

From the President



CA. M. Devaraja Reddy
President, ICAI

Indian Institute of Insolvency professionals of ICAI (IIPI) has been designated as first Insolvency Agency in India. IIPI being a Section 8 Company formed by ICAI will enroll and regulate insolvency professionals as its members in accordance with the Insolvency and Bankruptcy Code, 2016 and read with regulations... this enactment (of Insolvency and Bankruptcy Code, 2016) will give rise to new avenues of professional opportunities, since insolvency professionals will have to carry out a wide range of functions including those in finance and accountancy. Chartered Accountants are best suited to be insolvency professionals who will carry out insolvency and bankruptcy processes, while being appointed as liquidators, trustees, etc., at various stages of the insolvency proceedings.

My dear professional colleagues,

Circa 2016 – A year that will be remembered in the history of India as a path breaking, decisive, dramatic period that sought to reinitialise the country towards a digital economy. The gradual transformation that commenced with the JAM stack (Jan Dhan, Aadhar and Mobile) and the Income Disclosure Scheme 2016, shifted to top gear with the swift and sudden demonetisation plan of the government. Rarely, does one come across a single year in the economic history of a country which has been both eventful and epoch making.

As the year draws to a close, the sun has indeed begun to set on the parallel economy of the country and the battle lines against corruption are well drawn and determined. As a true partner in Nation Building, ICAI stands committed to the cause of building a better country for all its stakeholders.

The year taught us a few interesting lessons – one, short term pains need to be endured for long term gains and two, disruptive changes and growth are the order of the day.

There is widespread, intense speculation and concern on the scale, timing and manner of efforts to handle the difficult scenario. As always, I am confident that our members will continue to hold their heads and hearts high and abide by the ethical values that this profession demands of us.

The year has been fairly eventful at ICAI with a new Council this year, a term that has brought in fresh perspectives as well. As we ring in the New Year, I hope all your wishes come true and pray that you stay blessed. Always !

Let me bring some of the significant developments that have taken place over the past one month in the Indian accountancy profession:

ICAI Designated as First Insolvency Agency in India

I am happy to inform that the Indian Institute of Insolvency professionals of ICAI (IIPI) has been designated as first Insolvency Agency in India. IIPI being a Section 8 Company formed by ICAI will enroll and regulate insolvency professionals as its members in accordance with the Insolvency and Bankruptcy Code, 2016 read with regulations. Please visit <http://iiipicai.in/> to know the details in this regard. You may also visit the home page of ICAI website for a suitable announcement in this regard. As you may be aware, in a significant move in the direction of economic reforms, the Insolvency and Bankruptcy Code, 2016 has been passed by both the houses of the Parliament in May 2016 and the same has been notified too, and this

enactment will give rise to new avenues of professional opportunities, since insolvency professionals will have to carry out a wide range of functions including those in finance and accountancy. Chartered Accountants are best suited to be insolvency professionals who can carry out insolvency and bankruptcy processes, while being appointed as liquidators, trustees, etc., at various stages of the insolvency proceedings.

ICAI-ARF to help Indian Railways in Accounting Reforms

As you know, the Indian Railways had taken a pioneering step of embracing accrual system by engaging ICAI ARF to conduct a pilot study to prepare the financial statements of North Western Zonal Railway on accrual basis as an additional set of accounts. I am happy to inform that the ICAI's submission for a transparent accounting regime became a reality when Hon'ble Union Finance Minister Shri Arun Jaitley released the first ever accrual-based financial statement for the year ended 31st March 2015 for North Western Zonal Railway along with *Accrual Accounting Implementation Manual and Accounting Policies on 20th December 2016*, in the presence of Hon'ble Union Railways Minister Shri Suresh Prabhakar Prabhu, Financial Commissioner of Indian Railways Shri Shahzad Shah and other senior officials of CAG, CGA, NITI Aayog, Indian Railways and Department of Posts & Telegraph, among others.

