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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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#### COMMENTS

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