AN INSIGHT INTO TWENTY FOUR SUNRISE PROFESSIONAL OPPORTUNITIES FOR CHARTERED ACCOUNTANTS

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1.0 INTRODUCTION

The opportunities for a Chartered Accountant are clearly vast, the scope massive.

For a small and medium practice to grow, the firm has to "THINK BIG". Success comes only to doers and not onlookers and observers. Success demands maximum efforts. The key to success in life is to have faith in oneself.

There is no shortcut to success. And there is no substitute to hard work. But hard work must be in the right direction in order to yield the fruits of success.

If you are prepared to invest your time in activities that generate results from the most potent section of your client base, then the results you will generate will not be marginal but dramatic. The secret lies in the Pareto principle

The Pareto principle stipulates that 80% of results are achieved from only 20% of the effort expended. Typically, this principle holds true for a chartered accountant's practice, where the majority of time is taken up satisfying the needs of clients who represent an insignificant portion of total of business. To counter this situation, the chartered accountant may want to separate clients into three lists: the 'A' list of the upper 20% of clients, and the 'B' and 'C' lists made up of the remaining 80% of clients. The latter two lists should differentiate between clients that have or do not have the potential to become major clients. Accountants should then maintain 'A' list clients, cultivate 'B' list clients, and disregard 'C' list clients.

The following inspiring lines of a poem are relevant

Your reach must always exceed your grasp. That is heaven on earth. Ultimately, your only competition is yourself.

Those who win are those who believe they can

2.0 DEVELOPMENT OF SOFT SKILLS

As professionals, chartered accountants need to be equipped with soft skills as they often need to convey ideas; negotiate business deals; get things done by the team members; train and groom next generation of professionals; represent clientele before statutory authorities and many times impress upon the nature, need and value of services rendered. All these facets of profession call for effective soft skills such as

- Good communication skills
- Inter- personal skills
- Managerial Expertise
- Ability to be a good team player
- Ability to manage others effectively
- Ability to manage time efficiently
- Analytical mind
- Techno- savvy
- Behavioral traits such as attitude, motivation

In the initial years of a chartered accountants career, his technical abilities are important to get good assignments. However, when it comes to growing in an organization, it is his personality that matters. Knowledge is power and when coupled with ability to communicate, it gives greater empowerment. Communication skill can be nurtured if there is inclination and dedication. Those who possess this skill are able to persuade, motivate, convince and inspire not just a few but even a nation as a whole.

Members can constantly update their knowledge through the various seminars, workshops and post qualification courses offered by the Institute besides reading the various publications issued from time to time by The Institute and various journals related to the profession

3.0 AVENUES OF WORK FOR CHARTERED ACCOUNTANTS IN SERVICE- BOTH IN INDIA AND ABROAD

Various opportunities available for Chartered Accountants in service are as follows:

1. Government departments

Government departments (in both Central and State Governments) provide an important area of employment to the members. They can be employed to assist in accounting, budget planning, Drafting and implementing various schemes, computerization of records, etc.

2. Co-operative sector

Within the economic framework of the Country, co-operative movement plays a very important role. The co-operative sector in the Country has, since the initial co-operative movement, grown in size and expanse.

As far as the banking industry is concerned, co-operative banks have played and are continuing to play a seminal role in reaching out to villages and the poorer sections of the population, and in micro-financing of tiny and cottage industry sector projects.

Chartered Accountants can be appointed in the top / middle level management in the co-operative banks, regional rural banks, multi state co-operative societies and state co-operative societies and can serve the co-operative sector.

3. Not-for-profit organization (NPO)

A **not-for-profit organization** (NPO) is an organization whose primary objective is to support an issue or matter of private interest or public concern, without concern for monetary profit. It may be involved in a areas relating to the arts, social concerns, charity, education, healthcare, politics, religion, research, sports or some other endeavor. Right from conceptualising the NGO, chartered accountants have several opportunities in this sector. They range to

a. Proposal formulation
b. Execution of the project
c. Monitoring of the project
d. Assessing the capacity building needs
e. Compliances of various regulations
f. Governance

4. University/research bodies

Chartered Accountants can serve as professors / readers / lecturers in university/colleges. They can also be appointed as research associates in accountancy / financial/ economical research bodies.

5. Public sector

In the public sector, the opportunities envisaged for employment are considerable. Banks, financial institutions and insurance companies have a large intake of members.

6. Private sector

In the private sector Chartered Accountants can render their services in companies, banks including foreign banks and multi- national banks, non-banking finance companies, non-corporate business houses, as well as companies in the service industry.

7. Global organizations

With the growth in international trade, several global organizations will look for professionals who understand the nuances of international finance, international capital markets and risk management.

8. Large Accounting firms and consulting services

A chartered accountant may choose to join an existing firm. Besides, chartered accountants can practice and hold executive positions in companies that are exclusively into consultancy services.

4.0 AVENUES OF WORK FOR CHARTERED ACCOUNTANTS IN PRACTICE

The listing below is an indication of the opportunities prevalent in various areas

I. Accounting

- Under IFRS
- XBRL
- Environmental Accounting
- Human resource accounting
- Fraud and Forensic accounting
- Government Accounting
- Management Accounting

II. Auditing, Assurance and Related Services

- Statutory Audit
- Internal Audit
- Concurrent Audit
- Stock Audit
- Revenue Audit
- Information Systems Audit
- Tax Audit

- Quality Audit
- Propriety Audit
- Legal Compliances Audit
- Energy audit
- Assurance on Sustainability reporting

III. Corporate Governance

IV. Economic and Commercial laws

- Competition Act 2002
- Arbitration and Conciliation Act,1996
- Prevention of Money Laundering Act 2002
- Micro Small and Medium Enterprises Development Act 2006
- Laws relating to Intellectual Property Rights
- Regulations applicable to NBFCs
- Foreign Exchange Management Act,1999
- Foreign Contribution (Regulation) Act, 1976
- Labour Laws
- Right to Information Act,2005
- Consumer Protection Act, 1986
- Special Economic Zones Act,2005

- Chapter VI of Foreign Trade Policy- 2004-09- 100 % Export Oriented Units (EOU) / Software Technology Parks(STP) / Electronic Hardware Technology Parks(EHTP) and Bio- technology parks[BTP]

- Securitization and Reconstruction of Financial Assets and Enforcement of Security Interests Act, 2002 (SARFAESI)

- Recovery of Debts due to Banks and Financial Institutions Act, 1993

- Drafting and conveyance

- Carriage laws

V. Carbon Credit

VI. Corporate Laws

- Members of Judicial bodies
- Limited Liability Partnership
- Legal support and advisory services

VII. Taxation

- Direct Taxes

- Indirect Taxes

- International Taxation

VIII. Management Services

- Strategic Management
- Change Management
- Quality Management
- Disaster Management
- Knowledge Management
- Directorship

IX. Consultancy / Advisory services

X. Assistance to State and Central Governments

XI. Financial Markets & Investor's Protection

- Capital Market
- Private Equity
- Project financing
- Mutual funds

XII Information Technology

- Areas of Practice
- Enterprise Resource Planning

XIII Insurance & Pension

5.0 OPPORTUNITIES IN SPECIFIC AREAS

Given below is an indication of the opportunities prevalent in various areas

5.1 XBRL

XBRL stands for e**X**tensible **B**usiness **R**eporting **L**anguage. It is one of a family of "XML" languages which is becoming a standard means of communicating information between businesses and on the internet. XBRL provides major benefits in the preparation, analysis and communication of business information and is fast becoming an accepted reporting language globally. It offers major benefits to all those who have to create, transmit, use or analyse such information.

Once use of XBRL is made mandatory for all entities in India as well as globally, Chartered Accountants who acquire a thorough knowledge of XBRL, will benefit immensely. Thus development of XBRL will open up huge professional opportunities for Chartered Accountants world over. They will be better equipped to understand and interpret XBRL based financial information and

- will be able to guide the companies and other entities in compiling, processing data as well as preparing various types of financial reports.
- They will also be able to aid users in interpreting financial data meaningfully.

Let us take a closer look at the meaning of the term:

a. **Extensible**: means the user can extend the application of a particular business data beyond its original intended purpose and the major advantage is that the extended use can be determined even by the users and not just the ones who merely prepare the business data. This is achieved by adding tags which are both human and machine readable – describing what the data is.

The property of extensibility is very handy in situations when list of items reported for various elements of the financial statements are not the same across firms, industries, and countries. For example, many an item constituting non-current assets in Oil and Gas Industry (items like rigs, exploratory oil and gas wells) may not be applicable to companies in general. In a situation of this kind, XBRL may prepare a taxonomy called a 'Global Common Document' (GCD) for items common to all the firms, industries, and countries. And, any country specific, industry specific and firm-specific variations (extensions / limitations) can, then, be written as independent taxonomies that can be imported and incorporated with the GCD.

b. **Business:** means relevant to the type of business transaction. XBRL focus is on describing the financial statements for both public and private companies.

c. **Reporting**: the intention behind promoting use of XBRL is to have all companies report their financial statements in a consolidated manner using the specified formats.

d. **Language**: XBRL is based on XML, which prescribes the manner in which the data can be "marked-up" or "tagged" to make it more meaningful to human readers as well as to computers-based system.

Potential XBRL applications:

a) XBRL for Financial Statements - financial statements of all sorts used to exchange financial information

b) XBRL for Taxes -specification for tax returns which are filed and information exchanged for items which end up on tax returns

c) XBRL for Regulatory Filings – specifications for the large number of filings required by government and regulatory bodies

d) XBRL for Accounting and Business Reports - management and accounting reporting such as all the reports that are created by your accounting system rendered in XML to make re-using them possible

e) XBRL for Authoritative Literature - a standard way for describing accounting related authoritative literature published by the AICPA, FASB, ASB, and others to make using these resources easier, "drill downs" into literature from financials possible

Opportunities for Chartered Accountants

XBRL has become a necessary part to the forthcoming convergence and standardization of the financial reporting framework. All around the world the regulatory agencies have swiftly begun the process for adopting and enforcing XBRL as a reporting format. XBRL is expected to be used at various levels of information and also within organization and with the external agencies. XBRL is expected to be used for:

- Reporting to the regulators
- Internal reporting within company
- Reporting to various external agencies such as financial institutions etc.

- Easy exchange of information between government departments or regulatory bodies.
- Storing, Exchanging and analyzing business and statistical data.

Challenges faced by the companies on implementation and adoption of XBRL

The following are the Challenges faced by the companies on implementation and adoption of XBRL for which there would be need of Chartered Accountants:

- To assess the XBRL reporting requirements that will be applicable to the company
- To examine the options available for implementing XBRL
- To consider the impact of XBRL implementation on its internal controls and reporting systems
- To identify XBRL tools best suited to its processes and environment.
- To identify XBRL taxonomies and explore the need for extensions.

Each of the challenges faced by the companies in implementing and adoption of XBRL will be an opportunity for a chartered accountant. With the introduction and growth of reporting, XBRL format, there will be greater need for CAs in the following matters:

- Taxonomies:
    - ➢ Development of new taxonomies
    - ➢ Maintenance and updation of current taxonomies
- Regulatory Matters:
    - ➢ Defining the responsibilities of the preparers of financial statements and auditors
    - ➢ Determining the role of auditors

- Tool Evaluation:

  - Evaluation of available software tools
  - Development of new software tools

- Preparation of Guidance Documentation:

  - User guidance as well as preparers Guidance Manual to be prepared
  - For company specific extensions

There are diverse services which can be performed by a Chartered Accountant in implementation and reporting using XBRL. The diverse services can be from accountancy to taxation, Management accounting to share valuation, from risk assessment to company secretarial work etc. But it should be noted that working with any technology based program, there is a need to invest in developing the skill sets which are required.

The XBRL Framework is an interesting mix in developing mix of accounting and technology. For a Chartered Accountant accounting is the most familiar thing but for technology element is something which a CA would need to understand thoroughly. The degree of proficiency required for the technology element depends upon the area of service which the CA wants to focus on. For e.g. for developing taxonomies and extensions CA would require a significant degree of expertise in related tools

USEFUL WEBSITES

1. **XBRL INTERNATIONAL- http://www.xbrl.org/Home/**

2. **XBRL INDIA - http://www.xbrl.org/in/**

3. **IASB -** http://www.iasb.org/XBRL/Resources/Fundamentals.htm

4. **IRIS** - http://www.irisindia.net/xbrl/

5.2 ENVIRONMENTAL ACCOUNTING

What is environmental accounting?

Environmental accounting is a tool to measure the economic efficiency of environmental conservation activities and the environmental efficiency of the business activities of a company as a whole. It is an area that identifies use of resources, measures and communicates costs of a company's or national economy impact on the environment. Environmental accounting consists of environmentally differentiated conventional accounting and ecological accounting. Environmentally differentiated conventional accounting measures the effects of the natural environment on a company in monetary terms, whereas ecological accounting measures the influence a company has on the environment, but in physical measurements.

Various environmental accounting disciplines

1. Global Environmental Accounting – It is an accounting methodology that deals with areas including energy, ecology and economics at a worldwide level.
2. National Environmental Accounting – It is an accounting approach that deals with economics on a country's level.
3. Corporate Environmental Accounting – It focuses on the cost structure and environmental performance of a company.
    a. Environmental management accounting – It focuses on making internal business strategy decisions. It deals with the identification, collection, analysis and use of two types of information for internal decision making, namely: (a) Physical information on the use, flows and fates of energy, water and materials (including wastes) and (b) Monetary information on environmentally related costs, earnings and savings.
    b. Environmental financial accounting – It is used to provide information needed by external stakeholders on a company's financial performance.