For the completion of the pilot project, let me first extend my sincere gratitude to the ICAI Accounting Research Foundation led by my Central Council colleague CA. Atul Gupta (Director, ICAI-ARF and Project-in-Charge) under the guidance of ICAI Vice-President CA. Nilesh S. Vikamsey (Director, ICAI-ARF). Furthermore, ICAI-ARF has also received letter of acceptance from Northern Railway for roll-out of accrual accounting in all Zonal Railways and Production Units over Indian Railways. We are grateful to Financial Commissioner (Indian Railways) Shri Shahzad Shah, former Financial Commissioners (Indian Railways) Shri S. Mookerjee and Shri K. B. Nanda, and Additional Member (Finance) Shri B. N. Mohapatra, for their guidance and support.

Collecting Perspectives and Feedback on Our Vision & Mission

From ICAI Past Presidents: Last month, we organised an important meeting of the past Presidents of the Institute to receive their perspectives and discuss their feedback on the measures and initiatives being and to be taken up by the Institute, where apart from myself, 18 of our past Presidents actively considered the agenda. We discussed various key issues relating to the vision and mission of the Indian accountancy profession, including joint audit, rotation of auditors,

registration of ICAI as *Insolvency Professional Agency*, NFRA's status and amendments being contemplated in the Companies Act, 2013, among others.

From ICAI Members in Public Service: A little later, we organised a Residential Summit of ICAI Members in Public Service on *Accountancy Profession for Economic Development* in Kochi to elicit their viewpoints on the matters of national importance that ICAI can and should take up for its further study and research. The Summit attended by ICAI's 34 senior members in public service including parliamentarians, judges, officers of Indian Administrative and other Civil Services, members of the Tribunal and journalists, brainstormed many contemporary relevant issues. The *Summit* inaugurated by Union Railways Minister CA. Suresh P. Prabhu through a video message witnessed the active presence of Member of Parliament (Rajya Sabha) CA. K. Rahman Khan, Members of Parliament (Lok Sabha) CA. (Dr.) Kirit Somaiya and CA. Subhash Chandra Baheria, and Supreme Court of India Justice (Retd.) (CA.) Anil R. Dave, among other senior members of Indian polity.

Ind AS Transition Facilitation Group Issues Clarification Bulletin 6

ICAI had constituted the Ind AS Transition Facilitation Group to provide clarifications on timely basis on various issues relating to the applicability and/ or implementation of Ind AS under the Companies (Indian Accounting Standards) Rules, 2015, as raised by preparers, users and other stakeholders from time to time. So far after considering issues and queries from the profession's stakeholders including its members, this Group has issued 6 bulletins, which are available under the What's New category at the ICAI website <http://www.icai.org/>.

ICAI Issues Guidance Note on Accounting for Oil and Gas Producing Activities and Revised Guidance Note on Reports in Company Prospectuses

With the advent of Ind AS converged with the IFRSs as issued by International Accounting Standards Board, there is an acute need for formulation of Guidance Notes in relation to companies applying Ind AS in preparation and presentation of financial statements, as India is converging to IFRS in a phased manner. I am pleased to acknowledge that the ICAI has formulated a *Guidance Note on Accounting for Oil and Gas Producing Activities (Ind AS)* for the entities, whose financial statements have been prepared and presented in accordance with the Ind AS, to establish sound accounting principles related to acquisition, exploration, development and production activities.

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The Guidance Note that comprehensively guides on all the four phases of upstream oil and gas operations, includes guidance on constitution of oil and gas assets for the purpose of applying unit of production method and accounting for abandonment costs; testing for impairment of exploration and evaluation assets; accounting for interests in joint ventures; and presentation and certain additional disclosures to be made by an upstream oil and gas entity.

ICAI has released a revised edition of *Guidance Note on Reports in Company Prospectuses* recently to provide guidance to members who undertake engagements requiring them to issue reports in company prospectuses, this Guidance Note originally had been issued in 2006 and since then, several developments have taken place. Companies Act, 1956 and Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 have been suitably replaced by Companies Act, 2013 and SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 respectively. This revised comprehensive Guidance Note has also been written in everyday language.

