* Our past-President Shri R. C. Cooper also echoes More while writing the first preface to the ICAI's *Code of Ethics*: *...practice of professional ethics is largely a matter of conscience and the determination of*

*members to distinguish between what is right and wrong. Ethics is a state of the mind.* He goes on to explain: *...there may be some acts which, though may not strictly fall under one of the items of the Schedule, may be one which may not be proper by any moral or ethical standards.* Very intimately and yet with sincere concerns, he advises all of us to act *in the larger interests of the Institute*, and to *search our hearts and conscience whenever in doubt.*

Let me assure our young members who have recently joined or are going to join the profession that the *Code of Ethics* being an appeal to act with conscience in the larger interests of our society, is there for all to inspire our ardour, good intention and enthusiasm. Let us present more ethical examples before our nation.

Recently, the Union Finance Minister Shri P. Chidambaram, while warning corporate giants against willful defaults, had asked the banks to constitute a board-level committee to monitor loan recoveries, and expressed his faith in our disciplinary mechanism when he said: *We have also told banks to lodge formal complaints with the ICAI, if the auditors of the borrower have been negligent or deficient in their auditing.* I assure him that we have been taking strict measures and we will do everything to keep the ethical values of our profession intact.

### Another CSR Initiative Advanced

In deference to the CSR initiative of the Ministry of Corporate Affairs, recognising its social obligations as a partner-in-nation-building, the ICAI Council has decided at its recent meeting that the ICAI, through its dedicated network at the Regional and Branch-level centres, will seek volunteers from amongst its eligible members for offering free audit services to at least 100 auditable entities, to start with, viz. to undertake *pro bono* and *gratis* and complete audit in terms of applicable Generally Accepted Accounting Principles. It has been decided that the target beneficiaries would be selected from amongst those engaged in micro and small enterprises, located in tribal, remote and rural areas, belonging to underprivileged/disadvantaged sections of our society, differently abled and deserving

but deprived classes. The ICAI will soon invite applications from its interested members/firms for necessary empanelment, which will then be submitted to the Ministry of Corporate Affairs.

### Consensus Needed on Indian Financial Code Bill Proposal

The Government-appointed Financial Sector Legislative Reforms Commission (FSLRC) headed by Justice B. N. Srikrishna has finally given its long-awaited report proposing an Indian Financial Code Bill containing 450 clauses and six schedules, which mainly seeks to merge the SEBI, the Forward Markets Commission, the IRDA and the PFRDA under one Unified Financial Agency (UFA) among other sweeping measures. Further, it also proposes to limit the role of the RBI to monetary management. Explaining why the vast changes in the system of financial regulation and management is necessary, the report said: *The Commission is mindful that over the coming 25 to 30 years, Indian GDP is likely to become eight times larger than the present level, and is likely to be bigger than the United States GDP as of today... The aspiration of the Commission is to draft a body of law that will stand the test of time.* The inherent aim is to reform financial sector regulations for the longer term in keeping with systemic risks involved in financial management. The proposed Bill puts consumer protection at the centre of all regulations.

However, the move has stirred a lot of debate on its pros and cons in the Indian financial world. Though the intention and objectives of the proposed Bill are to be appreciated, the proposed wide-ranging re-engineering of financial regulatory framework needs to be debated and analysed threadbare in the public domain before it is concretised and taken to Parliament.

### Meeting with Union Finance Minister

I recently attended the first meeting of the reconstituted Central Direct Taxes Advisory Committee, which was chaired by Hon'ble Finance Minister Shri P. Chidambaram. Minister of State (Revenue) Shri Namo Narain Meena, Advisor to Finance Minister Shri Parthasarathi Shome, and CBDT Chairperson Dr. Poonam K. Saxena,

among other senior officials of CBDT were also present. Representatives from FICCI, ASSOCHAM, Federation of Association of Small Industries of India, Trade Commerce and Industry, etc., also attended the meeting.