International environmental accounting has been formalised into the System of Integrated Environmental and Economic Accounting, known as SEEA by the statistical division of the

United Nations (UNSTAT). SEEA records the flow of raw materials like water, energy, minerals, wood etc. from the environment to the economy, the exchanges of these materials within the economy and the returns of wastes and pollutants to the environment. The prices or shadow prices for these materials are recorded as environment protection expenditures.

International Standards of Accounting and Reporting

Established by the United Nations Economic and Social Council (ECOSOC) in 1982, Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) is the only intergovernmental working group devoted to corporate transparency and accounting issues at the corporate level. ISAR addresses a variety of issues in corporate accounting and reporting with a view to improving the global comparability and reliability of corporate reports.

Since the late 1980s, ISAR has conducted a number of research projects and ad hoc consultations relating to environmental accounting and reporting. In 2004, ISAR´s work in this area culminated in the publication of A Manual for the Preparers and Users of Eco-Efficiency Indicators. An eco-efficiency indicator is the ratio between an environmental and a financial variable. The manual enables enterprises to provide information on environmental performance vis-à-vis financial performance in a systematic and consistent manner over periods of time. This guidance follows from the earlier work of the Group, including ISAR´s Guidance on Accounting and Financial Reporting for Environmental Costs and Liabilities and its analysis of environmental financial accounting and reporting at the corporate level.

Professional opportunities for environmental accounting

Environmental accounting must be carried out along with other aspects of accounting because costs and benefits related to the environment depends upon financial accounting and this type of work can be aptly carried out only by a chartered accountant. Further the person doing environmental accounting should not only have a through knowledge of accounting principles but should also be aware of the rules and regulations related to environment. In such case a Chartered Accountant would be the right person to handle environmental accounting because of his wide knowledge on both accounting and various laws and regulations across the country.

5.3 HUMAN RESOURCE ACCOUNTING

What is Human Resource Accounting?

The American Accounting Association's Committee on Human Resource Accounting has defined Human Resource Accounting (HRA) as "the process of identifying and measuring data about human resources and communicating this information to interested parties". HRA, thus, not only involves measurement of all the costs/investments associated with the recruitment, placement, training and development of employees, but also the quantification of the economic value of the people in an organisation.

Purpose of Human Resource Accounting [HRA]

- It furnishes cost/value information for making management decisions about acquiring, allocating, developing, and maintaining human resources in order to attain cost-effectiveness;
- It allows management personnel to monitor effectively the use of human resources;
- It provides a sound and effective basis of human asset control, that is, whether the asset is appreciated, depleted or conserved;
- It helps in the development of management principles by classifying the financial consequences of various practices.

HRA is a management tool which is designed to assist senior management in understanding the long term cost and benefit implications of their HR decisions so that better business decisions can be taken. If such accounting is not done, then the management runs the risk of taking decisions that may improve profits in the short run but may also have severe repercussions in future. HRA also provides the HR professionals and management with information for managing the human resources efficiently and effectively. In addition to facilitating internal decision making processes, HRA also enables critical external decision makers, especially the investors in making realistic investment decisions. Investors make investment decisions based on the total worth of the organisation. Further, in a business environment where corporate social responsibility is rapidly gaining importance, HRA reflects the extent to which organisation contributes to society's human capital by investing in its development. Finally, in an era where performance is closely linked to rewards and, therefore, the performance of all groups/departments/functions needs to be quantified to the extent possible, HRA helps in measuring the performance of the HR function as such.

Human Resource valuation Models

For valuing human resources, different models have been developed. Some of them are opportunity cost approach; Standard cost Approach, Current purchasing power Approach, Lev and Schwartz present value of future earnings Model, Flamholtz's stochastic rewards valuation Model etc. Of these, the model suggested by Lev and Schwartz have become popular. Under this method, the future earnings of the human resources of the organisation until their retirement is aggregated and discounted at the cost of capital to arrive at the present value.

Human Resource Accounting for Human Resource Management

HRA system consists of two aspects namely:

(a) The investment made in human resources

(b) The value of human resource.

Measurement of the investments in human resources will help to evaluate the charges in human resource investment over a period of time. The information generated by the analysis of investment in human resources has many applications for managerial purposes. The organizational and human performance can be evaluated with the help of such an analysis. It also helps in guiding the management to frame policies for human resource management. The present performance results will act as input for future planning and the present planning will have its impact on future results. The same relationship is also applicable to the areas of managerial applications in relation to the human resource planning and control. Investment in human resources can be studied under two heads.

(1) Investment pattern

(2) Investment in current costs.

Investment pattern in human resources:

The human resource investment usually consists of the following items:-

(1) Expenditure on advertisement for recruitment.

(2) Cost of selection

(3) Training cost

(4) On the job training cost

(5) Subsistence allowance

(6) Contribution to provident Fund

(7) Educational tour expenses

(8) Medical expenses

(9) Ex-gratia payments

(10) Employee's Welfare Fund.

All these items influence directly or indirectly the human resources and the productivity of the organisation.

Investment in current costs:

After analysing the investment pattern in the human resources of an organisation the current cost of human resources can be ascertained. For this purpose, current cost is defined as the cost incurred with which the organisation derives benefit of current nature. These are the costs which have little bearing on future costs. Thus the expenses incurred for the maintenance of human resources are termed as current costs. Current costs consist of salary and wages, dearness allowance, overtime wages, bonus, house rent allowance, special pay and personal pay.

International Standard for accounting employee benefits

International Accounting Standard (IAS) 19 prescribes the accounting and disclosure procedure by employers for employee benefits.

The objective of IAS 19 is to prescribe the accounting and disclosure for employee benefits (that is, all forms of consideration given by an enterprise in exchange for service rendered by employees). The principle underlying the detailed requirements of the Standard is that the cost of providing employee benefits should be recognised in the period in which the benefit is earned by the employee, rather than when it is paid or payable.

IAS 19 applies to:

- Wages and salaries
- Compensated absences like paid vacation and sick leave
- Profit sharing plans
- Bonus
- Medical and life insurance benefits during employment
- Housing benefits
- Free or subsidized goods / services given to employees
- Pension benefits
- Post-employment medical and life insurance benefits
- Long service or sabbatical leave

- Jubilee benefits
- Deferred compensation programmes
- Termination benefits

For short-term employee benefits (those payable within 12 months after service is rendered, such as wages, paid vacation and sick leave, bonuses, and nonmonetary benefits such as medical care and housing), the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period should be recognised in that period.

The enterprise should recognise the expected cost of profit-sharing and bonus payments when, and only when, it has a legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the expected cost can be made.

The accounting treatment for a post-employment benefit plan will be determined according to whether the plan is a defined contribution or a defined benefit plan:

- Under a defined contribution plan, the enterprise pays fixed contributions into a fund but has no legal or constructive obligation to make further payments if the fund does not have sufficient assets to pay all of the employees' entitlements to post-employment benefits.
- A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. These would include both formal plans and those informal practices that create a constructive obligation to the enterprise's employees.

For termination benefits, IAS 19 specifies that amounts payable should be recognised when, and only when, the enterprise is demonstrably committed to either:

  - terminate the employment of an employee or group of employees before the normal retirement date; or
  - provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

Professional opportunities in Human Resource Accounting

The HRA system tries to evaluate the worth of Human Resources of an organisation in a systematic manner as a whole to the organisation and the society and record them for presenting the information in a significant manner in the financial statement to communicate their worth with changes over the period and results obtained from their utilization to the uses of financial statements. This type of accounting can be done only by Chartered Accountants as they are the personnel who draft the financial statements of an organisation. As lot of information with regard to investment made in the Human Resources and its value can be calculated appropriately by Chartered Accountants, this type of accounting should be done by them rather than HR professionals who might not have accounting background.

5.4 CORPORATE GOVERNANCE

Corporate Governance can generally be understood to be a systematic process by which Companies are directed & controlled to ensure that they are managed in the manner that meets stakeholders' aspirations & societal expectation. This leads to the corporate governance philosophies of: Trusteeship; Transparency; Empowerment & Accountability; Control and Ethical Corporate Behavior. It is hence a powerful engine for social and economic transformation. It is a system of making management accountable to the shareholders for effective management of the companies, in the interest of the company and also with adequate concern for ethics and values.

Area of knowledge required

A Chartered Accountant to provide services in this area will be required to have comprehensive knowledge of Companies Act, 1956, Security and Exchange Board of India Act 1992, Take over Rule and Regulation, Listing agreement particularly Clause 49 of Listing Agreement, SEBI [DIP] Guidelines, etc.

Role of Chartered Accountant

Some of the key roles that a chartered accountant can play include:

1. Specialized guidance in designing Corporate Governance Framework:

A Chartered Accountant with his knowledge, expertise and experience can guide his client in designing a Corporate Governance Framework. In designing this framework, the following principles should be kept in mind:

- The corporate governance framework should promote transparent and efficient markets, be consistent with the rule of law and clearly articulate the division of responsibilities among different supervisory, regulatory and enforcement authorities.
- The corporate governance framework should protect and facilitate the exercise of shareholders' rights.
- The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights.
- The corporate governance framework should recognize the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises.
- The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company.
- The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and board's accountability to the company and the shareholders.

2. Guidance in designing Code of Conduct

Code of Conduct is an integral part of an organization's Corporate Governance Policy. A C.A can play an important role in designing this Code. This Code of Conduct helps to maintain the standards of business conduct for the Company. The purpose of the Code is to deter wrongdoing and promote ethical conduct. Ethical business conduct is critical to any business. Accordingly, all employees are expected to read and understand the Code, uphold the standards in day to day activities, comply with all applicable laws, rules and regulations and all applicable policies adopted by the Company. The essential ingredients of this Code are:

- Compliance with Governmental laws, rules and regulations
- Ensuring legal, fair and ethical competition
- Maintaining highest possible standards of integrity and ethics
- Avoidance of conflicts of interest that may lead to divided personal loyalties.
- Deterrence from inducement and bribery
- Restriction and reporting of unsolicited gifts and hospitality
- Truthfulness and accuracy in communication.
- Maintaining Confidentiality of Information
- Fulfillment of commitments
- Strict adherence to Insider Trading Rules
- Protection of Company Assets
- Management and mitigation of Risk
- Maintaining an Equitable Workplace by ensuring that all individuals are treated fairly and impartially, without prejudice and are given equal employment opportunity
- Ensuring safety of individuals by taking safe guard against sexual harassment, and ensuring environmental compliances
- Protection and enhancement of human dignity of all those engaged with the company.

3. Specialized guidance in designing Risk Management Framework

All companies are exposed to an extensive variety of risks across their entire range of business operations. In the broadest sense, risk can be defined as the danger of not achieving the financial, operative, or strategic goals as planned. To ensure long-term corporate success, it is therefore essential that risks should be effectively identified and analyzed and then eliminated or at least limited by means of appropriate control measures. A Company should have a comprehensive risk management system in place, which enables it to recognize and analyze risks early on and to take the appropriate action. This system should be implemented as an integral part of the business processes. It must comprises of multiple control mechanisms and must constitute an important element of the corporate decision-making processes. These mechanisms must include recording, monitoring, and controlling internal enterprise processes and business risks, a number of management and controlling systems, a planning process, and a comprehensive risk reporting system. To have an effective Risk Mangement enterprice should have policy:

- To monitor implementation of the measures defined to counteract risks
- To report on risks to management and the Executive Board on a regular basis
- To develop and continuously maintain risk-oriented insurance strategy as a means of risk mitigation
- To ensure compliance with regulations governing the establishment and monitoring of effective internal control over financial reporting.
- To ensure information security.

4. Specialized guidance in designing Whistle blower policy

The establishment of Whistle Blower Policy is an essential part on Corporate Governance. The company may establish a mechanism for employees to report to the management concerns about unethical behavior, actual or suspected fraud or violation of company's code of conduct or ethics policy. This mechanism should also provide for adequate safeguards against victimization of the employee reporting under the mechanism. The mechanism should also be appropriately communicated within the organization. A Chartered Accountant can play an important role in making such policy.

Under this mechanism, employees generally have the opportunity to submit or report complaints pertaining to the following areas such as:

- fraud which is an act of willful misrepresentation which would affect the interests of the concerned against investors, securities fraud, mail or wire fraud, bank fraud, or fraudulent statements regulatory authorities.
- violations of any rules and regulations applicable to the Company and related to accounting and auditing matters
- intentional error or fraud in the preparation, review or audit of any financial statement of the Company
- any violations to the Company's ethical business practices as specified in the Company's Code of Conduct policy

- Commission of a crime
- Failure to comply with any legal obligation
- A miscarriage of justice
- A danger to health and safety
- Damage to the environment
- The deliberate concealment of information tending to show one of the above is occurring or likely to occur
- Fraud and financial irregularities
- Deliberate improper business conduct
- any other event which would affect the interests of the business

5. Internal Audit Charter

Internal Audit Charter is a document that establishes the organization's positioning and empowerment of internal audit function. The purpose of this charter is to set out the nature, role, responsibility, status and authority of the Internal Audit Department and to outline the scope of their work. The Charter may establish the following as the responsibility of the internal auditor

- Identify and assess potential risks to the Company's operations.\
- Review the adequacy of controls established to ensure compliance with policies, plans, procedures, and business objectives.
- Assess the reliability and security of financial and management information and the systems and operations (in-house or outsourced) that produce this information.
- Assess the means of safeguarding assets.
- Review established procedures and systems and propose improvements.
- Appraise the use of resources with regard to economy, efficiency and effectiveness.
- Contribute to the development of projects, selected according to the risk involved, by confirming that the Bank's project methodology is followed and that, in particular, adequate controls are incorporated.
- Follow up recommendations to make sure that effective remedial action is taken.
- Carry out ad hoc appraisals, investigations, or reviews requested by the Management.

