



CORPORATE COMMUNIQUE

E-Newsletter of the CMII

The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)



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Message



President

It is heartening to note that the Committee for Members in Industry of the Institute is bringing an eNewsletter *Corporate Communiqué* for members of the Institute serving in Industry and I am pleased to interact with the Members of the CA Pariwar through the column of this Newsletter. Chartered accountancy is an invaluable, even indispensable, supportive profession for modern business. Advances in our profession, I believe, would directly reflect the advancement of the nation's business and economy apart from positively contributing for the growth of the various organizations in which our members are serving.

Our Institute has been making notable contributions towards strengthening professionalism of our members. Growing number of Mutual Recognition Agreements (MRA) with Institutions like ICAEW, CPA Australia etc., have taken the image of the members of our Institute to newer heights paving the way for globalizing their career and practice. I am happy to inform you that our Institute has further intensified its focus on global best practices in order to enable them to realize the opportunities emerging out of these MRAs so that they can excel further. Reflecting the rich tradition of our Institute service for the cause of the members, I hope that this eNewsletter 'Corporate Communiqué' would also provide a great support to all the Chartered Accountants serving in Industry.

CA. Uttam Prakash Agarwal

Message



Vice President

It gives me immense pleasure to pen my first missive to members of our Institute serving in industry through the column of this eNewsletter in my capacity as the Vice President of the Institute. Development of our accountancy profession is indeed the yardstick for evaluating the development of a nation's business and economy and the members of our Institute have emerged to lead the global accounting profession. The accounting profession in the world today is standing at the crossroads of breath-taking developments. Revolutionary advancements in trade and regulatory environment, globalization of enterprises, information technology, telecommunication, etc., have led to tremendous impact on the profession and posing challenges on the way in which our members have been managing the various organizations in which they serve in various capacities.

Moreover these developments are bringing about inexorable changes in our outlook, approach, methodology and techniques to manage the organizations to ensure their long term development. Institute, on its part, has been endeavoured to provide quality services to our members to facilitate the paradigm shift in the thinking and to enable them to serve in a vision mode. While complementing the CMII for publishing this eNewsletter, I am confident that this eNewsletter would lead to further strengthening and developing the image of the members as *Complete Business Solutions* providers.

CA. Amarjit Chopra



Chairman, CMII

Message

It gives me immense pride and pleasure to present before the members the first issue of eNewsletter ‘Corporate Communiqué’ of the Committee for Members in Industry.

It is said ‘Nothing can stop the man with the right mental attitude from achieving his goal; nothing on earth can help the man with the wrong mental attitude’. I believe that the greatness of the members of the Institute is not measured by their strength but how they stand tall every time when others get shattered. Members of our Institute have not only grown in size but also widened their sectoral and geographical ambit to cover all types of organizations across the world. It requires conscious and concerted efforts by our Institute to provide professional inputs so that they can continue to contribute their mettle for the development of the organizations in which they serve. I wish to take the pleasant privilege of thanking CA. V. Murali, Member of the Committee for Members in Industry for extending his valuable help in finalizing the contents of this eNewsletter.

Committee for Members in Industry has been taking various initiatives in the interest of the members of the Institute in service about which we will provide all the details through this eNewsletter. We aspire that this eNewsletter should also provide technical references relevant to the members in industry as well as a platform to share their expertise amongst our professional brethren. I request you to kindly spare your valuable time for the endeavors of the CMII and by sharing your valuable feedback on the contents and coverage of this eNewsletter.

CA. Vijay Kumar Gupta

Committee for Members in Industry

Mission of CMII

To encourage and enhance close links between the Institute and the Chartered Accountants working in industries in various capacities so as to provide for them, a base of reference in terms of knowledge, expertise, skills and assistance in individual career growth through the development of extensive and intensive relationship with organizations, agencies of the Government, Departments and Ministries of the Central and State Government in such manner as to provide the maximum possible exposures to the world of trade, commerce, industry and Governance, while simultaneously perusing the goal of providing the maximum of employment opportunities.

Objectives

- To organize campus interviews with participation of all possible employer organizations for all the fresh Chartered Accountants seeking employment through the Institute.

