

## Putting Indian Accountancy Profession in Present & Future Perspective: An Analysis

*It is well-known that accounting is the universal language of modern day business and professional accountants are its lifeline. India's basic economic credentials are as strong as ever, having withstood various global turbulences; and India continues to be burgeoning with business as well as professional opportunities, more particularly for Chartered Accountants. "I can recall that when I was the President, it was announced on 1<sup>st</sup> July 2007 that the total membership of ICAI was a sweet number to remember 1,41,516 CAs in India. From 1949 to 2007, in more than 57 years, we produced 1,45,000 Members and from 2007 to 2019 in just 12 years we have produced another 1,45,000 Members; our membership is about to cross the mark of 3,00,000 Members. What does this show? Undoubtedly unprecedented demand and ample opportunities for the most noble profession of Chartered Accountancy," says the author, a Past president of ICAI in this special article. Read on...*



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The fast-paced economic reforms' major chunk of new-age opportunities is coming the Indian Chartered Accountants way. Opportunities are often disguised as hard work. We are all faced with a series of great opportunities brilliantly disguised as impossible situations for all these 70 years. Indian Chartered Accountants have been fully acting as the harbingers of growth and agents of changes. Indian CAs are not averse to exploring various new horizons, facing unexpected challenges and coming out with shining praise-worthy performances.

### CA Syllabus

Right from the Republic Day of 1951, it has been said by various leaders that the syllabus of Chartered Accountancy in India is one of the toughest in the world. Up to early 1980's, the results of CA exams in percentage used to be in a single digit ranging from 2% to 3%; went up higher later but never above 10% up to 2000. It was only after the economy was opened-up from 1999 onwards that the Council and government both realised the necessity of providing more Chartered Accountants for ever expanding business needs in

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India, without compromising on the tough standards of CA examination. There was a period when Institute faced multi-faceted issues about placements of new Chartered Accountants. But the noble professionals as we are, we faced the challenges; converted them into opportunities and with a new India with multifarious economic activities emerging, we see that the demand of Chartered Accountants is much more than the supply. Undoubtedly the ICAI has been very much alive and active to the cause of its Members and has taken series of initiatives for all our Members through dedicated Council Members and other Committee Members. ICAI has been dedicated to the cause of exploring, developing and facilitating various opportunities for Indian Chartered Accountants in various sectors of business, trade, commerce, services, infrastructure, governance and various other new avenues. ICAI always aims to ensure that all these opportunities are available equitably to all the Chartered Accountants based on their professional skills, intellectual levels, abilities and areas of interest.

## Expectation Gap – Illusionary?

Let us analyse the strength of Chartered Accountants in numbers of any capacity of deliverance on one side and expectations of society on the other side. Out of around 3,00,000 Members, we have around 15,000 Members who are working outside India. From the balance we have around 1,30,000 Members in

practice; which just 10 years before were around 72,000. This clearly reflects that even now around 60% of the Chartered Accountants are rendering their services in trade, commerce and industry representing the segment as “Members in Industry”. We have Members drawing salaries in the range of One to Five Crore Rupees a year to Rs. Five Lacs per year for the beginners. But times have changed, attitudes have changed and expectations of our Members as well as of the societies have changed; I remember in the old days Members used to consistently complain about non-availability of work in shape of audits work of income tax, sales tax, etc. With the increase in strength of business community in span of just 15 years, it is now noticed that each and every one from fresh Chartered Accountant to senior most serving in the industry are not only contended and cheerful with what they receive in shape of financial remuneration and emoluments but also feel happy and proud for the respect and regard they enjoy in the society.

Today our Chartered Accountants fraternity is rendering variety of professional services in the field of practice. Such practice is not limited to mere audit and tax compliance. Not only the Institute but our Members also proudly proclaim that Indian Chartered Accountants are complete business service providers. The demography of our country in reality matches with the demography of Chartered Accountants in India. Majority of the young Chartered

Accountants have now diversified and are experts in rendering services into various fields besides conventional practice of audit and direct taxes like -

- I. Management Consultancy,
- II. Merger and Acquisition,
- III. Business Restructure,
- IV. Finance and Refinance,
- V. Forensic Auditing,
- VI. Insolvency Professional,
- VII. Business Reengineering and Corporate Restructuring,
- VIII. Bench Marking and Computation Analyse Including Niche Management Consulting, etc.

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Most of these Members are rendering their services in the form of small and midsize firms. Almost 1,30,000 Members are rendering services through around 76,000 firms and most of them are in the category of small and medium firms. Do they meet with the expectations of the society and the stakeholders? And my answer loud; bold and clear is YES. The trust on Chartered Accountants by government is so large and

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enormous that most of the income tax returns filed with tax audit reports are accepted on the face of it. The reason being tremendous faith of government on Chartered Accountants that they shall be boldly and fearlessly mentioning in their reports what are disallowable and what are the prima-facie non-compliance or violation of provisions of the Act. When it comes to statutory audit of more than 28,000 companies which are now following Ind-AS and more than 70,000 other companies, the government and particularly Ministry of Corporate Affairs is happy and satisfied about its truthfulness and fairness.