6. Other opportunities

Beside assistance in formation of the above-mentioned mechanism and documents of the company a Chartered Accountant can play an important role in following areas:

(i) Internal Audit of Code of Corporate Governance, Risk Management Framework, Internal control framework, Whistle blower policy

(ii) Statutory auditor's Certificate regarding compliance of conditions of corporate governance as stipulated in sub-clause VII(1) of clause 49

(iii) Management Audit pertaining to various regulatory, statutory or listing requirements (Item 15 of Annex. 1A of clause 49)

(iv) Effective role as chairman of audit committee

(v) Effective role as independent director [clause 49 I(A)(iii) meeting a-f criteria]

(vi) Assessment of internal control function under clause 49 V -CEO/CFO Certification

(vii) As a consultant giving specialized guidance to the management, regular and speedy updates on all applicable provisions, evaluating future growth potential and in taking proactive actions in the interests of the company

5.5 CAPITAL MARKETS

In the capital market scenario, Intermediaries, Investors, Issuers, Corporate and Regulatory Authority rely largely on skills of the Chartered Accountants in discharging their respective obligations. The capital inflows into the capital market can be attracted only when the investors have adequate confidence in the related processes..

CA's can act as a catalyst, particularly in enhancing the quality and credibility of financial information .This would have Far-reaching implications for the individual market-players, eventually permeating to the market and, in turn, to the economy as a whole

a) Advisor to the company tapping the capital markets.

b) Auditor to the company tapping the capital markets.

c) Advisor to the government in policymaking, monitoring review, surveillance and investigation.

d) Intermediary

e) Investment banker

f) Fund manager

g) Equity trader

h) Dealer

i) Research analyst

j) Role in the IPO Process

k) Undertaking Due Diligence

l) Advising on/certifying the following:

   i. Compliance with the corporate governance.

   ii. Promoter contribution in a project.

   iii. Amount deployed/spent on project

5.6 PRIVATE EQUITY FUNDING

Today, the Indian venture capital/private equity industry has developed even further. From funding small start up ventures with emphasis only on new age companies, the industry has now matured to cover the entire spectrum of private equity products – seed funding, expansion capital, buy out financing, financing restructuring of companies and providing mezzanine capital across a variety of sectors. Deal sizes have also reached new heights, from sub USD 5 mn in the early days to USD 50 mn and more. A chartered accountant may assist in private equity funding in a number of ways including:

a. Undertaking an Initial appraisal of Management's financing proposition

b. Preparation and advising on Business Plan

c. Business Valuation

d. Preparing financial model

e. Planning the capital/ funding structure

f. Review and appraisal of the terms of deal

g. Negotiation on terms of deal

h. Project management of transaction

i. Advising on the future plans/ exit route etc

5.7 CYBER LAWS

The term “Cyber” is understood as computer and the mathematical analysis of the flow of information. The word “Cyber” comes from the Greek word for navigator originating in kybernété s meaning "helmsman

Cyber law is a term used to describe the legal issues related to use of communications technology, particularly "cyberspace", i.e. the Internet. It is less a distinct field of law in the way that property or contract are, as it is an intersection of many legal fields, including intellectual property, privacy, freedom of expression, and jurisdiction. In essence, cyber law is an attempt to apply laws designed for the physical world to human activity on the Internet.

There is no one exhaustive definition of the term “Cyberlaw”. Simply speaking, Cyberlaw is a generic term which refers to all the legal and regulatory aspects of Internet and the World Wide Web.

A Law encompasses the rules of conduct:

1. That have been approved by the government, and

2. Which are in force over a certain territory, and

3. Which must be obeyed by all persons on that territory

Violation of these rules could lead to government action such as imprisonment or fine or an order to pay compensation**.**

Cyber law encompasses laws relating to:

1. Cyber Crimes
2. Electronic and Digital Signatures
3. Intellectual Property

4. Data Protection and Privacy

Need for Cyber law

In today's techno-savvy environment, the world is becoming more and more digitally sophisticated and so are the crimes. Internet was initially developed as a research and information sharing tool and was in an unregulated manner. As the time passed by it became more transactional with e-business, e-commerce, e-governance and e-procurement etc. All legal issues related to internet crime are dealt with through cyber laws. As the number of internet users is on the rise, the need for cyber laws and their application has also gathered great moment

Key words related to cyber crimes

Cyber Defamation: This occurs when defamation takes place with the help of computers and or the Internet e.g. someone published defamatory matter about someone on a websites or sends e-mail containing defamatory information to all of that person's friends.

Cyber Pornography: This would include pornographic websites; pornographic magazines produced using computer and the Internet (to down load and transmit pornographic pictures, photos, writings etc.)
Cyber Stalking: Cyber stalking involves following a person's movements across the Internet by posting messages on the bulletin boards frequented by the victim, entering the chat-rooms frequented by the victim

Data diddling: This kind of an attack involves altering the raw data just before it is processed by a computer and then changing it back after the processing is completed

Denial of Service: This involves flooding computer resources with more requests than it can handle. This causes the resources to crash thereby denying authorized users the service offered by the resources.

E-Mail bombing: Email bombing refers to sending a large amount of e-mails to the victim resulting in the victims' e-mail account or mail servers.

E-Mail spoofing: A spoofed email is one that appears to originate from one source but actually has been sent from another source. This can also be termed as E-Mail forging

Financial Claims: This would include cheating, credit card frauds, money laundering etc.
Forgery: Counterfeit currency notes, postage and revenue stamps, mark sheets etc., can be forged using sophisticated computers, printers and scanners.

Internet Time Theft: This connotes the usage by unauthorized persons of the Internet hours paid for by another person.

Logic bombs: These are dependent programs. This implies that these programs are created to do something only when a certain event occurs, e.g. some viruses may be termed logic bombs because they lie dormant all through the year and become active only on a particular date.

Online gambling: There are millions of websites; all hosted on servers abroad, that offer online gambling. In fact, it is believed that many of these websites are actually fronts for money laundering.
"Phishing" is derived from the word "fishing", and it means luring or enticing an unwary customer of a Banking or Financial Institution to pass on sensitive information pertaining to their account. Scamsters then use this information to siphon off funds or, undertake transactions that are billed to the original customer.

Physically damaging a computer system:
This crime is committed by physically damaging a computer or its peripherals.

Salami attacks: Those attacks are used for the commission of financial crimes. The key here is to make the alteration so insignificant that in a single case it would go completely unnoticed e.g. A bank employee inserts a program into bank's servers, that deducts a small amount from the account of every customer.

Sale of illegal articles: This would include sale of narcotics, weapons and wildlife etc., by posting information on websites, bulletin boards or simply by using e-mail communications.

Theft of information contained in electronic from: This includes information stored in computer hard disks, removable storage media etc.

Trojan horse: A Trojan as this program is aptly called, is an unauthorized program which functions from inside what seems to be an authorized program, thereby concealing what it is actually doing.

Unauthorized access to computer system or network: This activity is commonly referred to as hacking. The Indian Law has however given a different connotation to the term hacking.

Virus/worm: Viruses are programs that attach themselves to a computer or a file and then circulate themselves to other files and to other computers on a network. They usually affect the data on a computer, either by altering or deleting it. Worms, unlike viruses don not need the host to attach themselves to.

Role of chartered accountants in combating cyber crimes and in the cyber environment

1. Technological measures-Public key cryptography, Digital signatures ,Firewalls,
2. Cyber investigation- Computer forensics is the process of identifying, preserving, analyzing and presenting digital evidence in a manner that is legally acceptable in courts of law.
3. Information systems audit
4. Cyber Law Compliance officer
5. Initiate training of employees on Cyber Law Compliance
6. use authentication procedures suggested in law
7. Maintain data retention as suggested under Section 67C

8. Identify and initiate safeguard requirements indicated under Sections 69 and 69A, 69B
9. Initiate global standards of data privacy on collection, retention, access, deletion etc.

5.8 Corporate Insolvency and Restructuring

Just like a person requires treatment to treat his disease, a sick company also requires some form of treatment to overcome its problem of debts. This treatment may be in the form of restructuring of a company.

Restructuring is the corporate management term for the act of reorganizing the legal, ownership, operational, or other structures of a company for the purpose of making it more profitable, or better organized for its present needs. Alternate reasons for restructuring include a change of ownership or ownership structure, demerger, or a response to a crisis or major change in the business such as bankruptcy, repositioning, or buyout. Restructuring may also be described as corporate restructuring, debt restructuring and financial restructuring.

There are a broad range of opportunities that arise from corporate insolvency and financial restructurings.

1. Spotting and evaluating distressed companies for restructuring and rescue planning.
2. Reviewing the various risks involved in restructuring.
3. Developing risk mitigation strategies.
4. Working out a detailed bankable financial structure of the business.
5. Working out a detailed plan for restructuring the business from all angles.
6. Assessment of distressed assets, cash position, due diligence and turnaround feasibility.
7. Advice on optimum utilization of resources.
8. Drafting insolvency petitions.
9. Representation and registration of sick companies with BIFR.
10. Representation before the Debt Recovery Tribunals.

11. Negotiating settlements.

12. Identifying Areas Of Opportunity for the company.

13. Advisory in relation to a merger or acquisition or takeover.

14. Advisory services to management on an ongoing basis

5.8 COMPETITION ACT, 2002

Competition Act, 2002 was passed by the Parliament and assented to by the President of India on 13th January, 2003. The Ministry of Corporate Affairs, Government of India has issued a Notification dated 28th August 2009, whereby the most controversial the Monopolies and Restrictive Trade Practices Act, 1969 ("the MRTP Act") stands repealed and is replaced by the Competition Act, 2002, with effect from September 1, 2009. The MRTP Commission will continue to handle all the old cases filed prior to September 1, 2009 for a period of 2 years.

Professional Opportunities:

Services that can be rendered by professionals in the field of Competition law are:

I. Advisory and Consultancy Services to enterprises
II. Drafting of anti-competitive agreements
III. Compliance of competition law audit
IV. To work as Expert for Commission under Section 17
V. To appear before Commission under section 35
VI. To appear before Competition Appellate Tribunal 53S Chapter VIIIA(Section 53A to 53U)

(C) Related Websites

1.	International Competition Network	http://www.internationalcompetitionnetwork.org/
2.	International Bar Association	http://www.globalcompetitionforum.org

	Global Competition Forum-	
3.	Competition Commission of India	http://www.cci.gov.in/index.php
4.	The Office of the Director General of Investigation and Registration	http://www.mca.gov.in/MinistryWebsite/dca/mcaoffices/dgir.html
5.	Monopolies and Restrictive Trade Practices	http://www.mca.gov.in/MinistryWebsite/dca/mcaoffices/mrtpc.html

International Organizations

6.	Andean Community, Andean Competition Portal	http://www.comunidadandina.org/competencia/
7.	Asia-Pacific Economic Cooperation (APEC) Competition Policy Database	http://www.apecsec.org.sg/loadall.htm? http://www.apecsec.org.sg/committee/competition.html
8.	Business and Industry Advisory Committee for the OECD (BIAC)	http://www.biac.org/
9.	Economic Commission for Latin America and the Caribbean (ELAC)	http://www.eclac.cl/default.asp?idioma=IN
10.	Free Trade Area of Americas (FTAA)- Competition Policy	http://www.ftaa-alca.org/ngroups/ngcomp_e.asp
11.	International Chamber of Commerce	http://www.iccwbo.org/
12.	International Trade Centre	http://www.intracen.org/

	UNCTAD/WTO	
13.	The International Trade Forum- The Magazine of the International Trade Centre	http://www.tradeforum.org/
14.	International Monetary Fund (IMF)	http://www.imf.org/
15.	North Atlantic Treaty Organisation (NATO)	http://www.nato.int/
16.	OECD. Organisation For Economic Co-operation And Development, Competition Law And Policy	http://www.oecd.org/daf/clp
17.	Organisation Of American States (OAS) Trade Unit	http://www.oas.org/
18.	Trade and Development Centre	http://www.itd.org/
19.	The World Bank Institute	http://www.worldbank.org/wbi/regulation/index.html
20.	United Nation Conference on Trade and Development (UNCTAD)	http://www.unctad.org/competition
21.	United Nations Commission on International Trade Law (UNCITRAL)	http://www.uncitral.org/
22.	United Nations Economic and Social Development	http://www.un.org/esa/
23.	United Nations Industrial	http://www.unido.org/

	Development Organization (UNIDO)	
24.	Western European Union (WEU)	http://www.weu.int/
25.	World Trade Organization (WTO)	http://www.wto.org/
26.	World Intellectual Property Organisation	http://www.wipo.org/index.html.en
27.	World Trade Point Federation	http://www.wtpfed.org/

5.9 INSURANCE & PENSION

During the past several years, the sector of insurance has flourished so much that the insurance business is being considered as one of the most rapidly developing areas in the financial sector. In fact, it is, indisputably, the most dynamic segment in the global financial services industry

Opportunities in this field include

a) New product creation

Chartered Accountants as professionals can play a vital role in the design and development of new and existing insurance products and services. They can advise on premiums, rebates and the like for products unique to specific industries/ companies and suggest risk-mitigating measures.

b) Underwriting

Insurance underwriters review insurance applications and decide whether they should be accepted or rejected based on the degree of risks that would be involved in insuring the people or objects of concern. They are required to use rate books, codebooks, tables, actuarial studies and other reference materials

c) Management of Portfolio

Insurers possesses huge amount of funds, which need proper management. The management of the portfolio of an insurance company requires the identification of investment avenues, evaluation thereof and the selection of the most appropriate mix of alternatives where the funds of the company can be invested. Chartered Accountants are well versed with the methods and techniques pertaining to the finance related decision-making including the application of scientific and statistical techniques for the same. There is invariably a large scope for the utilisation of the services of Chartered Accountants in this field.

d) Claims Adjusters, Examiners, and Investigators

An Investigator investigates the insurance claim to figure out who should pay the damages. He or she looks for the truth when there's disagreement about who is legally responsible or when criminal activity is suspected. In other situations, adjusters and examiners are the ones who deal with insurance claims.

