

Forward March of the Profession: Challenges and Opportunities



In this article, the author, who is a Padma Shri awardee, lists and discusses in brief, the opportunities emerging in the fields of taxation (direct and indirect), management consultancy, litigation-tax appeals, etc., and challenges from the economic environment as well as within the profession. As readers, we are sure to get to understand his perspective on how the accountancy profession can sustain and grow in the present economic context in the nation as well as globally. Read on to understand the challenges and opportunities in the way of forward march of accountancy profession...



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Introduction

The people of India, represented by 554 million voters (66.4% out of 834 million eligible voters) have done a silent revolution by putting in place a new Government, reinforcing the supremacy of the power of the *ballot* in India, the largest democracy and one of the most promising economies of the emerging world. The Prime Minister, who knelt with reverence to the temple of democracy while entering the Parliament, has listed out 10 priorities and has set a deadline of 100 days for moving forward with visible progress. The PM, assuring the top-level bureaucracy of protection for action done in good faith seems to have liberated them from policy

paralysis syndrome. By promising tough measures in the near future and wanting to transform the image of the country from *scam India* to *skill India*, a lot of hope has been triggered all around. It is time that the ICAI too gears up to play its share of role as partner in nation-building by active association in the policy formulations by relevant Ministries and also in facilitating implementation thereof in an appropriate manner. Be that as it may, this article intends to capture the emerging opportunities and challenges down the line for the profession.

Emerging Opportunities

Women Directors: It is interesting to note that there is a steep increase in the emergence of female members. In 2000, female members of the ICAI accounted for about 8% whereas in 2010 it stood at 16% of the overall membership. This implies that the percentage of composition of 8% achieved over 50 years since inception of the profession in 1949, has been doubled in the subsequent 10 years. Further, as on date, the strength of female members accounting for 49,221 has crossed 21% of the total membership strength of 2,30,690, which is quite commendable.

Between 2000 and 2010, the growth of total membership is 71,142 out of which the female membership accounts for 18,397 (26%). Over the next four years, i.e., 2011 to 2014, overall growth in the membership was 66,568, out of which female members account for 22,998 (35%) which is impressive enough to applaud them. The new company law mandating specified companies to include one women director in the Board should prompt the ICAI to develop a mechanism of training and empanelling women chartered accountants to become eligible for that position.

Assurance Function: Since the new company law requires rotation of auditors, opportunities may knock on the door of many of the medium and big

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firms in due course of time. There is a possibility to get new audits of bigger magnitude which otherwise may not have come within the fold of certain medium firms. On the assurance services front, forensic auditing is gaining significance with more and more frauds being unearthed. Henceforth, it would not be very easy to say that audit function is not meant to detect frauds. It is unfortunate that the distinction between audit and investigation is shrinking. Therefore, a section of the members may look at forensic auditing as a branch of specialisation.

Indirect Taxes: The service sector contributes about 55% of the GDP of the Indian economy. The avenue of practice in indirect taxes and more particularly in service tax-related areas is widening. Although one is not sure as to when the legislation relating to GST will be implemented in India, India can't shy away for long without enacting such a system. Therefore, GST practice would be a promising area for many firms.

Direct Taxes: The area relating to Transfer pricing is yet another branch of taxation which is throwing up lot of opportunities. Transfer pricing is now made applicable not only with reference to International transactions but also with reference to specified domestic transactions and therefore covers large number of cases. Advisory role on determination of arm's length price, on applicability of Safe Harbour rules and also facilitating the entering into advance pricing agreement are all niche areas one can look at positively.

Yet another potential area for development on account of the globalisation, e-commerce, cross-border investments and the consequent convergence will be the evolution of international taxation as a wider area of practice. Hitherto, the scope in this discipline is restricted to a section of professionals who are specialising in this field in metro cities. Soon, the scope will expand providing opportunities to more firms in tier II and III cities as well. In fact, every mid-size firm may have to earmark a partner to take care of this area if they intend to grow. Expertise in DTAAs of specific countries could be an area of specialisation for a professional.

Litigation-Tax Appeals: Appellate work, which was carried on as a part of tax representation work in

Accountancy in Future Perspective

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a routine manner, is gaining a different dimension these days. Besides the usual appellate forums, CIT (Appeals) and ITAT, there are other remedies that have emerged such as *Dispute Resolution Panel, Authority for Advance Ruling and Settlement Commission*. Transfer pricing related litigation is assuming an alarming proportion in recent times. Further, tax litigation in service tax related matters is pregnant with opportunities due to numerous issues cropping up.

Management Consultancy: Besides the traditional areas of practice, accounting professionals in India have tremendous opportunities in the field of management consultancy services. Chartered accountants can contribute in terms of business-plan advisory, finance and capital advisory services enabling their clients to pick and choose the funding options available in the market. The wide range of services that flows in the consultancy field include services relating to project appraisal and funding by way of private equity or other means; IPO; valuation; due diligence; restructuring of business; merger and acquisitions; risk assessment; debt syndication; IFRS- IND As convergence; cost optimisation; payroll processing; ERP implementation; BPO and KPO services and wealth management. Knowledge in these areas would bring immense opportunities and there is no dearth of work for a professional who has the skill set to venture into these areas.