## But then Why Uproar?

In spite of this we hear from certain section or segments of society and sometimes from the Ministry about the alleged gross negligence or some alleged gross non-compliance. I strongly see two aspects in this. One, these are all aberrations. Out of hundreds and thousands of cases hardly a few may fall in this gray category. , But they are highlighted in newspapers and media, sometimes out of proportion; and from my experience of closely monitoring the functioning of the Council, I can say with confidence that the Institute is taking immediate appropriate actions on such cases. Secondly YES – we must accept the facts that for the faults or negligence by a very few, the profession as a whole earns bad name, and these very few have to be strictly acted against. The Council has been forthcoming to give a clear message to the society and fraternity that wrong-doers will not be spared. At the same time, we need to continue to imbibe the spirit of what Prime Minister Shri Narendra Modi said while

addressing the CA fraternity on 1<sup>st</sup> July 2017.

The real situation of expectation gap came as a volcano blast when Satyam Episode erupted. Though a 10 years old matter it is still a landmark case of gross negligence by Auditors of Big firms. There is hardly any such episode involving our sincere, normal, devoted, hardworking small and medium practitioners.

## Disciplinary Perspective

If one examines various disciplinary cases, disposed off in last 20 years, it can be noticed that most of them were in nature of small or petty offences or non-compliance by small and medium practitioners. Immediate punishment to them by issuing warning, reprimand or removing the names for a period of three months to three years were levied. But what happens to the partners or to the Big firms. Either it is IL & FS or big construction companies or airline companies or other big companies; the scam or the correctness and truthfulness of financial statements were found to be certified by big firms and not by small and medium Chartered Accountants. Is it not that because of such big scams by such big firms, SIFO has to step in and Ministry of Corporate Affairs has to start the proceedings? Many Members feel that by using the name of international brands, the big firms have made our noble profession a money spinning business. Driven by lust of getting more clients and in keeping oneself ahead in the mad race of getting title of HIGHEST, BIGGEST or RICHEST, compromises appear to have been made while certifying the financial statements. Such kinds of firms have auditor of

TARGET which results into Practicing Partners become Marketing Managers resulting into compromising on Nobility. Albeit as of now; there are only allegations and charges; which have to be proved under long drawn disciplinary and other legal proceedings. What is expressed here are not views of mine or some corner of the society but Ministry of Corporate Affairs and other government agencies have taken up the issue of reinstatement of accounts and the way the figures are coming out in public do raise doubts about real audit done by such firms. It has become fashion to use term of 'Review' and in their aspect of style and manner, real 'Audit work appears to disappear'. Institute is now conscious enough to address all these issues including direction from Hon'ble Supreme Court with regard to the study and report of such surrogate practice by big firms and compliance of ethical standards in letter and spirit. A time has come that all stakeholders and shareholders should involve seeing that good sincere Indian Mid-size firms are appointed as auditors or joint auditors in all such big companies and corporations. Here of course one cannot lose sight on the most important, most needed and most long

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time pending actions which this Government has initiated, implemented and in turn got result i.e. of thousands of sham, paper or penny companies having closed down their shutters. The menace of entries, profit transfer, commission etc. were rampant in some parts of the country. Now that when Ministry is so sincere and strict to eradicate not only black money but even corruptions in Income Tax and Banking Sector; it is now our call to respond positively and more rigorously to see that we all join hands in real terms for what we are called as 'Partners in nation building'.

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### Double Standards?

Having said this and again referring to the address of Hon'ble Prime Minister asking ICAI and Chartered Accountants to develop their practice like big international firms; the question remains why government as well as so many business entrepreneurs still prefer to assign and allot number of big work to such big firms only? Be it firm of Chartered Accountants or a consulting firm under the same umbrella, the major audit work and most of the State and Central

Government's consulting work are taken away by Big Firms only. If China can boldly acknowledge the work and functions of its own Members and discourage big firms why in India the government and big companies still desire to have a brand label instead of getting the real audit done from our own midsize firms of Chartered Accountants who can put their heart and blood into it. I am not finding an answer to this.

### Role of the Institute and Council

It is commendably noticed that ICAI has become very much alive to the cause of its Members and is working extremely hard to see that all Members are expected to exercise professional judgement in performing their roles so that when times get challenging, they do not undertake actions that will result in the profession losing the public trust. Notwithstanding the works and assignments available to so many small and medium CAs, all Chartered Accountants must observe that regardless of the roles that they perform they have to uphold values of integrity, objectivity, professional competence and due care, confidentiality and professional excellence. Through more than 50 committees, our 32 elected Central Council Members are working day and night wholly for the purpose of up lifting our profession, its image and credentials. Let me convey in no uncertain terms that the Council Members are working putting their soul into the Institute functionaries. Sharing my personal experience, I have no hesitation to accept that during my 9 years tenure and particularly 2 years period as Vice President and President, I had been totally absent from home and from the office. Not only the Central Council Member sacrifices the personal

family life but even their individual personal practice also suffers. There are no monetary gains or benefits or privileges and definitely not if one considers travelling by air and staying in a hotel amounts to luxury and benefits. For the present Council, I know for sure that Hon'ble Vice President from Delhi is there almost 29 days in a month at the Institute. And our Hon'ble President from Mumbai coming from a small town and with a humble practice has sacrificed his family life and practice and has proved to be a hard task master. In a crowd of conflicting information and opinions, it is easy to get misguided. But at the end what matters is that, we all Chartered Accountants are absolutely wedded permanently to our Institute. Whatever we are today is because we are Chartered Accountants first. If this spirit of sincerity, dedication and honesty and

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integrity continues in the heart and mind of every single Chartered Accountant in India, then a time is not far away when at the next WCOA to be held in 2022 in Mumbai, we will hear from the platform that Indian Chartered Accountants are best in the world and second to the none. Let me therefore end by saying:

- I. I adore my Profession.
- II. I salute my Institute.
- III. I respect my Council and,
- IV. I am proud to be a Chartered Accountant. ■