Claims adjusters, examiners, and investigators work behind the scenes, usually for insurance companies or agencies, to make sure that insurance customers claiming payment get the money they are entitled to

e) Actuary

Actuaries are experts who perform actuarial analysis of insurance rates, rating procedures, rating plans, and schedules of insurance companies. These are professionals who are experienced in reviewing and analyzing insurance operations, reserves and underwriting procedures and provide technical assistance regarding actuarial matters to policy examiners and other technical staff. In other words they are the people who ascertain in advance the uncertain events that could take place in future and come to a financial conclusion.

A Chartered Accountant with his natural flair for Quantitative techniques and numbers crunching can be of immense help in being an Actuary

A Chartered Accountant can play the role of actuary by fulfilling the requirement as per Actuarial Society of India.

f) Advisor

A Chartered Accountant as an Insurance advisor can assist in the following areas:

i. Agricultural Insurance
ii. Setting up new business
iii. Amalgamations and merger
iv. Life Insurance and Non-Life Insurance
v. Insurance laws and regulations

g) Risk management

Chartered Accountants can assist in fulfilling the following objectives of Risk Management with his specialized knowledge:

- Prior to a loss
  - Economy
  - Reduction of Anxiety
  - Meeting external obligation
- After a loss occurs
  - Survival of the firm
  - Continued operation
  - Stability of earnings
  - Continued Growth

- Social Responsibility

h) Surveyor or Loss Assessor

Insurance surveyors and Loss assessors are independent professionals appointed by an insurance company to assess the loss or damage when a claim is notified under a policy issued by them. An insurance surveyor is a duly qualified professional deputed for the assessment of losses, according to their qualification and experience.

As a professional they serve a link between the insurer and the insured.

A chartered Accountant is qualified to act as a surveyor as per Section 64UM (1)(D) of the Insurance Act, 1938

i) Sales Agent

Agent is the representative of Insurance Company. Agents regulations have come into force from June 1, 2000. Agents would have to go through a qualifying examination to be conducted by the IRDA. The syllabus for the agents qualifying examination was finalised and the examination would be compulsory from June 2000 onwards

The members who are not in practice can explore this avenue and yield handsome results in marketing the products as they are well equipped with the technical knowledge and skills required to perform the function.

j) Insurance Litigation

Chartered Accountants can render their professional expertise in the quantification of claims, both personal injury and business interruption claims. They may also render their services in determining the consideration of liability involving accountants' negligence and for other professional negligence cases. They may also provide their knowledge in rendering assistance of fidelity insurance disputes and insurance accounting disputes.

k) Forensic Auditing / Investigative Assignments

Insurance industry is susceptible for fraudulent / inflated claims. The examples of fraudulent claims include auto accidents faked or staged to claim benefits, phony burglaries, thefts, or acts of vandalism reported to insurers. Chartered Accountants with their inherent inquisitive abilities sharpened by their training can provide a lot of value addition to the claim settling techniques. The investigative skills aided by their probing minds and technical assistance can be effectively utilised by insurers by offering investigative assignments to the Chartered Accountants.

l) Others

Chartered Accountants can also take up responsibility in the fields of Concurrent Audit ,Audit and certification of investment functions, Certification required under IRDA, Consultancy in Insurance and pension laws and Third party administrators services

5.10 ENTERPRISE RESOURCE PLANNING [ERP]

Enterprise Resource Planning (ERP) is a term usually used in conjunction with ERP software or an ERP system which is intended to manage all the information and functions of a business or company from shared data stores

An ERP system typically has modular hardware and software units and "services" that communicate on a local area network. The modular design allows a business to add or reconfigure modules (perhaps from different vendors) while preserving data integrity in one shared database that may be centralized or distributed

As the business needs are very complex in nature, the implementation of an ERP package needs Chartered Accountants with functional skills for evaluation, Business Process Reengineering (BPR), Mapping of Business requirements, Report designing, ensuring Business controls, customization of the package for the specific requirements, Documentation etc.

Opportunities exist for Chartered Accountants in the following areas:

a) CA as a Consultant/ Functional analyst: Implementation of ERP solutions is one of the largest drivers of growth in the consultancy business. The introduction of such large and complex software like ERP, which enables an organisation to integrate their manufacturing, finance and marketing operations at all levels, is in itself a challenge, since it calls for technical and functional skills and a change in user mindsets. A Chartered Accountant as a Consultant will play a major role in implementation of an ERP solution.

b) CA as an auditor: Assuming a situation where the client has implemented an ERP solution. If the auditor is aware of ERP he can make use of the features of ERP and thereby: ensures that the internal controls and checks are consistently maintained.; ensures that the provisions of Income tax or other fiscal laws are not ignored ;ensures that the Accounting Standards are consistently followed across the company; Improves the quality of the reporting.

c) CA as an Advisor: As an advisor to a company a Chartered Accountant can participate in various stages of ERP implementation..

d) CA as a Manager/ Functional Implementation Team member / Implementation Project manager: ERP is a high end sophisticated software solution that reduces the pressure and work load of the Managers and provides accurate, timely information for taking appropriate business decisions. Chartered accountants as managers with knowledge of ERP will be able to achieve their targets and goals by proper implementation of ERP system in their organisation.

5.11 CARBON CREDITS

Carbon credits are certificates issued to Countries that reduce their emission of Greenhouse Gases (GHG) which cause Global Warming. It is like a Permit that allows an entity to emit a specified amount of greenhouse gases.

Carbon credits are a key component of national and international emissions trading schemes that have been implemented to mitigate global warming. They provide a way to reduce greenhouse effect emissions on an industrial scale by capping total annual emissions and letting the market assign a monetary value to any shortfall through trading.

Credits can be exchanged between businesses or bought and sold in international markets at the prevailing market price. Credits can be used to finance carbon reduction schemes between trading partners and around the world.

An example will best illustrate how the Carbon Credit Market works. Example - British Petroleum in UK emitting more than the accepted norms of UNFCCC can tie up with Subsidiary in India or China under Clean Development Mechanism of Kyoto Protocol. The credits arising out of the use of the new technology are sold to counterparts in Europe to meet their emission targets under the Kyoto Protocol. Thus a carbon credit market is created.

Professional Opportunities for Chartered Accountants in the field of Carbon Credit

1. Conceptualizing the project
2. Drafting Project Concept Note
3. Quantification of GHG Carbon Footprint
4. Selection of Cleaner technologies for New projects
5. Project risk analysis
6. Making Project/ Project Design Document
7. Legal and regulatory advice during negotiations with host country Designated National Authority (DNA)
8. Advice on the appointment of independent validators
9. Assistance to achieve registration of the project by the CDM Executive Board
10. Ensuring Compliances
11. Tax structuring and optimization
12. Carbon Finance
13. Advise to Central and State Government on National Action Plan implementation
14. Energy Audit under The Energy Conservation Act 2001
15. Advise to investors about investment in carbon credit
16. Accounting advisory services
17. Taxation advisory services

Useful References

1. United Nations Framework Convention on Climate Change
http://unfccc.int/2860.php -

2. CDM India-Designated National Authority
http://cdmindia.nic.in/

3. Ministry of Environment & Forests (MoEF) http://www.envfor.nic.in/

4. Ministry of Power-
   http://www.powermin.nic.in/

5. Ministry of New and Renewable Energy
   http://mnes.nic.in/

6. Ministry of Commerce & Industry
   http://commerce.nic.in/

7. Bureau of Energy Efficiency
   http://www.bee-india.nic.in/

8. International Emissions Trading Association(IETA)-
   http://www.ieta.org/ieta/www/pages/index.php

5.12 Knowledge Management and Knowledge Audit

The meaning of knowledge within organisations has evolved to refer to something which differs from the classic definitions of knowledge. Knowledge within organisations can be defined as:

"The information contained within the organisation about customers, products and services which is contained within people's minds or filed in analogue or digital format"

Knowledge management has its origins in four different disciplines that were relatively independent until the late 1990's. These four disciplines of knowledge management can be described as:

- Organisational information processing.
- Business intelligence.
- Organisational cognition.
- Organisational development.

The first had its starting point in computer technology, the second in information services, the third in research on organisational innovation, learning, and sense-making and the fourth in business strategy and human resource management.

Opportunities in this area for Chartered Accountants include the following: -

- Knowledge Audit
- Information authentication, management, interpretation and evaluation
- Management of proprietary, external and individually held knowledge to add value to business
- Continuous real time reporting

A knowledge audit is a review of the firm's knowledge assets and associated knowledge management systems .knowledge Audit identifies the core information and knowledge needs and uses in an organization. It identifies gaps, duplications, flows, and how they contribute to business goals. It is an extension of knowledge management initiatives of various organizations and ensures whether their initiatives lead to the desired objectives of knowledge management.

5.13 Prevention of Money Laundering Act, 2002

The Prevention of Money Laundering Act, 2002 (PMLA 2002) and the Rules notified there under came into force with effect from July 1, 2005. Director, FIU-IND and Director (Enforcement) have been conferred with exclusive and concurrent powers under relevant sections of the Act to implement the provisions of the Act.

The Prevention of Money Laundering Act, 2002 consists of ten chapters containing 75 sections and one Schedule. Certain amendments were made to this Act vide The Prevention of Money laundering (Amendment) Act, 2005(20 of 2005) and The Prevention of Money Laundering (Amendment) Act, 2009

Professional opportunities for Chartered Accountants

Chartered Accountants with their inherent inquisitive abilities sharpened by their Knowledge of subject, experience and attention to detail can provide the following services in the Prevention of Money Laundering.

1. As a consultant
    a. Providing His vast expertise in handling huge quantitative data for verification of the exact nature of transactions.
    b. Building effective AML programs for the financial organisations to protect them from the potential threats.
2. As the trusted partner of the government,
    a. Ensuring implementation of the PMLA Act,2002 in letter and spirit.
    b. KYC AUDIT
3. Conducting Know- Your Customer [KYC] audit
    a. Customers due diligence procedures to confirm identity of Client from the records produced by him.
    b. Systems audit for checking Identity from external database.
    c. Formulating and implementing the programme of KYC which is to be forwarded to Director in PMLA [Rule 9 sub rule (7) of the PML maintenance of records of the nature and value … rules].
4. Risk Advisory services (RAS), identifying the risk & its mitigating controls in the systems for proper internal control environment.
5. Management Advisory service (MAS), creating proper administrative and organisation structure to ensure the loop free information flows.

USEFUL LINKS

1 Financial Intelligence Unit- India -http://www.fiuindia.gov.in/

2 Ministry of Finance -http://www.finmin.nic.in/

3 Insurance Regulatory and Development Authority- http://www.irdaindia.org/

4 Reserve Bank of India - http://www.rbi.org.in/

5 Securities and Exchange Board of India- http://www.sebi.gov.in/

6 Asia/Pacific Group on Money Laundering (APG) - http://www.apgml.org/

7 Bank for International Settlements - http://www.bis.org/

8 Caribbean Financial Action Task Force on Money Laundering (CFATF) - http://www.cfatf.org/eng/

9 Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) - http://www.esaamlg.org/

10 Egmont group - http://www.egmontgroup.org/

11 Eurasian Group on Combating Money Laundering and Financing Terrorism - http://www.eurasiangroup.org/

12 European Union - http://europa.eu/pol/fraud/index_en.htm

13 Financial Action Task Force on Money Laundering (FATF) - http://www.fatf-gafi.org

14 International Monetary Fund -http://www.imf.org/

15 International Money Laundering Information Network (IMoLIN) - http://www.imolin.org/imolin/index.html

16 Interpol - International Criminal Police Organisation - http://www.interpol.com/

17 Middle East & North Africa Financial Action Task Force (MENAFATF) - http://www.menafatf.org/

18 Organisation for Economic Co-operation and Development (OECD) - http://www.oecd.org/

19 United Nations International Drug Control Programme - http://www.unodc.org/

20 World Bank - http://web.worldbank.org/

5.14 MICRO SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT 2006

Small and medium enterprises or **SMEs**, also called **small and medium-sized enterprises** and **small and medium-sized businesses** or **small and medium businesses** or **SMBs**, are companies whose headcount or turnover falls below certain limits.

