



CA. Subodh Kumar Agrawal, President, ICAI

Dear Friends,

We have come quite close to end of the year 2013. And, I must admit we have really come a very long way from our formative years. Look at the way we have progressed and grown in our country as well as in the world. We are the second largest accounting body of the world. All stakeholders of the accountancy profession are responsible for this success and development, and I am really grateful to them for lending their complete support along with keeping their warmth and faith intact. All our members have been with their *alma mater* at every stage of its development. While I am happy with the development in the profession, I would never like this contentment to come in the way of our ongoing efforts and endeavours. For about six and a half decades in the past, the accountancy profession has taken up many measures constantly to maintain and regulate the robust Indian economy.

I do not believe in a big step or a giant leap towards success—for me, it is always a collection of smaller steps and that may be successes and

failures, which are part of everybody's life. Failures make us wise provided we understand the story of failures and the message behind them, provided we take failures also in our stride. If we know the true meaning of failures, we will ultimately be able to move ahead and write our own success stories. We should stop living in the past, and defending our failures. Influential artist and philosopher Elbert Hubbard says: *There is no failure except in no longer trying*. Celebrated motivator Dale Carnegie confirms that and says: *Most of the important things in the world have been accomplished by people who have kept on trying when there seemed to be no hope at all*.

Besides helping our own government constantly in updating their accounting and auditing skills, we have also reached out to our stakeholders abroad extending our technical expertise and infrastructure support. Rising constantly since its inception in 1949, we have now 22 foreign chapters to help accountancy grow and prosper in the respective regions, and to educate and train concerned professionals. Our international associations including MRAs and MoUs have been growing. Every Council year, we organise an international conference not just to showcase the global and national professional growth and competence, but also to register a strong professional presence before the national and international accountancy fraternity.

Some of the remarkable developments in the matters pertaining to accountancy, economy and finance that took place over the past one month are:

International Conference in Kolkata

A three-day International Conference was successfully concluded in Kolkata on 23rd November, 2013, and a record number of delegates registered and actively participated and deliberated during the Conference on the issues including global opportunities for Chartered Accountants; banking sector—navigating through maze; emerging paradigms in education, technical standards and company law; competency mapping for capacity development of profession—country perspectives; sustainability and value creation—emerging paradigms; IT—rewriting rules of business; role of public enterprises in nation-building; expanding trade through innovation and

digital economy; global competitiveness—evolving dimensions of trade; sustainable growth through financial inclusion; and developing nation through wealth creation.

The Conference was inaugurated by the Chief Guest Hon'ble President of India Shri Pranab Mukherjee on 21st November, 2013. Union Minority Affairs Minister CA. K. Rahman Khan, West Bengal Governor Shri M.K. Narayanan and West Bengal Commerce & Industry Minister Shri Partha Chatterjee were the Guests of Honour on the occasion. Hon'ble President of India Shri Pranab Mukherjee praised the sincerity with which the Chartered Accountants today are playing their role and coming all out in support of the Government's initiatives and measures. While addressing the participants, Union Minority Affairs Minister CA. K. Rahman Khan challenged his, i.e. Chartered Accountants', fraternity to take up more responsibility and measures to regulate and uplift the financial sector of the country. West Bengal Governor Shri M. K. Narayanan and the Commerce & Industry Minister also praised the contribution of Chartered Accountants in the Indian economy.

Dignitaries across the world from the professional fraternity came to Kolkata to participate. Union Bank of India CMD, ONGC CMD and Member of Parliament CA. Piyush Goyal, among others, also addressed the participants on the first day. The second day started with a panel discussion on global professional opportunities and ICAI's foreign Chapter Chairs and past-Chairs joined the panel to illuminate the participants. CAPA President and Deputy-President addressed the professional concerns and contributions from the Asian continent. ICAI past-Presidents, ICRA Chair, NSDC CEO and Canara Bank CMD, among others, were some of the speakers on the second day. An MoU between ICAI and AASB of Bhutan was also signed, and AASB Chair of Bhutan spoke at length on happiness index on the occasion. This MoU is yet another example of our commitment to help and support the cause of professional development in all parts of the world. West Bengal Finance and Excise Minister, ICSI President, and President of Institute of Cost Accountants of India, among others, were other prominent speakers on the last day. (A detailed

report on the International Conference has been published elsewhere in this Journal.)