At the meeting, I on behalf of ICAI submitted a detailed note suggesting measures for developing and encouraging mutual understanding and co-operation between tax payers and the Income Tax Department and removing administrative and procedural difficulties of a general nature. I also specifically highlighted ICAI's views relating to Tax Accounting Standards, need for an online grievance mechanism for e-filing and TDS and changes desired in ITR forms and Form No. 3CD pursuant to change in the revised Schedule VI.

### Sincerely for the Cause of Membership

I would again appeal all our members and other stakeholders of our profession to contribute in matter and spirit in order to empower our sincere initiative for the cause of our membership, *Chartered Accountants Benevolent Fund*, which provides fiscal aid and assistance to all our members-in-distress for support and sustenance. Therefore, at present, all we need to do is to strengthen and build up the Fund's corpus. As you know, contributions to CABF are exempted under Section 80(G) of the Income-tax Act, 1961. Help us help our accounting fraternity in need and bring back some relief in their life.

### Creativity and Innovation Must for Actual Success

According to a recent IBM survey, creativity and innovation is the most sought-after trait in leaders today. Most people are born creative, and remain so, particularly as children. Give a child a paper and pencil and he/she will immediately get down to 'create'. But overtime, as we grow, because of socialisation and formal education, a lot of us start to stifle the creative impulses. Most of us professionals are no exception to this phenomenon. As such, I, as the leader of accountancy profession in India, would like to see my professional fraternity to rediscover its creative confidence—the natural ability to come up with new ideas and courage to try them out. To do this, what we all need is to get past four fears that hold most of us

back: *fear of messy unknowns, fear of being judged, fear of first step and fear of losing control.* You might argue that it is easier said than done. But, for sure, it is possible. To begin with, we may break challenges down into small steps and then build confidence by succeeding one after another. Creativity to me is something you practice. The process may feel a little uncomfortable at first but later on the discomfort quickly fades away and is replaced with new confidence and capabilities. Do try it out to make a difference to what we do as professionals.

Life is more than accumulation of things money can buy. Life is more than collecting rewards and accolades competing with others. Life is more than gaining attention and admiring glances when you are with people. Life is more than playing a game of one-upmanship. Instead, life is about 'creating something special'. There are enough people who believe the ultimate objective of life is to accumulate enough wealth and fame, create a safety nest for their immediate family and live life happily. This is what most people define as success. But if you take it from me, the goal of life should never be this 'success'. It should be 'significance.' And the more we create, the more we are significant. Otherwise, we are in a mirage called success. While success is 'produced', impact is 'created'. So, let's come forward and create an impeccable impact as professionals, singularly as well as collectively.

### **Reporting of Foreign Currency Gains and Losses**

We have suggested making it mandatory for companies to report foreign currency gains and losses separately in their financial statements. Companies will now have to separately state the impact of foreign exchange fluctuations in their balance sheets. This change will help a reader of the financial statement understand as to how much impact the foreign currency has had on the company. The move will help avoid divergence in accounting and bring more transparency in reporting of numbers. From now on, companies should show the Foreign Currency Monetary Item Translation Difference Account (FCMITDA) separately, under which they have to show foreign currency fluctuations "under

the 'Equity and Liabilities' side of the balance sheet under the head 'Reserve and Surplus.'" These changes were approved at our last Council meeting. Further, we have suggested changes in reporting of gains or losses with regard to hedging instruments related to long term foreign currency items. It is suggested that Exchange difference related to the hedging instrument obtained to cover the exchange risk on long term foreign currency monetary items should also be separately shown in the balance sheet.