The abbreviation SME occurs commonly in the European Union and in international organizations, such as the World Bank, the United Nations and the WTO. The term small and medium-sized businesses or SMBs is predominantly used in the USA.

EU Member States traditionally had their own definition of what constitutes an SME, for example the traditional definition in Germany had a limit of 500 employees, while, for example, in Belgium it could have been 100. But now the EU has started to standardize the concept. Its current definition categorizes companies with fewer than 50 employees as "small", and those with fewer than 250 as "medium". By contrast, in the United States, when small business is defined by the number of employees, it often refers to those with less than 100 employees, while medium-sized business often refers to those with less than 500 employees. However, the most widely used American definition of micro-business by the number of employees is the same of that of European Union: less than 10 employees.

DEFINITIONS

1. As laid down in "Companies (Accounting Standards) Rules, 2006"

Sec 2(f)

"Small and Medium Sized Company" (SMC) means, a company-

(i) whose equity or debt securities are not listed or are not in the process of listing on any stock exchange, whether in India or outside India;

(ii) Which is not a bank, financial institution or an insurance company;

(iii) Whose turnover (excluding other income) does not exceed rupees fifty crore in the immediately preceding accounting year;

(iv) Which does not have borrowings (including public deposits) in excess of rupees ten crore at any time during the immediately preceding accounting year; and

(v) Which is not a holding or subsidiary company of a company which is not a small and medium-sized company

Explanation: For the purposes of clause (f), a company shall qualify as a Small and Medium Sized Company, if the conditions mentioned therein are satisfied as at the end of the relevant accounting period.

Accordingly, certain instructions are prescribed for SMC and following Accounting standards are not applicable to them

- Accounting Standard – 3 'Cash Flow Statement'
- Accounting Standard – 17 'Segment Reporting'

The following Accounting standards will apply in part for SMC's

- Accounting Standard – 15 'Employee Benefits'
- Accounting Standard – 19 'Leases'
- Accounting Standard – 20 'Earning Per Share'
- Accounting Standard – 28 'Impairment of Assets'

2. As in the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs)

The IFRS for SMEs is intended for use by **small and medium-sized entities** (SMEs) which are entities that:

(a) Do not have **public accountability**; and

(b) Publish **general purpose financial statements** for external users. Examples of external users include owners who are not involved in managing the business, existing and potential creditors, and credit rating agencies.

An entity has public accountability if:

(a) it files, or it is in the process of filing, its **financial statements** with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; or

(b) It holds assets in a fiduciary capacity for a broad group of outsiders, such as a bank, insurance entity, securities broker/dealer, pension fund, mutual fund or investment banking entity.

If a publicly accountable entity uses this [draft] standard, its financial statements shall not be described as conforming to the IFRS for SMEs—even if national law or regulation permits or requires this [draft] standard to be used by publicly accountable entities.

3. Classification as laid down in Sec 7 (1) of the Micro, Small and Medium Enterprises Development Act, 2006.

(a) **in the case of the enterprises engaged in the manufacture or production of goods pertaining to any industry** specified in the first schedule to the Industries (Development and Regulation) Act, 1951, as

(i) a micro enterprise, where the investment in plant and machinery does not exceed twenty five lakh rupees;

(ii) a small enterprise, where the investment in plant and machinery is more than twenty five lakh rupees but does not exceed five crore rupees; or

(iii) a medium enterprise, where the investment in plant and machinery is more than five crore rupees but does not exceed ten crore rupees;

(b) in the case of the enterprises engaged in providing or rendering of services, as

(i) a micro enterprise, where the investment in equipment does not exceed ten lakh rupees;

(ii) a small enterprise, where the investment in equipment is more than ten lakh rupees but does not exceed two crore rupees; or

(iii) a medium enterprise, where the investment in equipment is more than two crore rupees but does not exceed five crore rupees

Micro, Small and Medium Enterprises Development Act, 2006

The Micro, Small and Medium Enterprises Development Bill 2005, having been passed by both the houses of Parliament, received the assent of the President on 16th June 2006. It came on the Statute Book as the Micro, Small and Medium Enterprises Development Act, 2006 (27 of 2006) and come into force from 02nd Oct, 2006. The MSMED Act, 2006 provides for facilitating the promotion and development and enhancing the competitiveness of Micro, Small and Medium Enterprises and for matters connected therewith. Under this Act, a National Board for Micro, Small and Medium Enterprises has been established

Professional opportunities

Chartered Accountants can explore opportunities in this area including formation, Registration, taxation and foreign direct investment. They can help large scale enterprises form systems to ensure that they comply with the deadlines for payment of any goods or services supplied by MSMEs. Also there are opportunities in counseling of MSMEs for the rights and benefits available to them.

Related Websites

- http://msme.gov.in/
- http://www.smenetwork.net/
- http://smetimes.tradeindia.com/smetimes/index.html
- http://www.fisme.org.in/
- http://www.laghu-udyog.com
- http://www.smera.in/ - rating agency
- http://www.nmcc.nic.in/ - national manufacturing competitiveness council

5.15 LAWS RELATING TO INTELLECTUAL PROPERTY RIGHTS [IPR]

Intellectual Property Rights (IPR) defines variety of legal rights in protecting products of intellectual efforts of creativity in the fields of applied art, knowledge and fine arts. Intellectual Property Rights mainly comprise trademarks, patents, copyrights, service marks, designs and confidential information (trade secrets), know-how etc. and the right to protection from passing off.

Intellectual Property Rights are of great importance for modern industry and commerce and, in many cases, they have a very important effect on the economy and on the very existence of a business entity. These comprise the right to control the use of technology and creative material, including rights in artistic, musical and literary work, and the right to prevent others from misusing certain marks, symbols and drawings and in distinguishing one from the other.

Intellectual Property Rights provide means by which an owner or an innovator can protect his innovation etc. from being imitated and safeguard the fruits of his valuable labour and investment. Basically, an Intellectual Property Right gives a remedy to its owner against those persons who want to reap the fruits of his ideas or work. The value of Intellectual Property cannot be defined in monetary terms; it is an intangible asset of any corporate entity.

IPRs can stimulate trade, investment, innovation and technology transfer for development. IPRs provide a vital incentive for investment in expensive biotechnological research. They give companies the safeguards necessary to encourage them to commercialise their products.

Laws, Rules& Regulations, Conventions and Treaties on Intellectual Property Rights

1 The Copyrights Act, 1957 and The Copyrights Rules, 1958
2 The Trade Marks Act, 1999 and The Trade Marks Rules, 2002
3 The Geographical Indications of Goods (Registration and Protection) Act, 1999 and The Geographical Indications of Goods (Registration and Protection) Rules, 2002
4 The Designs Act, 2000 and The Designs Rules, 2001
5 The Semiconductors Integrated Circuits Layout-Design Act, 2000 and The Semiconductors Integrated Circuits Layout-Design Rules, 2001

6 The Biological Diversity Act, 2002 and The Biological Diversity Rules, 2004

7 The Patents Act, 1970 and The Patents Rules, 2003

8 The Protection of Plant varieties and Farmers Rights Act, 2001 and The Protection of Plant varieties and Farmers Rights Rules, 2003

Professional Opportunities

1. Registration Services - Registration of Patents, Trademarks, Copy rights & Geographical indications etc. at both national & international level
2. Representations before statutory authorities wherever permissible and possible.
3. Documentation - Drafting of Application for registration of the Intellectual property rights
4. Valuation of the Intellectual property rights and Strategic Advises related to Sale / Acquisitions of Intellectual property rights.
5. Advisory Services on Taxation of Intellectual property rights - Service Tax , Income Tax and Capital gains
6. Accounting of Intellectual property rights
7. Negotiating Royalty , Agency, Distribution, Franchise , Drafting licenses , non-disclosure agreements and Licensing agreements
8. Joint venture and Foreign Collaboration
9. Intellectual Property Management & Audit
10. Preparation for contesting opposition against application for registration of Intellectual property rights (in case of Patents, Trade marks, Geographical Indicators)
11. Registration of copyright protected works i.e. literary, artistic, cinematographic work and computer programs.
12. Patent and trademark litigation support including representation in hearings before the examiner, assistant, deputy, joint controller and controller of patents and assistant registrar and registrar of trademarks, filing oppositions and initiating infringement actions.
13. Function as an Arbitrator - resolve infringement matters - through Alternative Dispute Resolution when appropriate
14. Advisory on acquisition of intellectual property assets and a thorough due diligence review of complex ownership issues.

15. Advisory and assistance in negotiating and structuring intellectual property development Agreements, including joint development agreements
16. Analyzing and assisting in strategically positioning Intellectual property rights to achieve maximum valuation and growth
17. Registration of Domain Names
18. Infringement Analysis Opinions and certifications
19. Advisory on assignments of Trademarks

Related Web sites

Patents Office	http://www.patentoffice.nic.in/ipr/patent/patents.htm
Copy Right Authority under the Ministry of Human Resource and Development	http://copyright.gov.in/
Trade Mark registry	http://www.patentoffice.nic.in/tmr_new/default.htm
Designs registration office	http://www.patentoffice.nic.in/ipr/design/designs.htm
Information on Geographical Indicators	http://www.patentoffice.nic.in/ipr/gi/geo_ind.htm
The Convention on Biological Diversity	http://www.biodiv.org/default.shtml
India's Clearing-House Mechanism site	http://envfor.nic.in/envis/envis.html
Ministry of Environment & Forests	http://envfor.nic.in/
Information on protection of plant varieties and farmers rights	http://www.plantauthority.in/
About Intellectual Property Rights	http://www.ipindia.nic.in/ipr/patent/pat_inaug.htm

5.16 NON BANKING FINANCIAL COMPANIES [NBFC]

All corporate entities can be broadly classified as

a) Finance companies; and
b) Non- Finance companies.

All finance companies can further be classified into

a) Banking Company; and
b) Non- Banking companies.

While Banking companies are regulated by the Banking Regulation Act, 1949, the legal framework of Non- banking companies is provided in Chapter III B, III C and Chapter V of the Reserve Bank of India Act, 1934.

Non-Banking Financial Company (NBFC) - Meaning

A Non-Banking Financial Company (NBFC) is a company registered under the Companies Act, 1956 and is engaged in the business of loans and advances, acquisition of shares/stock/bonds/debentures/securities issued by Government or local authority or other securities of like marketable nature, leasing, hire-purchase, insurance business, chit business but does not include any institution whose principal business is that of agriculture activity, industrial activity, sale/purchase/construction of immovable property. A non-banking institution which is a company and which has its principal business of receiving deposits under any scheme or arrangement or any other manner, or lending in any manner is also a non-banking financial company.

For this purpose, the definition of 'Principal Business' given, vide Press Release 1998-99/1269 dated April 8, 1999 may be followed:

"The company will be treated as a non-banking financial company (NBFC) if its financial assets are more than 50 per cent of its total assets (netted off by intangible assets) and income from financial assets is more than 50 per cent of the gross income. Both these tests are required to be satisfied as the determinant factor for principal business of a company."

Types of NBFC

1. Miscellaneous NBFC
2. Residuary Non-Banking Companies i.e. companies which have as its principal business the receiving of deposits, under any scheme or arrangement or in any other manner and not being Investment, Asset Financing, Loan Company. These companies are required to maintain investments as per directions of RBI, in addition to liquid assets. The functioning of these companies is different from those of NBFCs in terms of method of mobilisation of deposits and requirement of deployment of depositors' funds. However, Prudential Norms Directions are applicable to these companies also

3. Pure NBFC (other than the above mentioned)

    a) Asset Finance Company (AFC)

    b) Investment Company (IC)

    c) Loan Company (LC)

Note: Asset Finance Company is defined as any company which is a financial institution carrying on as its principal business of financing the physical assets supporting productive/economic activity such as automobiles, tractors, generator sets, earth moving and material handling equipments, moving on own power and general purpose industrial machines. Principal business for this purpose is defined as aggregate of financing real/ physical assets supporting economic activity and income arising there from not less than 60 per cent of the total assets and total income, respectively.

Systemically important NBFCs

IMF has framed principles for regulation of the financial sector, where it suggests that institutions performing similar functions should be subject to similar regulations. Accordingly, All NBFCs–ND with an asset size of Rs.100 crore and more as per the last audited balance sheet are now considered as **systemically important NBFCs**–ND (NBFC-ND-SI). NBFCs–ND– SI are required to maintain a minimum CRAR of 10 per cent. No NBFC–ND–SI is allowed to (i) lend to any single borrower/group of borrowers exceeding 15 per cent / 25 per cent of its owned fund; (ii) invest in the shares of another company/ single group of companies exceeding 15 per cent / 25 per cent of its owned fund; and (iii) lend and invest (loans/investments taken together) exceeding 25 per cent of its owned fund to a single party and 40 per cent of its owned fund to a single group of parties.

This classification is in addition to the present classification of NBFCs into deposit-taking, and non-deposit-taking NBFCs. [RBI on Financial Regulation of Systemically Important NBFCs and Banks' Relationship with them- dated 12.12.2006]

Differences between banks & NBFCs

NBFCs are doing functions akin to that of banks; however there are a few differences:

(i) No non-banking financial company shall accept or renew any public deposit whether accepted before or after January 31, 1998 unless such deposit is repayable after a period of twelve months but not later than sixty months from the date of acceptance or renewal thereof.