Virtual CFO: Chartered accountants can choose to operate in the role of a *virtual CFO* for a few small and medium-sized entities. There are many family-owned concerns which may not be inclined to appoint a CFO or which may not afford a full-time CFO. By being a retainer to a few such enterprises, chartered accountants can effectively deliver qualitative services simultaneously to at least half a dozen such enterprises, if not more.

This is an emerging opportunity that can be tapped by chartered accountants who have the required aptitude and acumen.

Challenges

The emerging areas of opportunities indicated above call for different skill-sets, knowledge and delivery mechanism. There is one significant difference between the consultancy field and the traditional areas of practice encompassing statutory audit, tax audit, etc. Competitive environment in the latter is confined within the profession being an exclusive domain of practice, whereas in the former it is non-exclusive and widespread. Chartered accountants embarking up on rendering consultancy services have to compete with multinational entities, corporate bodies and other professionals in the management consultancy field.

These days, it is a challenge for the SMPs to retain their client base. The world is so dynamic that even to keep secured to a place, one needs to be always on the move. Empowerment is the solution for sustainability in this competitive world and the challenging measures required for empowering a professional firm can be illustratively listed out as follows:

- (i) Keeping abreast with the changes and equipping in emerging areas by having periodical in-house and external in-depth training mechanism;
- (ii) Calibrated but continuous expansion with more partners and paid assistants besides entering into networking arrangements or by effecting mergers;
- (iii) Developing systems, procedures and controls in the functioning of the office;
- (iv) Quality reviews to ensure adherence to standards and maintaining of proper documentation in the course of delivery of services as envisaged in the Standards and relevant laws and regulations;
- (v) Investing in adequate infrastructure including technology, endeavour to design templates, develop database and knowledge bank;
- (vi) Position in different geographical locations to achieve pan India presence; and
- (vii) Aspire and work towards global presence besides being a member of a global network group or association.

In order to gear up to meet the expectations of the stakeholders and to be in the reckoning, firms will have to re-orient themselves to enable acquisition of skill-sets by partners and associates. These challenges

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demand reorientation in the approach and attitude of the professionals in public practice.

Strengthening of Practice Units

On a closer look at the following data relating to the composition of the firms in accountancy profession, it is not difficult to realise that most of them are small and medium practitioners (SMPs). To the growing Indian business enterprises, our profession is accountable to assure that our firms would measure up to the size that is required to ably cater to the array of services expected of them.

Composition	No. of Practice Units		
	2003	2014	Increase
Proprietary concern	33,561	41,022	7,461
2 Partners	7,464	8,981	1,517
3 to 5 partners	3,629	6,941	3,312
6 to 9 partners	824	1,414	590
10 to 15 partners	104	316	212
16 to 20 partners	25	57	32
Total	45,607	58,731	13,124

While it is heartening to see the increase in the number of the firms with more than 10 partners and more than 15 partners by more than 100% over the last one decade, it is indisputable that we still have a long way to go in the capacity building of the firms. There should be at least 100 firms in the category of above 15 partners and 500 firms in the category of more than 10 partners by the year 2020. With the advent of LLP status, the restriction in the number of partners to 20 does not arise and should be made use of for future growth and expansion.

Challenging Environment

The business philosophy and practices are degenerating in values due to which many frauds and scams are surfacing. There is lack of transparency and accountability in the usage of resources by the governments as well as by a section of entrepreneurs.

Manipulations and fudging in matters of finance and accounts are resorted to for various reasons and more particularly for evading tax outflows. In such an environment it is a challenge for the accounting profession to discharge the duties upholding standards and values. A profession like ours owes it to the society to possess the courage of conviction and perform our role in the best interest of the economy in order to establish an unblemished track record for the posterity to inherit.

The audit reports of the Comptroller and Auditor General of India on the allocation of spectrum in telecom sector as well as natural resources such as coal, has brought in accolades among the public and created an enormous awareness among the masses on the need for good governance and this has served as a warning for those involved in the decision-making process to be accountable. Many of our members have been instrumental in bringing out and reporting on frauds and manipulations. The future is going to be tougher in this regard and, all the same, we need to gear up to face the challenge and ensure that there is no performance gap. No other profession can boast of having as proximate a role and nexus as ours with the economic development of our country. Let us reinvent the significance of our role in partnering, participating and partaking in building a credible economy in the incredible India.

Conclusion

Indian accounting profession has a responsible role to play in contributing to the policy formulation, establishing financial discipline and promoting accountability that is inevitable for the progress of the nation. The ICAI can lead the profession in this initiative and continue to play a vital role in advocating reforms and be a facilitator of good governance measures in the functioning of the central and state governments. We, the chartered accountants, perceived to be the elite class of our society, need to play a larger role in shaping up the economy by ensuring transparency and accountability. There cannot be two views that India would join the league of developed economies in a decade's time and it is for us to decide whether we would play an active role in the process as vital change agents or remain as passive spectators. The choice is obvious. French philosopher, Jean-Paul Sartre says that we have no other destinies than those we forge ourselves. Let us make the society feel proud of our profession and thereby justify our existence. ■