I am confident that these Guidance Notes would prove to be extremely useful resources for the concerned stakeholders.

Code of Conduct for Elected, Nominated and Co-Opted Representatives of ICAI

In pursuance of the decision taken by the ICAI Council at its 356th Meeting held in June-July 2016, we have issued an Advisory Code of Conduct for elected, nominated and co-opted representatives of ICAI. The objective of the Code is to assist, regulate and guide the representatives in discharging their obligations and responsibilities, and to maintain the culture of honesty, integrity and accountability. The Code will apply to the elected and nominated members to the Central Council, Regional Councils and Managing Committees of Branches, and to the members nominated by the Institute to other bodies, co-opted members of the Committees of Council, Regional Councils, Branches and Committees of Overseas Chapters, Convenors/Deputy Convenors of Study Circles and CPE chapters, and of any other organ or establishment of the Institute within or outside India.

International Visits/Participations

3rd International Conference in Qatar: I recently attended 3rd International Conference on the theme "Sailing through Turbulence" organised by Qatar (Doha) Chapter of the Institute, which deliberated on financial markets turbulence that marked the beginning of 2016, continuing through recent events such as Brexit and brought together leading industry and financial sector experts to share their insights with the

participants, with particular focus on the role finance professionals can play to ensure such success. Indian Ambassador to Qatar Shri P. Kumaran inaugurated the Conference.

CA Worldwide Board and Other Meetings in Johannesburg: Recently, I along with my Central Council colleague CA. Manu Agrawal, among others, also attended the Chartered Accountants Worldwide Board and Associate meeting and Critical Success Factors Summit in Johannesburg.

8th Annual International Conference in Bahrain: I, along with Vice-President CA. Nilesh S. Vikamsey, also attended 8th Annual International Conference on the theme "Challenges Create Opportunities" organised by our Bahrain Chapter recently.

Empanelment of Chartered Accountants Firms/LLPs for 2017-18

I wish to inform my professional colleagues that the Office of Comptroller and Auditor General of India has recently invited online applications from Chartered Accountants firms/LLPs that desire to be empanelled with them, i.e. office of the Comptroller and Auditor General of India, for appointment as auditors of Government companies/corporations for the year 2017-18. The online application format will be available at www.saiindia.gov.in from 1st January to 15th February 2017, where the CA firms/LLPs can apply/update their data showing the status of their firms/LLPs as on 1st January 2017.

Group to Suggest Changes in Guidelines on Networking of CA Firms

ICAI Council has decided to form a Group to study and suggest changes in the Guidelines relating to Networking of CA Firms. The Group comprising 11 members including 9 of my Central Council colleagues, will look into the concept of Networking of CA Firms in India and the progress made since the concept was first introduced by the ICAI and also revisit the definition and forms of networking as laid down in the Networking Guidelines and suggest improvements. Among others, the Group will also look into the possibility of getting networks registered at national level and that of allowing those networks to carry out professional assignments in the name of network. Additionally, the Group will also suggest ways and means for getting all international networks that have presence in India to register with the ICAI.

Mandatory KYC Norms for Members-in-Practice

ICAI Council has formulated the Know Your Client (KYC) norms at its 356th meeting held in June-July

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2016. As you are aware, the financial services industry across the globe obtains information of their clients to comply with the KYC norms. Keeping this global practice in mind and the standards that the CA fraternity in India maintains, the Council of ICAI has issued these norms to be observed by its members in practice with effect from 1st January 2017; these norms would be mandatory in nature and shall apply to the members in practice in all their assignments pertaining to attest functions, where clients may be an individual/proprietor, or a corporate/non-corporate entity.