(ii) It is not a part of the payment and settlement system and as such cannot issue cheques to its customers; and

(iii) Deposit insurance facility of DICGC is not available for NBFC depositors unlike in case of banks.

Acceptance of Public Deposits

All NBFCs are not entitled to accept public deposits. Only those NBFCs holding a valid Certificate of Registration with authorisation to accept Public Deposits can accept/hold public deposits. The NBFCs accepting public deposits have to comply with the "Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998".

Regulatory Framework of NBFC

1. Reserve Bank of India

Governing Body: Department of Non-Banking Supervision of the Reserve Bank of India (DNBS-RBI)

Governing Laws:

a. CHAPTER IIIB, III-C and V of Reserve Bank of India (RBI) Act 1934;

b. RBI Directions

c. RBI Circulars ; Notifications and Guidelines issued from time to time

a. CHAPTER IIIB OF RBI ACT 1934

Provisions relating to Non banking Institutions receiving deposits and Financial Institutions

45H : Chapter IIIB not to apply in certain cases

45 I : Definitions

45-IA : Requirement of Registration and Net owned Fund

45-IB: Maintenance of percentage of assets

45-IC: Reserve Fund

45J: Regulation by Bank on Prospectus

45JA: Power of RBI to determine Policy and issue Directions

45K: Power of RBI to collect information from NBI as to deposits and give Directions

45L: Power of RBI to call information from FI and give Directions

45M: Duty of NBI to furnish statements etc. required by Bank

45MA: Powers & Duties of Auditors

45MB: Power of RBI to prohibit acceptance of deposit and alienation of assets

45MC: Power of RBI to file winding up petition

45N: Inspection

45NA: Deposits not to be solicited by unauthorized person

45NB: Disclosure of Information

45NC: Power of Bank to exempt

45Q: Chapter IIIB to override other laws

45QA: Power of CLB to offer repayment of deposit

45QB: Nomination by Depositors

b. RBI Directions

i. Non Banking Financial Companies Acceptance of Public Deposits(Reserve Bank) Directions 1998

ii. Non Banking Financial (Deposit Accepting or holding) Companies Prudential Norms (Reserve Bank) Directions 2007

iii. Non Banking Financial (Non Deposit Accepting or holding) Companies Prudential Norms (Reserve Bank) Directions 2007

iv. Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2008

v. Reserve Bank of India (Non Banking Financial Companies) Returns Specifications 1997

vi. Residuary Non Banking Companies (Reserve Bank) Directions 1987

vii. Miscellaneous Non Banking Companies (Reserve Bank) Directions 1977

viii. Securitisation Companies and Reconstruction Companies (Reserve Bank) Guidelines and Directions, 2003

c. RBI Circulars issued on July 01, 2009

1. "Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007"
2. "Non-Banking Financial (Non - Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007"
3. "Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2008"
4. "Reserve Bank of India (Non-Banking Financial Companies) Returns Specifications 1997"
5. Exemptions from the provisions of RBI Act, 1934
6. Frauds – Future approach towards monitoring of frauds in NBFCs
7. "Miscellaneous Non-Banking Companies (Reserve Bank) Directions, 1977"
8. 'Know Your Customer' (KYC) Guidelines – Anti Money Laundering Standards
9. 'Prevention of Money Laundering Act, 2002 - Obligations of NBFCs in terms of Rules notified thereunder'
10. Residuary Non-Banking Companies
11. The Securitisation Companies and Reconstruction Companies (Reserve Bank) Guidelines and Directions, 2003
12. directions/instructions issued to the Securitisation Companies/ Reconstruction Companies
13. Mortgage Guarantee Companies

14. Fair Practices Code
15. allied activities- entry into insurance business, issue of credit card and marketing and distribution of certain products
16. Corporate Governance
17. Miscellaneous instructions to NBFC- ND-SI
18. Miscellaneous instructions to Non-Banking Financial Companies
19. “Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998

2. State Laws on protection of interests of depositors in financial establishments

a. Tamil Nadu Protection of Interest of Depositor's (Financial Establishments) Act 1997 [Tamil Nadu is the first state to enact such an act in the country]
b. Maharshtra Protection of Interests of Depositors (In Financial Establishments) Act 1999
c. The Delhi Protection Of Interests Of Depositors (In Financial Establishments) Act, 2001
d. Bihar Protection of Interests of Depositors (In Financial Establishments) Act 2002
e. Gujarat Protection of Interests of Depositors (In Financial Establishments) Act 2003
f. The Madhya Pradesh protection of Depositor’s Interest Act 2000

3. The Companies Act 1956

Applicable sections include:

Section 3 : Definitions of “Company”; “existing company”; “private company”; and “public company”

Section 4: Meaning of “holding company” and “subsidiary”

Section 4A: Public Financial Institutions

Section 43A: Private Company to become public company in certain cases

Section 58A: Deposits not to be invited without issuing an advertisement

Section 58AA: Small Depositors

Section 58AAA: Default in acceptance or refund of deposits to be cognizable

Section 209(1): Books of Accounts to be kept by company

Section 217(1) : Director’s Report

Section 227: Powers and Duties of Auditors

Section 252: Minimum Number of Directors

Section 292A: Audit Committee

Section 370(1B): Loans etc. to companies under the same management

Section 372 (11) : Purchase by company of shares etc. of other companies

Section 620A: Power to modify Act in its application to Nidhis etc.

Section 637A: Power of Central Government or Tribunal to accord approval etc. subject to conditions and to prescribe fees on applications

4.Companies Rules

i. Companies (Acceptance of Deposit) Rules, 1975
ii. Companies (Acceptance of Deposits Amendment) Rules, 1997
iii. Companies (Application for Extension of time or Exemption under sub-section (8) of section 58A) Rules, 1979

5. Foreign Exchange Regulations

i. Foreign Exchange Management (Deposit) Regulations 2000
ii. Foreign Exchange Management (Transfer or issue of Security by a Person Resident outside India) Regulations, 2000

6. Securities Contracts (Regulation) Act 1956

Some applicable sections include:

Section 2(h): Definition of “Securities”

Section 2(j): Definition of “Stock Exchange”

Section 4: Grant of Recognition to Stock Exchanges

7. Housing Finance Companies

The Housing Finance Companies (NHB) Directions 2001

8. Mortgage Guarantee Companies_

Mortgage Guarantee Companies Investment (Reserve Bank) Directions, 2008

Mortgage Guarantee Company (Reserve Bank) Guidelines, 2008

Notification No. DNBS (MGC)1/CGM(PK) -2008 dated January 15, 2008 Notification No. DNBS (MGC) 2 /CGM(PK) -2008 dated January 15, 2008

9. Securitisation Companies and Reconstruction Companies_

i. The Securitisation Companies and Reconstruction Companies (Reserve Bank) Guidelines and Directions, 2003

ii. Exemption to Securitisation or Reconstruction Companies from RBI Act- August 28, 2003

iii. Quarterly Statement to be submitted by Securitisation Companies/ Reconstruction Companies registered with the Reserve Bank of India under Section 3(4) of the SARFAESI Act – September 26,2008

iv. Guidelines on declaration of Net Asset Value of Security Receipts issued by Securitisation Company/ Reconstruction Company- May 28, 2007

v. Regulation of SCs/RCs-submission of returns and audited balance sheet by SCs/RCs - March 5, 2008

10. Miscellaneous Non-Banking Companies

i. Non-banking Financial Companies and Miscellaneous Non-Banking Companies (Advertisement) Rules, 1977.

ii. Miscellaneous Non Banking Companies (Reserve Bank) Directions, 1977

iii. Chit Funds Act,1982

11. Residuary Non Banking Companies

Residuary Non Banking Companies (Reserve Bank) Directions, 1987

12. Micro Financial Sector (Development and Regulation) Bill, 2007

13. Reports on Money Lending and Nidhis

Professional Opportunities

1. Statutory audit
2. Internal audit
3. Compliance audit of various regulations

Related websites:

http://www.rbi.org.in/home.aspx

5.17 LABOUR LAW COMPLIANCES

There are over 43 legislations on labour from the Central Government and the number of legislations enacted by the State Governments is close to four times that of the Central

Professional opportunities in Labour Laws

- Consultancy in Labour law compliances
- Assistance in Documentations, Maintenance of Records & Statutory Registers
- Calculation of periodical liability & preparation of Payment Challan accordingly
- Preparation and Submission of Periodical Statutory Reports
- Correspondence & Compliance with officials whenever required
- Labour Law Audit

List of 43 labour laws enacted by central government

(a) Labour laws enacted by the Central Government, where the Central

Government has the sole responsibility for enforcement

1. The Employees' State Insurance Act, 1948
2. The Employees' Provident Fund and Miscellaneous Provisions Act,1952
3. The Dock Workers (Safety, Health and Welfare) Act, 1986
4. The Mines Act, 1952
5. The Iron Ore Mines, Manganese Ore Mines and Chrome Ore Mines Labour Welfare (Cess) Act, 1976
6. The Iron Ore Mines, Manganese Ore Mines and Chrome Ore Mines Labor Welfare Fund Act, 1976
7. The Mica Mines Labour Welfare Fund Act, 1946
8. The Beedi Workers Welfare Cess Act, 1976
9. The Limestone and Dolomite Mines Labour Welfare Fund Act, 1972
10. The Cine Workers Welfare (Cess) Act, 1981
11. The Beedi Workers Welfare Fund Act, 1976
12. The Cine Workers Welfare Fund Act, 1981

(b) Labour laws enacted by Central Government and enforced both by

Central and State Governments

13. The Child Labour (Prohibition and Regulation) Act, 1986.
14. The Building and Other Constructions Workers' (Regulation of Employment and Conditions of Service) Act, 1996.
15. The Contract Labour (Regulation and Abolition) Act, 1970.
16. The Equal Remuneration Act, 1976.
17. The Industrial Disputes Act, 1947.
18. The Industrial Employment (Standing Orders) Act, 1946.
19. The Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979.
20. The Labour Laws (Exemption from Furnishing Returns and Maintaining Registers by Certain Establishments) Act, 1988

21. The Maternity Benefit Act, 1961
22. The Minimum Wages Act, 1948
23. The Payment of Bonus Act, 1965
24. The Payment of Gratuity Act, 1972
25. The Payment of Wages Act, 1936
26. The Cine Workers and Cinema Theatre Workers (Regulation of Employment) Act, 1981
27. The Building and Other Construction Workers Cess Act, 1996
28. The Apprentices Act, 1961

(c) Labour laws enacted by Central Government and enforced by the State Governments

29. The Employers' Liability Act, 1938
30. The Factories Act, 1948
31. The Motor Transport Workers Act, 1961
32. The Personal Injuries (Compensation Insurance) Act, 1963
33. The Personal Injuries (Emergency Provisions) Act, 1962
34. The Plantation Labour Act, 1951
35. The Sales Promotion Employees (Conditions of Service) Act, 1976
36. The Trade Unions Act, 1926
37. The Weekly Holidays Act, 1942
38. The Working Journalists and Other Newspapers Employees (Conditions of Service) and Miscellaneous Provisions Act, 1955
39. The Workmen's Compensation Act, 1923
40. The Employment Exchange (Compulsory Notification of Vacancies) Act, 1959
41. The Children (Pledging of Labour) Act 1938
42. The Bonded Labour System (Abolition) Act, 1976
43. The Beedi and Cigar Workers (Conditions of Employment) Act, 1966

Objective of Labour law audit

The objective of Labour Law Audit is to identify areas of non compliance and offer recommendations to facilitate continuous improvement and compliance. The purview of such audit will be as follows:

- To check compliance with the prevailing local Labour and Industrial Laws. This would cover a broad spectrum of workplace issues including child labour, contract labour, women's rights, harassment and abuse, wage and overtime violations and health and safety hazards.
- Examine compliance with the laid down policies and procedures of the Company.

Scope of labour law audit

The scope of labour laws audit would include detailed examination of applicability of various laws, scrutiny of records of factories, industries and commercial establishments for ensuring compliance of provisions of all labour laws and issuance of report on compliance or non-compliance of labour laws by these establishments along with remedial action, wherever required. Examination of total compliance adherence would start from the top of the organizational hierarchy and go down into the core business processes of a company's operations.

Benefits of labour law audit

- ✓ Increased social security for employees
- ✓ Lower absenteeism
- ✓ Congenial atmosphere
- ✓ Lower penalty
- ✓ Higher productivity

5.18 RIGHT TO INFORMATION ACT, 2005

SALIENT FEATURES OF RIGHT TO INFORMATION ACT'2005

The Right to information Act, 2005 came into force on the 12th October, 2005 (120th day of its enactment on 15th June, 2005).The Freedom of Information Act, 2002 has been repealed by the enactment of this Act. This is a Central Act which extends to the whole of India except the state of Jammu & Kashmir and contains 6 chapters and 31 sections with 2 schedules

Professional opportunities in this area include:

- Maintenance of records (Sec 4 (1)(a))
- Preparation of details of publication(Sec(4((1) (b))
- Audit on compliance of legal issues
- Establishing internal controls
- Monitoring and sending progress reports at regular intervals

Useful websites

a)	RTI Portal of Government of India	http://rti.gov.in/
b)	Commonwealth Human Rights Initiative	http://www.humanrightsinitiative.org
c)	RTInet - RTInet is an initiative of the National Implementing Agency (NIA) for the GoI-UNDP `Capacity Building for Access to Information	http://www.rti.org.in/
d)	Central Information Commission	http://cic.gov.in
e)	Government	http://persmin.gov.in http://www.mit.gov.in http://righttoinformation.gov.in http://rti.nic.in http://delhigovt.nic.in/RTI
f)	Civil Society Organizations / NGOs	http://www.sakshitrust.org

http://www.parivartan.com

http://www.humanrightsinitiative.org

http://www.freedominfo.org

http://www.righttoinformation.info

http://www.indiatogether.org

http://www.prajanet.org

http://www.nyayabhoomi.org/rti/rti...

