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‘Development’ of accounting professions

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The focus on development in the Amendment Bill should help accounting professionals make a mark in the global stage

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The accounting profession stands on two planks, namely, regulation and development | Photo Credit: wutwhanfoto

The Parliament is considering an Amendment Bill that seeks several changes to the three Acts, namely,

the Chartered Accountants Act, 1949 (CA1949), the Cost and Works Accountants Act, 1959 (CA1959) and the Company Secretaries Act, 1980 (CS1980). Debate on one of the proposed changes, namely, composition of disciplinary committee, has overshadowed many other changes, well intended, and profound. This piece focusses on one such change.

It is the change to long titles of these Acts.

Long title states the legislative intent and defines the scope of an Act. For example, long title of the CA1949 reads: 'An Act to make

provision for
the regulation
of the
profession of
Chartered
Accountants.'

Therefore, the CA1949 cannot ordinarily be changed to provide for something beyond the long title, unless of course the long title itself is changed. Significantly, the Bill proposes to change the long title to: 'An Act to make provision for the regulation and development of the profession of Chartered Accountants'. Similar change to the CA1959 has been proposed.

Scope expanded

This is an extra-ordinary amendment; it

expands the scope of these Acts to include 'development' of the profession within its ambit. This affirms that a profession stands on two planks, namely, regulation and development: they feed on each other in a virtuous circle for an orderly growth of the profession. The CS1980, a relatively recent enactment, already provided for development.

The 'Statement of Objects and Reasons' appended to the Bill provides the context: 'On account of

changes in the economic and corporate environment in the country, it has become necessary to amend the Acts'.

Transition to market economy nudged increasing organisation of economic activity — the number of enterprises as well as their scale of operations is increasing at a rapid pace.

Larger the scale and number, higher is the need for professionals to service the businesses.

Professionals are called upon to structure complex, sophisticated, value adding transactions.

Further, a

stakeholder takes a stance in relation to an enterprise based on audited financial statements. A professional prepares the financial statements; another audits them.

In his address to chartered accountants in 2017, Prime Minister Narendra Modi underscored its importance: ‘Your signature is more powerful than that of a Prime Minister’. Professionals, in fact, discharge second order State functions such as audit, reporting, monitoring, due diligence, and compliances, as extended arms of the State.

These call for development of commensurate professional capacity.

Some have alerted to a possibility of conflict between development and regulation. They fear that the Institute (Institute of Chartered Accountants of India, Institute of Cost Accountants of India, and Institute of Company Secretaries of India) may promote development at the expense of regulations.

Such a concern holds good in the case of markets. That is why SEBI has the responsibility 'to promote the development' and not

undertake development as such. This may not be as much a concern for a profession.

Tough regulations provide comfort to users and protect innocent professionals and, thereby, promote the profession. Nevertheless, the Bill makes specific provisions to address conflict of interests between the administrative and disciplinary arms of the Institutes.

Import of development

Let's appreciate the import of 'development' in case of a profession. It entails an ecosystem that engenders capable and

responsible professionals and maintains their ability and standing with time, to service matured market economies. It attracts talent to the profession through outreach, grooms them through appropriate curriculum, pedagogy, training and continuing professional education, and enriches the body of professional knowledge through research.

None of these may conflict with regulations. Importantly, most of these are not in the exclusive domain of the

Institute. Anyone may impart education or conduct research on the subjects covered by the professional courses. The Institute is another player in the space of development, which eclipses the concern. In the space of regulation, it is a monopolist though.

The Bill makes several provisions to complement development. Among others, it provides for registration of firms and brings them under the disciplinary jurisdiction. A profession is critically dependent on the skill, knowledge, and expertise of an

individual and, therefore, professional practice was traditionally open only to individuals.

However, both business and profession are becoming complex. It is sometimes beyond the capability of an individual to meet the vast and highly complex needs of a client fully.

This has prompted organised delivery of professional services. The Acts allow professionals to practise in partnership with other professionals.

However, for lack of (a) a regulatory framework for professional firms, (b) focus on

development of the profession, and (c) co-ordination mechanism among the professions, the growth and sophistication of firms has been limited.

Client's choice

A client has choice to avail the services of a professional or a firm depending on its need. The need (likes of raising resources from market, acquisition of one enterprise by another, resolution of stress of an enterprise) may be so large and complex that it may require services of many professionals from different disciplines. In such cases, the

client may prefer a firm for one stop solution.

Similarly, it is choice of a professional whether to serve as an individual or through a firm. One may prefer to serve through a firm as that enables sharing of professional resources and expertise, and liability (not liability arising from malpractice), while expanding footprints beyond the shores.

We are familiar with 'big four'. The Prime Minister shared a dream in 2017 that when India celebrates 75 years of its independence in 2022, four

should grow to eight and, of the eight, four should belong to Indian professionals.

The focus on development, along with provisions for firms in the Bill, has the potential to realise the dream. It is for the leadership of the Institutes, who have been released by the Bill from the burden of adjudication, to focus on development such that Indian professionals command a premium at the world stage and dominate the world market for high-end professional services.

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