- To provide assistance to members in industry for their career growth
- To consider the ways and means to enhance the participation of the members in employment in the activities of the Institute.
- To explore and develop fresh avenues of employment for members.
- To provide sector specific assistance in improvement of skills of members in employment.
- To develop a Data Bank Sector wise listings the leading members of the Institute.

Forthcoming Events by CMII

For forthcoming events and programmes please visit the following site on regular basis.

Link: <http://www.cmii.icai.org>



Let Us Transform The World



**Come forward to prove that....
Indian CAs are World Class Business Solution Providers**



ICAI Presents “National Young CA in Service Competition 2009”

- Challenging India's young Chartered Accountants in service to share their wisdom amongst the stakeholders with strategies to manage issues of national/ international importance.
- To show case the image of the Indian CA's as the best Business Solution Providers.
- To demonstrate out of box innovative ideas of CA's to develop a robust global economic system.

A Global Brand Building Initiative by CII, ICAI

**Further details will be released in
CA Journal and at www.icaai.org**

Highlights of Campus Placement Programme Organized During March - June 2009

▪ Campus Placement Programme –March-April 2009

The Committee has successfully organised one more round of Campus Placement Programme during March-April-2009 at twelve centres across the country for those candidates who have qualified in Nov 2008 and May 2008 CA final examinations.



CA. Uttam Prakash Agarwal, President, ICAI addressing the gathering at Orientation Programme for Newly Qualified CAs held on 6th and 7th April 2009 at Mumbai.



Photograph taken on the occasion of the conduct of the Orientation Programme for Newly Qualified CAs held on 10th and 11th April 2009 at Sirifort Auditorium, New Delhi.

For highlights of Campus Placement Programmes, please visit http://www.cmii.icai.org/imgs/Career%2012_05_09_portal.pdf

▪ Special Campus Placement Programme- May 2009

Committee has organized Special Campus Placement Programme who had undergone three months Residential Programme on Professional Skills Development at NIFM Faridabad as well as at L. N. Mittal, Institute of Information Technology, Jaipur on 16th May 2009 at NIFM, Faridabad. In all 28 candidates got job offers from 7 organizations.

▪ Campus Placement Programme exclusively structured for Small & Medium sized Enterprises (SMEs) and Small & Medium Chartered Accountants firms

The Campus Placement Programme for qualified Chartered Accountants qualified in November 2008 and May 2008 examinations exclusively structured for Small and Medium sized Enterprises (SMEs) and Small and Medium Chartered Accountants firms held during June at thirteen centres across the country to further improve the penetration of the Campus Placement Programme amongst each and every possible employers of CAs. In all 133 candidates got job offers from 69 organizations.

CA. Vijay Kumar Gupta addressing the Newly Qualified CAs during the Exclusively Structured Campus Placement Programme held at New Delhi during 3rd to 5th June 2009.



Formation of Study Circles for Members in Industry

Committee for Members in Industry has been empowered to approve, guide and supervise the CPE Study Circles for Members in Industry, which will conduct Continuing Professional Education Programmes for the Members in industry.

Link for the CPE norms

http://www.icai.org/resource_file/15888announ180409.pdf

Link for the Statement on CPE

<http://www.icai.in/FSCPE021106.pdf>

Few Articles which may be useful for Members

IFRS : Implementation Issues

“It is expected that more than 150 countries would follow IFRS by 2011. The US already allows IFRS for foreign filers. More importantly, by 2011, it is expected that the US will follow IFRS even for local filers.

How will this transition impact the Indian industry?

Convergence to IFRS will greatly enhance an Indian entities’ ability

- ➔ To raise and attract foreign capital at a low cost.
- ➔ A common accounting language, such as IFRS, will help Indian companies benchmark their performance with global counterparts.

Top 10 Global Capital Markets



United States

U.S. GAAP — moving towards IFRS

Japan

U.S. GAAP — moving towards IFRS



United Kingdom

IFRS

France

IFRS



Canada

Convergence to IFRS

Germany

IFRS



Hong Kong

HKFRS (equivalent to IFRS)

Spain

IFRS



Switzerland

IFRS or U.S. GAAP

Australia

AIFRS (equivalent to IFRS)



How will this transition impact the Indian industry?