5.19 SPECIAL ECONOMIC ZONES, EXPORT ORIENTED UNITS (EOU) / SOFTWARE TECHNOLOGY PARKS (STP) / ELECTRONIC HARDWARE TECHNOLOGY PARKS(EHTP) AND BIO- TECHNOLOGY PARKS[BTP]

Previously Special Economic Zones in India were governed by Chapter X-A of the Customs Act, the Special Economic Zones Rules, 2003, and the Special Economic Zones (Customs Procedures) Regulations, 2003 and Chapter 7 and 7A of Foreign Trade Policy

However, w.e.f. 10th February, 2006 the activities relating to Special Economic Zones are guided by the provisions contained in the Special Economic Zones Act, 2005 and the Special Economic Zones Rules, 2006. After the enactment of the Special Economic Zones Act, 2005 Chapter X-A of the Customs Act, the Special Economic Zones Rules, 2003, and the Special Economic Zones (Customs Procedures) Regulations, 2003 are not in operation

AGRI-EXPORT ZONES (AEZ)

The Government of India (GOI) had announced the creation of Agri Export Zone (AEZ) in the EXIM POLICY 2001-02 with the objective of promoting greater exports of fresh and processed agricultural produce from the country The scheme is implemented by the Ministry of Commerce, GoI, through APEDA (the Agriculture and Processed Food Export Development Authority), New Delhi which is the nodal agency for AEZ

BIO- TECHNOLOGY PARKS (BTP)

The Government of India first proposed to establish Biotechnology Parks in the country with all the facilities of 100% Export Oriented Unit in the foreign Trade Policy (2004-09)

Bio technology encompasses any technique, which uses living organisms or parts thereof to make or modify products, improve plant or animal productivity or to develop micro organisms for specific use. BTP means Biotechnology Park as notified by Director General of Foreign Trade on the recommendation of the Department of Biotechnology (Ministry of Science and Technology)

ELECTRONIC HARDWARE TECHNOLOGY PARKS (EHTP)

For encouraging exports of electronic hardware items including hard disk drives, computers, television, etc., such parks have been developed by the Ministry of Communications & Information Technology. An Electronic Hardware Technology Park (EHTP) may be an individual unit by itself or a unit located in an area designated as EHTP Complex. As in the case of STP Scheme, the EHTP Scheme is also administered by the Ministry of Communications & Information Technology. Incentive Package for Electronic Hardware was announced in the Foreign Trade Policy 2002-07. An EHTP can also be set up by the Central Government, State Government, public or private sector undertakings or any combination of them.

100% EXPORT ORIENTED UNITS SCHEME

A 100 per cent export-oriented unit is an industrial unit offering for export its entire production, excluding the permitted levels of domestic tariff area sales for manufacture of goods, including repair, re-making, reconditioning, re-engineering and rendering of services. Trading units are not covered under this scheme

The EOU scheme was introduced in the year 1980 vide Ministry of Commerce resolution dated 31st December 1980. The purpose of the scheme was basically to boost exports by creating additional production capacity. The EOU scheme is complementary to the EPZ scheme, except that it is widely dispersed in location, unlike EPZs, which are set up at specific locations.

The Export Oriented Unit (EOU) Scheme, which had been introduced in the early 1980s remains in the forefront of country's export production schemes. The scheme has witnessed many changes over the last twenty-four years in the context of ever changing economic realities. However, the basic premise remains the same. This premise is that the exporters are treated as a special class and given the required tariff, non-tariff and policy support to facilitate their export efforts. Thus, today the EOU Scheme has emerged as a dynamic policy initiative facilitating the exporting community in the task of increased exports. Earlier, the scheme was basically for manufacturing sector with certain minimum value addition in terms of export earnings. The EOU scheme is presently governed by Chapter 6 of the Foreign Trade Policy 2004-09 and Chapter 6 of the Handbook of Procedures and Appendix 14 I A to Appendix 14 I N.

SOFTWARE TECHNOLOGY PARKS OF INDIA

Software Technology Parks (STPs) are export oriented projects catering to the needs of software development for exports. The present provisions of the STP scheme are contained in Chapter 6 of the Foreign Trade Policy 2004-09. The procedures are included in Chapter 6 of the Handbook of Procedures and Appendices to the Handbook of procedures issued under the Foreign Trade Policy 2004-09. Software Technology Parks of India is an autonomous organization under Ministry of Communications and Information Technology, Govt. of India. New fiscal incentives offered under this scheme, infrastructure created by STPI and the investor friendly environment has contributed to a steep growth in the Software Exports from India.

The opportunities for Chartered Accountants in the above entities are as follows:

a) Assistance in preparation of project report

A project report outlining the economic and commercial viability of the project needs to be attached along with Form A i.e. Application for setting up a unit in Special Economic Zone.

b) Assistance in Necessary applications, compliances etc. with the Board of Approval, State Government, Development Commissioner, Approval Committee, etc.

c) Consultancy services for developing Special Economic Zones

d) Consultancy services for setting up units in Special Economic Zones,

e) Representation before Board of Approval on behalf of any person aggrieved by the order passed by the Approval Committee.

Rule 55 of Special Economic Zones Rules, 2006 states that any person aggrieved by an order passed by the Approval Committee under section 15 of the Special Economic Zones Act, 2005 or against cancellation of Letter of Permission under section 16, may prefer an appeal to the Board in the Form J.

Rule 61 of the Special Economic Zones Rules, 2006 states every appellant may appear before the Board in person or authorize one or more chartered accountants or company secretaries or cost accounts or legal practitioners or any of his or its officers to present his or its case before the Board.

f) Certification of reports – Form I (Annual performance reports for Units)

There is a requirement under Rule 22 of the Special Economic Zones Rules, 2006 that the grant of exemptions, drawbacks and concession to the entrepreneur or developer of a Special economic zone will be subject to the condition that the Unit submits an Annual Performance Report in Form I to the Development Commissioner who in turn will submit it to the Approval committee for his consideration. The information given in the form should be authenticated by the authorized signatory of the unit and certified by a Chartered Accountant.

g) Audit report under section 80-I(7)/80-IA(7)/80-IB/80-IC of the Income-tax Act, 1961 in Form 10CCB

h) Report under section 10A (5) and Section 10 B (5) of the Income-tax Act, 1961in FORM NO. 56F and Form No. 56 G respectively certifying that the deduction has been made in accordance with the corresponding section

i) Report under section 80LA(3) of the Income-tax Act, 1961 in Form No. 10CCF

j) Report on Annual performance of units -The information given in the formats for APRs should be authenticated by the authorized signatory of the unit and should be certified for its correctness by a Chartered Accountant with reference to the account records and registers maintained by the unit (Appendix 14 –I-F Handbook of procedures of Foreign Trade Policy)

k) Certificate on production and exports- DTA sale of Gem & Jewellery items will be permitted on annual basis by the Development Commissioners up to 10% of FOB value of exports during the preceding year subject to certain conditions. One such condition is that The application by an EOU has be submitted to DC concerned on yearly basis (licensing-year) giving the details of production and exports made during the preceding licensing year duly certified by a Chartered Accountant and endorsed by the jurisdictional Custom Authority.(Appendix 14- I-H Handbook of procedures of Foreign Trade Policy)

l) Certificate for CST reimbursements certifying receipt of the goods(Appendix 14- I-I Handbook of procedures of Foreign Trade Policy)- The Export Oriented Units (EOUs) and units in Electronic Hardware Technology Park (EHTP) and Software Technology Park (STP) will be entitled to full reimbursement of Central Sales Tax (CST) paid by them on purchases made from the Domestic Tariff Area (DTA), for production of goods and services as per EOU Scheme subject to certain conditions

The unit has to present its claim for reimbursement of CST in the prescribed form (Annexure - I) to the Development Commissioner of the SEZ concerned or the designated officer of the EHTP/STP

Useful Links

Directorate General of Foreign Trade	http://dgftcom.nic.in/
Export/ Import	http://www.eximkey.com/
Ministry of Finance	http://finmin.nic.in/
Ministry of Commerce & Industry	http://commerce.nic.in/
Ministry of Company Affairs	http://www.mca.gov.in/
Income Tax, India	http://incometaxindia.gov.in/
Reserve Bank of India	http://www.rbi.org.in/
Special Economic Zones in India	http://www.sezindia.nic.in
Links to Special Economic zones in India	
Santacruz Electronics Export Processing Zone	http://www.seepz.com/
Kandla Special Economic Zone	http://www.kasez.com
Cochin Special Economic Zone	http://www.csez.com/
Madras Special Economic Zone	http://www.mepz.gov.in/
Visakhapatnam Special Economic Zone	http://www.vsez.gov.in/

Falta Special Economic Zone	http://www.fepz.com/
Noida Special Economic Zone	http://www.nsez.gov.in/
Surat Special Economic Zones	http://www.sursez.com/
Indore Special Economic Zone	http://www.sezindore.com/
International	
World Export Processing Zone Association	http://www.wepza.org/

Useful Links (other than SEZ)

Department of Bio- Technology	http://dbtindia.nic.in/
Department of Information Technology	http://www.mit.gov.in/
Software Technology Park of India/ Electronic Hardware Technology Park	http://www.stpi.in/
Agri- Export Zones	
Agricultural and Processed Food Products Export Development Authority	http://www.apeda.com/-
Bio- Technology Parks	
Biotech Consortium India Limited	http://www.biotech.co.in/
Bio-tech Park, Lucknow	http://www.biotechcitylucknow.org/
Genome Valley, Hyderabad	http://www.genomevalley.org/
Golden Jubilee Bio-Tech Park for Women- Chennai	http://www.biotechpark.com/
ICICI Knowledge Park, Genome Valley, Hyderabad.	http://www.iciciknowledgepark.com/
International Biotech Park, Pune	http://www.ibpl.net/
Kerala Industrial Infrastructure Development Corporation	http://www.kinfra.com/

Shapoorji Pallonji Biotech Park Pvt. Ltd	http://www.spbiotechpark.in/
Ticel BioPark Ltd, Chennai	http://www.ticelbiopark.com/
Free Trade and Warehousing Zones	
Free Trade Warehousing Private Limited	http://www.ftwpl.com/
Infrastructure Leasing & Financial Services Limited (IL&FS)	http://www.ilfsindia.com
MMTC	http://www.mmtclimited.com/home.php
Software Technology Parks of India	
Bangalore	http://www.blr.stpi.in/index.htm-
Chennai	http://www.chennai.stpi.in/stpc.html
Hyderabad	http://www.hyd.stpi.in/index.html
Jaipur	http://www.stpj.soft.net/
Kolkatta	http://stp-kolkata.com/
Mumbai	http://www.stpmum.soft.net/-
Noida	http://www.stpn.soft.net/-

5.20 Corporate Insolvency and Restructuring

Just like a person requires treatment to treat his disease, a sick company also requires some form of treatment to overcome its problem of debts. This treatment may be in the form of restructuring of a company.

Restructuring is the corporate management term for the act of reorganizing the legal, ownership, operational, or other structures of a company for the purpose of making it more profitable, or better organized for its present needs. Alternate reasons for restructuring include a change of ownership or ownership structure, demerger, or a response to a crisis or major change in the business such as bankruptcy, repositioning, or buyout. Restructuring may also be described as corporate restructuring, debt restructuring and financial restructuring.

There are a broad range of opportunities that arise from corporate insolvency and financial restructurings.

1. Spotting and evaluating distressed companies for restructuring and rescue planning.
2. Reviewing the various risks involved in restructuring.
3. Developing risk mitigation strategies.
4. Working out a detailed bankable financial structure of the business.
5. Working out a detailed plan for restructuring the business from all angles.
6. Assessment of distressed assets, cash position, due diligence and turnaround feasibility.
7. Advice on optimum utilization of resources.
8. Drafting insolvency petitions.
9. Representation and registration of sick companies with BIFR.
10. Representation before the Debt Recovery Tribunals.
11. Negotiating settlements.
12. Identifying Areas of Opportunity for the company.
13. Advisory in relation to a merger or acquisition or takeover.
14. Advisory services to management on an ongoing basis

5.21 TAXATION SERVICES

A] Income tax - TDS (Withhold taxes), salary & perquisite planning, etc.

Corporates and Individuals both are required to comply rigorously with numerous essential Income Tax Compliances. These punctual compliances require expert knowledge & experience, and are quite technical in nature. Moreover, majority of the Income Tax Compliances now-a-days are required to be completed on-line and need specialized knowledge and expertise.