Auditors and Changing Economic Conditions

As the year-end approaches, changing economic conditions might require the auditor to reassess the appropriateness of the planned audit strategy, materiality levels, risk assessments (including identified fraud risks and other significant risks), and planned audit responses. Such a reassessment is especially important if the auditor planned the audit and performed the initial risk assessment procedures early in the year or performed initial testing as of or through an interim date. Audit planning is not a discrete phase of an audit but, rather, a continual and iterative process. The nature and extent of planning activities necessary depend on, among other things, changes in circumstances that occur during the audit. Accordingly, the auditor should modify the overall audit strategy and the audit plan as per the changing economic conditions and amendments in relevant laws. Our auditors must be aware of the risks of material misstatements in the financial statements they audit in today's volatile economic environment. You must be aware that with the responsibility of navigating more complex reporting standards and new technologies, coupled with momentum building among regulators across the world for mandatory rotation of auditors, we find ourselves more than ever under public scrutiny. As such, today's auditor needs a heightened skill set from those of a generation ago, as not only have standards become more complex with more companies engaging in global commerce but at the same time the techniques for perpetrating fraud have also become all the more complex. A 21st century auditor must brandish a toolkit that includes an IT systems pedigree and a good knowledge of forensics, valuations and regulations, while maintaining the traditional degree of scepticism and professional judgment that are the foundations of audit and attest work. Despite quantum changes in auditing technology and reams of evolving standards, critical thinking and communication remain among the top prerequisites for auditing. Auditing was and always will be a thinking person's profession. A piece of software will never replace that. Let's arm ourselves with the best of practices,

best of professional ethics and best of proactive critical thinking as auditors in the days and years to come.

Importance of Ind AS converged with IFRS

High-quality financial reporting standards in the form of Indian accounting standards converged with IFRS are essential for transparency and comparability and for the efficient functioning of companies and capital markets. Implementation of Ind ASs converged with IFRS are in our country's domestic interests and the best way to protect investors. In a global economy, investors need a global accounting language and IFRSs is the only answer today. As such, we should become experts of Ind ASs and practically demonstrate deep commitment of this country to reliable financial reporting. All of us—whether we prepare financial statements, verify the integrity of financial statements or study the numbers to understand the performance of a commercial enterprise—are part of a global effort to reverse the economic slowdown. Our efforts in this regard have already started producing results. Being converged and not changed, our standards will have a national flavour fostering quality financial information, promoting confidence in the industry, accelerating and facilitating economic integration.

RBI Measures on Bad Loans Soon

Reserve Bank of India will very soon announce measures to tackle the issue of banks sweeping bad loans under the carpet. According to the RBI, the measures will encourage banks to report troubled borrowers early and incentivise resolutions of bad loans and their fair recovery. At present, all decisions in this context are greeted with suspicion and scrutinised for an evidence of malfeasance. The Finance Ministry has assured that bankers will not be penalised for their honest and poor decisions, provided they consider all existing facts and take the decision in the right forum. Fear of vigilance action is another factor that inhibits the public-sector banks from resolving their bad loans and in selling distressed assets at written-down rates. According to the RBI Governor, the system is required to recognise the financial distress early and take steps to resolve it, and it should recover fairly in the interests of investors and lenders.

Inflation and Economic Inclusive Growth

Inflation appears because of high demand and less supply, and therefore there has to be some balance in order to have some order in the economy in the country. The economy is getting back on track. The momentum is being captured. While it is true that inflation is there in food and service sectors, sustained real wage growth over the last few years has generated a bigger mass of purchasing power in rural India. Trade deficit has come down by almost 50% from that a year ago. Falling external deficit strongly indicates that our rupee will soon be strengthened. Acknowledging this change, multinational companies and conglomerates are investing in our country.

Companies Act, 2013 not Applicable for May 2014 Examinations

I would like to inform our students that the Companies Act, 2013 notified in the Official Gazette on 30th August, 2013, (with partial enforcement of only 98 sections of the Companies Act, 2013 from 12th September, 2013) shall not be applicable to the May 2014 examinations of both Intermediate (IPC) and Final Courses.