- There will be escape from multiple reports for global Indian companies that have to prepare their financial statements under multiple GAAPs. With the knowledge of IFRS.
- The Indian Chartered Accountant would be globally acceptable

It is believed that there are only a few differences between Indian GAAP and IFRS. Does that make conversion efforts for Indian companies minimal?

That is a myth. Even though Indian GAAP is inspired from IFRS, there are significant differences between them especially in areas of business combinations, group accounts, fixed asset accounting, presentation of financial statement, accounting for foreign exchange and financial instruments, to name a few; Indian GAAP is still a long way behind IFRS.

A quick comparison might make you think that there are a lot of standards missing in IFRS, but that really is not the case. Page to page, IFRS has only 2,000 pages, whereas U.S. GAAP

has 20,000-plus, Gannon says with IFRS you need to make your own judgments. To do so successfully, you need to create a framework to “process the facts, understand the economics, understand the practices and go beyond just speaking with accountants.” Another important part of this is the disclosure area.

Following are key differences in a nutshell:

- Level of convergence. Even “converged” standards have different requirements and relatively few areas where there is no convergence.
- Ways that differences in outcome may arise. There are policy alternatives elected under IFRS and there are differences in the detailed application of the general principles; and

Differences resulting from first-time adoption of IFRS. Impact of exemptions from retrospective application.



The time to ignore XBRL is long past.

In a survey — conducted by Grant Thornton in U.S.A. of finance executives at public companies, almost two-thirds said they have no plans to start using eXtensible Business Reporting Language (XBRL) despite a new government mandate requiring the new financial data-tagging system as early as next June.

Unfortunately, for those public companies that reported that they have no plans to use XBRL, this is no longer an option.

The U.S. Securities and Exchange Commission (SEC) has already mandated that public companies must report their financials using XBRL by 2011. The final rule calls for a three-year, phased-in implementation schedule that begins as early as June 15, 2009 for the biggest public companies.

Among public companies, the survey found,

- 35 percent of corporate finance managers said they were not familiar with XBRL.
- And only 12 percent currently report with XBRL.

The hazards of late adoption is clear from another finding:

About 63 percent of finance executives who have adopted XBRL said the experience was, ahem, “challenging.”

XBRL has been called a move to “radical transparency,” in that, once keyed-in, financial data can be made free, accessible and open to analysis and understanding by anyone, anywhere, anytime.

In a nutshell, XBRL uses an organized system of data tags to represent financial reporting concepts or functions. The user can call up these concepts or functions using readable labels in a variety of real-world human languages. Users can, in effect, construct their

own financial reports. XBRL is a key step in the eventual shift to International Financial Reporting Standards (IFRS), which, of course, is a whole story.

The phase-in for mandatory XBRL filing covers three different tiers of companies:

1. A group of about 500 of the largest public companies following U.S. GAAP (Generally Accepted Accounting Principles) — Financial statements (Forms 10-Q or annual reports on Forms 20-F or 40-F) for periods ending on or after June 15, 2009, must use XBRL.
2. Second-tier large firms — The second level of large, accelerated filers using GAAP must implement XBRL on financial statements for periods ending on or after June 15, 2010.
3. Third tier — The final group contains all other public companies using GAAP or IFRS. Financial statements for periods ending on or after June 15, 2011 must implement XBRL.

Innovative Measures: Plan for worst to drive best in 2009-2010

Create at least two budgets. This is especially true if you have any bank debt or financial instruments attached to financial performance covenants. The “bank budget” should be so conservative that there is literally no chance of missing it. Come as close as you can to existing covenant parameters while assuming a worst-case revenue scenario. Submit this budget only to external parties with an element of control over your access to liquidity. Do not share it otherwise. The point of this is simply to alleviate stress or concern throughout next year around access to liquidity.

With that worry eased, create and distribute internally a real, living budget that is minimally optimistic for 2009 and use this one as the compass for managing the business throughout the year.