Chartered Accountant can exclusively specialize in providing Time-bound and reliable Income Tax services to its numerous clients of diverse sectors

- Tax Management Services, including advisory services to minimize and manage the overall tax liability under the Indian Tax Laws
- Fringe Benefit Tax Services, including advisory services on the calculation and minimization of the Fringe Benefit Tax
- Scrupulous calculation of Advance Taxes.
- Filing of the returns of the Income Tax, Wealth Tax, Fringe Benefit Tax, Tax Deducted at Source (TDS), and various others.
- Prompt and punctual representation before the concerned Tax Authorities for Assessments, Appeals, Search & Seizure Cases.
- Employee Tax Management and the Salary Structure Designing Services.
- International Taxation and Transfer Pricing.
- Corporate Tax Planning - planning pertaining to the determination of advance tax liability, availing various Tax Exemptions / benefits / Incentives under different provisions of Income Tax Act and the rules there under.

B].Value added tax (VAT), tax on works contract, lease tax, etc.

Introduced to the Indian Taxation System from April 1st, 2005, the Value Added Tax (VAT) is a form of indirect tax, and takes into account all the multiple sales taxes connected with the sale of a product. VAT calculates the sales taxes in a different manner, but includes the taxes comprehensively. VAT/Sales Taxes are State level taxes levied on the sale of goods, contract work, and the hiring of these. With the introduction of VAT, the compliance requirements have increased manifold, and therefore, there arises the need for expert & elegant services for the proper maintenance of records, and the calculation of the tax liability. Chartered Accountants can offer the following expedient services for the close compliance with the VAT/ Sales Tax.

- Registration with all VAT / Sales Tax Authorities
- Filing up of Periodical Returns and the calculation of tax liability
- Assisting with other VAT / Sales Tax compliances
- Procurement of the Statutory Forms
- VAT Planning and Advisory Services
- Representation for the Assessment, Appeals, References etc.

C].Excise & Service taxes

Rigorous compliances with the service tax have also increased both in quantum and complexity. A CA can extend the following expert services for the strict compliance with the service tax law.

- Registration with Service Tax
- Calculation of Service Tax
- Filing of regular Service Tax returns and various other compliances
- Advisory Services for Assessments, Appeals etc.
- Preparation of records for the Service Tax credit and various other records under the Service Tax Law
- Advisory Services for the Tax Planning and Minimization

D].Wealth tax

Wealth tax in India is a direct tax, levied under the Wealth-tax Act, 1957, which is charged on the net total wealth of the assessee. The wealth-tax is to be paid each year on the same property on the basis of its market value, irrespective of whether or not such property yields any income. Chargeability to the wealth-tax also depends upon the residential status of the assessee, same as the residential status for the purpose of the Income Tax Act. Ca can provide usefull services in relation to determination of wealth tax liability of Client.

- Representation before the concerned tax authorities / Tribunals

5.22 KNOWLEDGE PROCESS OUTSOURCING [KPO]

The basic idea for outsourcing was first developed by Ross Perot, who was the founder of Electronic Data Systems. The basic goal of EDS was to help companies manage their IT departments. EDS would sell the information that was related to information technology, and their clients would pay them on a monthly basis.

An evolution of BPO (Business Process Outsourcing), Knowledge Process Outsourcing (KPO) involves offshoring of knowledge intensive business processes that require specialised domain expertise, thus delivering high value to organisations by providing business expertise rather than just process expertise. These processes demand advanced analytical and specialized skill of knowledge workers that have domain experience to their credit. The opportunities for professionals are available both as a KPO service provider as well as services to KPOs.

The requirements for rendering such services would be maintaining higher quality standards, investment in KPO infrastructure, the lack of talent pool, requirement of higher level of control, confidentiality and enhanced risk management. Also it has reduced costs while maintaining the same level of quality or service. The nature of work requires advanced analytical and specialized skills.

There are no limitations on location when it comes to outsourcing, and it can be done in various countries around the world. When the practice of outsourcing is conducted between countries, this is referred to as being offshore outsourcing.

While outsourcing has traditionally been connected to countries such as the United States and the United Kingdom, it is very likely that companies based in China and the European Union will begin outsourcing as well. It is very likely that these companies will begin placing tremendous demands on their governments to avoid any military conflicts that may weaken their ability to earn profits.

Given the large talent pool, friendly government policies, quality IT training and low labour costs, Indian professionals have an added advantage to form KPOs over the professionals in other countries.

While KPO offers a number of powerful advantages that professionals will want to take advantage of, it is not without challenges.

Those who wish to invest in KPO will need to spend more money on building up the necessary infrastructure. In addition to this, they will need to deal with finding the right workers, and confidentiality is an issue that must be taken seriously as well. The implementation of KPO can be difficult, and it must be implemented in a professional services environment.

Any operation that is carried out for KPO must be high in quality, because the clients can afford to have less than the very best. Performance issues must be taken into consideration as well. Even if all these things have been accomplished successfully, continuous monitoring and feedback will be needed. Attrition is another important issue. It is critical for companies to be able to retain the employees they hire.

As the BPO and KPO industry has to deal on an international level, it is exposed to international laws and regulations characterized by intense litigation.

Skills required for Indian chartered accountants:

1. Accounting procedures followed by companies in other countries.
2. Knowledge of accounting related softwares like, Quick Books, MYOB, SAGE and other accounting solutions. These are some softwares used as per international standards.
3. Skills in using tax return softwares i.e. Ultra Tax or Irish used in preparing Tax Returns and annual accounts for individuals, corporations or private organizations.
4. Computer skills

5. High level of conceptualization
6. Research skills
7. Comfortable with databases and mathematically oriented
8. Able to adapt to the latest technology and use of tools and software

Professional opportunities

As a KPO, professionals can render services in the following ways:

1. Finance and accounts – services can be rendered in areas similar to the following:

    - Accounting and data preparation
    - Maintenance of books and records
    - Accounts receivables
    - Debtors management
    - Accounts payables
    - Fixed assets accounting
    - Asset accounting management
    - Reconciliations
    - Expense analysis
    - General Ledger maintenance
    - Payroll management
    - Cash management
    - Internal Financial Reporting
    - Different types of reports on daily basis

2. Research & Development – Research could be through web based market research solutions, secondary research methods, Government Publications, General Press, Industry Journals, Trade Associations, Public Company Filings, Investment Brokerages and Information Services, Newsgroups and UseNet. Other related services could be:

    - Data search and collection
    - Managing data
    - Business Analysis
    - Data Analysis
    - Network Management
    - Business & Market Research
    - Equity research
    - Research on fixed income markets
    - Intellectual Property (IP) Research
    - Legal research
    - Market Analysis

3. Financial Analysis

- Forecasting, Budgetary and decision support
- Consolidation and analysis
- MIS reporting
- Financial planning and analysis
- Credit rating analysis
- Examination and interpretation of financial statements

- Event analysis
- Risk management
- Treasury and investment management
- Financial research and investigations
- Investment analysis

4. Consulting services

    - Financial modeling
    - Deal profiles
    - Verification
    - Assistance and guidance in transfer of operations
    - Contribution towards continuous improvement of processes

5. Services pertaining to legal matters –

    - Advice on the formation of e-Contracts
    - Legal research,
    - Documentation, reviewing documents and agreements, litigation matters, reporting requirements (drafting and reviewing reports required under various laws)
    - Advice on existing and developing legal and regulatory requirements domestic and international
    - Domain name registration
    - Advice on the risks and liabilities involved in electronic linkage to third party sites and the formation of third party alliances

- Regulatory review of Web site content
- Agreements for the licensing of software and the provision of support services to a licensee in connection with software licensing

6. Education and related services – knowledge is power and the only thing that increases with giving. Some of related services that professionals can contribute in are:

    - Education
    - Training & Consultancy

7. Other services

    - Valuation of companies
    - Evaluation of potential Mergers and acquisitions
    - Preparation of company profiles/reports
    - Transitioning financial information between accounting standards
    - Tracking of stock prices
    - Internal audit
    - Supporting internal activities
    - Transfer pricing

5.23 CORPORATE AFFAIRS

a) Company Incorporation

Setting up business in India through limited liability Company, involves proper registration with the Registrar of Companies (ROC) under the Companies Act, 1956. The Incorporation of Company involves various steps namely, approval of name, obtaining DIN & digital signature of directors, drafting of memorandum of association (MOA) and articles of association (AOA), secretarial services for compliances with all requirements of the company law, maintaining statutory records, representation before the company law board/tribunal/roc and assistance in the merger & acquisition, or liquidation of companies, etc

b) Company Registration

For any Business Setup to become fully functional there is requirement for registration with tax, labour and various other authorities. For instance, a manufacturing / trading setup is required to get registered with sales tax / vat authorities, excise department, income tax department, custom department (if involved in import / export), provident fund department, ESI department, etc. These are post incorporation services that can efficiently be performed by chartered accountants.

c) Directors Identification Number (DIN)

Rules and Regulations, and also the procedures involved in obtaining the DIN, are quoted in the sections 266A, 266B, and 266D, of the Companies (Amendment) Act, 2006. The Director Identification Number (DIN) is mandatory and compulsory for becoming the director of a Company, and also for filing of e-Forms, and various other related documents.

The Company (Amendment) Act, 2006 has inserted the section 266A through the Notification number- G.S.R. 648E dated 19th October 2006, and which is effective from the 1st November 2006, provides that-

(a) Every person desirous of becoming Director of a private or public company, or
(b) Every Director of a company appointed before this Companies (Amendment) Act, 2006, shall be required to apply for the allotment of the Director Identification Number (DIN) to the Central Government of India as per the Form DIN - 1. Every individual who has applied for the DIN, can be duly appointed as the director in any company, or can hold office of the director till the DIN is allotted to them.

Salient Features of DIN:

(i) Every person or individual desirous of being appointed as the Director of a company ought to apply for the DIN, or should have the DIN obtained beforehand.
(ii) The application for the allotment of DIN, is to be duly supported with the proof of residence and identity proof of the applicant, duly attested photocopies of any of the following viz. PAN card, Driving License, Passport, Voter ID Card, Ration card, Electricity Bill and Bank Statement.

(iii) DIN is essential for the e-filing of Forms. PAN or other documents can never be used as an alternative to the DIN. DIN is mandatory for all directors who hold office of the director in any national, international, or multi-national company located in India.
(iv) Resignation from the post of Directors of one company, does not affect the validity of the DIN or its discretionary powers.
(v) Foreign nationals holding the post of the director in any Indian company, is forced by the rules to possess DIN.
(vi) Only one DIN is needed to be appointed as a director of a company, on the basis of which an individual can hold an infinite number of the directorship in various companies. All the successive directorship of a director would be recorded in the database of the DIN

d) Digital Signature Certificate (DSC)

It is most imperative for the CEOS and other junior staff to keep themselves fully updated with the A Digital Signature Certificate (DSC) as it is an official and legal, electronic transformation or form of the physical signature, which can be easily & quickly presented electronically and digitally to access necessary information on the Internet, or to prove the identity of or to sign certain documents. The Digital Signatures have become compulsory after 16th September 2006, for filling in up the e-Form1A and various other related documents prescribed under the Companies Act, 1956. Hence, the digital signatures of the managing director or director, or manager, or the secretary of the Company must be obtained beforehand, for signing the e-Form1A and various other concerned documents.

DSC is obtained from any of the licensed Certifying Authorities such as TCS, SIFY, MTNL, etc., by the Ministry of Corporate Affairs, MCA. The validity of DSC varies from one year to

two year, and this certificate can be obtained without the Director Identification Number (DIN).
A Chartered Accountant can aid in obtaining the DSC

e) Merger and Acquisitions

Merger is an elegant tool used by companies for the objective of expanding their operations and long-term profitability. Thus, in business or economics, a merger is nothing but a combination of two companies into one bigger company. While an Acquisition, also called the "Takeover", is the buying of one company by another company.

There are 15 different actions a company can take to move forward using the Merger and Acquisition (M&A). A Chartered Accountant can offer an extensive range of expedient services for effecting the merger & acquisition, in order to expand your businesses and the overall productivity and profitability of the same

f) **Winding up of Companies**

Sometimes a decision is necessary to be taken for the permanent closure of business operations of a Company, registered under the Company Act of 1956. A Chartered Accountant can help their clients immensely in taking such critical decisions smoothly. The following are the two types of winding up options available in India.
(a)Voluntary winding up
(b)Creditors winding up

5.24 LIMITED LIABILITY PARNERSHIPS [LLP]

A Limited Liability Partnership [LLP] is a corporate business vehicle that enables professional expertise and entrepreneurial initiative to combine and operate in flexible, innovative and efficient manner, providing benefits of limited liability while allowing its members the flexibility for organizing their internal structure as a partnership.

The Limited Liability Partnership Act, 2008 received the assent of the President on 7th January, 2009 and was notified on 31.03.2009. The Limited Liability Partnership Rules 2009 was notified on 01.04.2009.

Professional opportunities

1) Determining suitability of business for formation of LLP
2) Guidance & Execution in formation of LLP
3) Providing a statement that all requirements of the LLP Act & related rules have been complied in respect of incorporation & other related matters.
4) Drafting of LLP agreement /Incorporation Document
5) Advice on conversion from other forms to LLP
6) Advice in accounting & taxation
7) Internal/statutory Audit of LLP
8) Liquidator
9) Various appeals & appearance before NCLT & NCLAT