### **Requirements Arising from SEBI Circular**

Members may note that the SEBI had issued a circular CIR/CFD/DIL/7/2011 dated October 5, 2011, regarding certain amendments to the Equity, IDR and SME Equity Listing Agreements. Paragraph 2(a)(ii) of the circular requires that "Listed entities shall also submit the last quarter results along with the audited annual results." This requirement has also been incorporated into the format of the listing agreement, in paragraph 41.I.(d) which reads: *The company shall submit audited financial results for the entire financial year, within sixty days of the end of the financial year. The company shall also submit the audited financial results in respect of the last quarter alongwith the results for the entire financial year, with a note that the figures of last quarter are the balancing figures between audited figures in respect of the full financial year and the published year to date figures up to the third quarter of the current financial year.*

This requirement was subsequently deferred, but will apply for financial years ended March 31, 2013 and thereafter. This amendment, therefore, requires companies to submit the audited financial results for the last quarter, which would be derived as the balancing figure between the full year's results, and the published year-to-date figures up to the end of the third quarter of the financial year. Members are advised to please take note of this requirement.

### **Submission of Post-Budget Memoranda 2013**

The Finance Bill 2013 has given the country the direction for inclusive and sustainable growth with fiscal consolidation. To further the grand objectives and efficacy of Finance Bill 2013, and to make it more practical and people

& economy-friendly, we have given a number of suggestions in our Post-Budget Memoranda on Direct and Indirect Taxes to the Ministry of Finance for their consideration. These memoranda have also been hosted on our website. In these memoranda, we have suggested certain amendments, which would greatly help the Government to achieve the desired objectives besides making tax laws simple, fair and transparent so as to avoid litigation.

### **Representation to CBDT with regard to Specified Domestic Transactions**

As the members are aware, the Finance Act, 2012 amended the provisions of Chapter X to encompass within its ambit certain specified domestic transactions. Consequently, changes have been made in the various provisions including section 92E, which now requires every person who has entered into an international transaction or specified domestic transaction to obtain a report from a chartered accountant in a prescribed format within specified time i.e., due date of filing of return under section 139(1). Further, Rule 10E provides that such report shall be in Form No. 3CEB. In order to incorporate the amendment made by the Finance Act, 2012, Form No. 3CEB is yet to be amended or a separate form is to be notified, as the case may be, in which report of an accountant is required to be furnished in respect of specified domestic transactions. As the report is to be issued by the chartered accountants, ICAI has requested CBDT to allow it to participate in the process of preparation of the aforesaid revised format. ICAI has further suggested exemption from applicability of Domestic Transfer Pricing provisions for certain transactions.

### **May 2013 Examinations, e-Learning and GMCS**

I wish all our students all the best for their May 2013 Examinations, as I am sure they must have prepared hard for them. The key is to prepare and write examinations intelligently rather than stressing yourselves out, and with an enlightened mind.

Our e-learning for Common Proficiency Course and Intermediate (IPC) Course has helped a lot of you so far, which could be as

certained from 20,000+ student registrations, 84,000+ e-Learning Hours by Students, 2,00,000+ Visitor Count. Today, students qualifying our Chartered Accountant examinations are more confident in communication skills, including presentations, by undergoing GMCS courses during their article training. These courses help them in improving their intelligence in this global competitive environment. I would urge the students to complete the GMCS courses as early as possible, which will help them in changing their outlook and transform them into more confident and competent personalities.

### **More Facilities in Mobile Version of Journal**

We have incorporated the podcast and bookmark facility in the mobile compatible (on iOS, Android, tablet platform) version of e-Journal. Members can now also listen to the textual material instead of reading and can make optimum use of their time while travelling.

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Acclaimed poet John Milton hails the present month of May, since it inspires, mirth and youth and warm desire in us to act—to do something for us, our people and our society. May is also here to warn for two reasons—first, we are about to cross the year's first half and, second, the Summer is at our doors. Therefore, it is time to introspect and prepare; it is time to assess and act; it is time to recall what we have promised at the start.

I assure all of you to be there with you always in action and spirit, while you enjoy your life and feel the gladness of the May, with your heart.

Best wishes



**CA. Subodh Kumar Agrawal**

**President, ICAI**

New Delhi, April 23, 2013