Regional Conferences Organised at SIRC, WIRC and EIRC of ICAI

48th Regional Conference of SIRC of India organised on 6th-7th December 2016 in Tirupati was inaugurated by the Chief Guest ICAI past-President and Canara Bank Chairman CA. T. N. Manoharan, where deliberations were held on demonetisation, GST update, Income Declaration Scheme and accounting reforms in Indian Railways, among others. On the occasion, I expressed appreciation on behalf of the profession: *It (demonetisation) is a welcome step by the Central government to address the issues such as black money, fake currency and funding for terrorist organisations.* Then on 10th-11th December 2016 in Mumbai, 31st Regional Conference of WIRC was held, which was inaugurated by Union Textile Minister Smt. Smriti Zubin Irani who said that the Government's move of demonetisation would bring fiscal discipline in the country and strengthen the national economy. Hon'ble Minister also referred to ever-increasing demand of CA professionals. About a week later, 41st Regional Conference of EIRC was held in Kolkata on 19th-20th December, which too proved to be a well-attended event and a great learning experience for all the participants. Chief Guest ICAI Vice-President CA Nilesh S Vikamsey stressed on forging of stronger ties with industry and progress on IT front, which are mandatory for the accountancy profession to thrive today.

Convocations in 2017

As you are aware, the Institute of Chartered Accountants of India (ICAI) organises Convocations for distributing certificates to the newly qualified members, in order to promote a sense of comradeship among members and to bring them closer to the Institute. In fact, Convocations also provide us an occasion to welcome and mark the entry of new members into the professional fraternity. I invite all the members who have enrolled themselves between April to September 2016, to participate in the Convocations where they will be awarded their *Certificate of Membership* amidst the august gathering of distinguished dignitaries. Convocation programme would be held on 31st January 2017 in Ahmedabad,

Mumbai, Pune, Chennai, Hyderabad, Kolkata, Jaipur, Kanpur, Amritsar and New Delhi. More details about the venue and schedule of the Convocations will be intimated to the participants by the concerned Regional Offices of ICAI. Members on their own may contact their Regional Offices to know the details of these programmes.

Infrastructure Initiatives

Presence of adequate and effective infrastructure serves the various purposes and requirements of the Institute including its Regional offices and Branches benefitting both our members and students in organisation of various training programmes, workshops, seminars, workshops, certificate courses, GMCS and ITT, among others. I am happy to inform that, in this Council Year 2016-17, i.e. since February 2016, 9 new branches have been notified, viz. Kanchipuram District, Ratnagiri, Ichalkaranji, Kaithal, Kurukshetra, Bhiwani, Brahmapur, Jharsuguda and Kalyan Dombivali Branches. With this, the tally of Branches of the Institute has reached 161. I am sure, this development will go a long way to strengthen the cause of our profession.

ICAI Corporate Forum to be Held in Chennai

ICAI Corporate Forum, a two-day mega event comprising three events, viz. *Corporate Enclave, Financial Services Expo and ICAI Awards 2016*, will be held on 19th-20th January 2017 in Chennai, for the benefit of our members in industry. Corporate Conclave being a national convention organised on both the days, will focus on various issues of professional relevance for our members in industry, and the issues include GST, Ind AS implementation, Integrated Reporting, forensic auditing, financial stability, business ethics and work-life balance, among others. Central Vigilance Commissioner (and former CBDT Chairman) Shri K. V. Chowdary has kindly agreed to become the Jury Chairman for the 10th ICAI Awards to be held on 9th January 2017.

In January 2017, we will have opportunity to celebrate our Republic Day on 26th January. Then we will also be celebrating the birthday of the 10th Sikh Guru, Guru Gobind Singh, on 5th January, and the harvest festival, *Makar Sankranti*, on 14th January. Let us celebrate our festivals together since celebrations when shared double our pleasure.

I wish all of you my heartiest wishes for A Very Happy, Bright and Prosperous New Year 2017.

Best wishes



CA. M. Devaraja Reddy
President, ICAI

Kumbhakonam, 24th December 2016