Suggestions for Pre-Budget Memorandum 2014 Invited

We are in the process of identifying issues for inclusion in the Pre-Budget Memoranda-2014 that we will submit to the Ministry of Finance as part of our responsibility. We have invited suggestions from all our stakeholders on laws relating to Direct Taxes (including International Taxation) and Indirect Taxes. Suggestions relating to Direct Taxes have been invited under: suggestions for widening the tax base and increasing the tax revenue; suggestions to check tax avoidance; suggestions to reduce/minimise litigations; suggestions for rationalisation of the provisions of Direct Tax Laws and suggestions for removing administrative and procedural difficulties relating to Direct Taxes. Suggestions relating to Indirect Taxes have been invited to cover the Central Excise Law, the Customs Law, the Service Tax Law and the Central State Tax Act, 1956.

DVD of 61 Years of The Chartered Accountant Journal Released

In our efforts to inform and update our members and other stakeholders, we have recently launched a DVD containing 61 years of *The Chartered Accountant* journal, during the

recently-held ICAI International Conference in Kolkata. Union Minister of Minority Affairs CA. K. Rahman Khan and Member of Parliament CA. Piyush Goyal launched this coveted and long-awaited DVD on the first day of the Conference. This HTML-version DVD has journal issues from July 1952 to June 2013 in a searchable mode. Readers can global search the contents through key words relating to accounting, auditing, taxation, etc., besides searching by month, year, volume, category (like Circulars & Notifications, ICAI News, Legal Decisions, etc.), author, etc. This will be a New Year gift to all our stakeholders including our members, as the DVD will be available for sale by the Institute on 1st January, 2014, onwards.

Being passionate about my profession, I have been quite certain in my heart about what my *alma mater*, my profession should achieve and where it should move towards. Growth that the accountancy profession has achieved in the recent past since February this year has been a product of sincere and coordinated efforts of our stakeholders. I have just tried to give it a direction and momentum. Let me acknowledge that the employees of my *alma mater* have stood in the thick and thin of the profession in these months with all their heart and blood. I am quite proud to acknowledge their sense of responsibility. All we have done to each other is to support and motivate. Let me admit that it will not be easy maintaining the momentum we have acquired at present.

The key will be only to act in all instances. Our condition improves and gets better by change that we bring to that with our endeavours. Nothing improves by chance. Whatever efforts we make in our day-to-day life, bring us eventually closer to betterment. Very beautifully and wisely, Norman Vincent Peale comments on our actions: *The secret of life isn't what happens to you, but what you do with what happens to you.* All of us have the power to defeat and win. We will have to discover our own methods. Let us not be bothered about our worries and anxieties. Once active, they will start vanishing—and this is what psychiatrists and counsellors also say. I believe in

what the musician Nora Roberts has to say about our efforts: *If you don't go after what you want, you'll never have it. If you don't ask, the answer is always no. If you don't step forward, you're always in the same place.* Therefore, let us act and move our steps to success.

Like liberty, power too comes with a sense of responsibility. When we get power, our responsibility is to use that power to empower others around us. Then we have to respect others who do not have that. A happy and inclusive environment needs to be put in place. We will not be happy, if people around us are not. That is what we do in order to celebrate our happiness, i.e., to make others happy for the moment so that we can celebrate our moments. Now, all we are required to do is to put this understanding in practice in larger perspectives too. That is what good leaders do. They try to serve their people using their knowledge and skills, and they understand that life is more about the people who love them. When we are at the helm of affairs, we have bigger responsibilities, and the dedication and perseverance present in us are of great help. All of us have power to do something extraordinary. We only have to believe in ourselves.

My accountancy profession has helped me in developing real-time personal management skills, and has ultimately helped me in understanding the significance of ethics and social responsibility in our life. Pursuing our profession with both our heart and brain helps in achieving that objective.

I would like to extend my Merry Christmas wishes to all of you in advance. Let us celebrate together.

Best wishes



CA. Subodh Kumar Agrawal
President, ICAI

New Delhi, November 25, 2013