Keep the “real” budget flexible. Set expectations that throughout 2009 this budget will be reviewed and changed quarterly, depending on business results. Anticipate a bigger percentage of your time next year to re-plan and update your forecast, and allocate time to lead this process

Budget growth only on core business activities and known factors. This is not the year to assume an influx of new customers, expansion into new product lines or wildly optimistic acquisition activity. Rather, it is a time for rock-solid information flow and hedged bets. Conduct frank conversations with your key suppliers and customers to understand their intentions with regard to your business and ask for minimum commitments that you can assuredly build into your plans. Make sure that you understand the elements of your core business in detail, so that you can forecast accurately and conservatively to maximize the probability of hitting the numbers.

De-couple your incentive plans. While internal performance metrics have been a good measure historically to drive incentives this is very risky for 2009 and made more complicated if the budget changes throughout the year as recommended here. In this climate, it may make more sense to measure performance against peer company metrics or industry indices.



Auditing

Assistance for auditors navigating in the current economic conditions

Attention to Key procedures involved in auditing is of paramount relevance in the times of economic uncertainty.

Conditions that an auditor may identify, which may impact on an entity’s ability to continue as a going concern, include

- Changes in credit terms or
- The withdrawal of credit,
- Whether valuation or trading issues have led to breaches in lending covenants
- Whether on-demand clauses in loans affect the classification of liabilities or

- The likelihood
- That lenders may invoke such clauses in the current economic environment.

Financial Management

Companies are Exploring Options To repay bridge loan

Faced with a tight prospects of meeting a \$2 billion bridge loan repayment by June, Tata motors has raised about \$3 billion in bride loans to acquire luxury carmaker Jaguar Land rover. While about \$ 1 billion was repaid through a right issue, the remaining \$ 2 billion has to be repaid.

FINANCIAL TOOL DURING RECESSION –DEA APPROACH: Mashkur Zafar

Often the problem in the industry is to find how efficient its business units i.e. evaluate efficiency of units that perform similar task so as to point out the inefficient units and the efficient one. Similar tasking units could be several outlets of a Banks, Financial institutions, service-oriented organizations, Hospital, Cellular Operator, Fast Food Restaurant, Manufacturing Units, and Direct Sales Agents (DSA) etc.

The measure of efficiency or productivity is the ratio of outputs to inputs. An example for a DSA of a bank (selling credit cards and other financial products), using (partial measure) “the number of cards sold per salesman employed” may be used to judge its efficiency. The DSA with a higher ratio might be considered efficient. But a higher ratio could result from in a more complex mix of transactions such as DSA operating near posh colonies could attain a higher ratio (not only is selling credit cards but also other financial products)as compared to ones in the distant or sparsely populated areas.

Broad based measures (say for a Bank) such as profitability or return on investment may

be relevant but not sufficient to evaluate the branches. A higher ratio here does not mean that the Bank (or the DSA) is using its personal and other inputs efficiently.

Some other difficulties encountered are in (i) identifying the various input (ii) identifying the various outputs and (iii) establishing methods of measuring these inputs and outputs and establishing the relationship between them. (iv) converting the inputs and outputs to Rupee terms for multifactor productivity calculations.

Once inefficient units are identified we can then use our energies and managerial skills to make improvement in the inefficient branches by effectively reducing inputs for given outputs or increasing outputs for given inputs or simultaneously changing both. The DEA technique when merged with Six Sigma concepts can bring dramatic changes in the inefficient branch. Much work on Managerial-Front is proceeding in this direction.



Management

Six Sigma reaping Financial Gains

BY: CA. Preety Sehgal

Finance is one of the thrust areas for Six Sigma... Why?

Because we have tons of data. Also, we own most of the transactional systems (AP & AR in particular) and lot more in SAP & heavy spreadsheets.

Any idea that had the merit to become a Six Sigma project had to be reviewed by finance

prior to going into the Six Sigma pipeline. The best way to generate projects is to start with a decomposition of the overall company goals into specific Finance goals. You can then prioritize projects and resources based on how closely they tie to moving the company dials.

In the absence of a project generation strategy, you may want to start by looking at the Cash cycle from Order to Buy to Pay to Bill to Collect to Apply. The key is to reduce cycle time and optimize Cash Flow. You can also look at reducing the time it takes to close the books, improve the forecast accuracy, analyze spending over time (ie control charts).

Company	Financial Benefits
GE	Saved \$12 billion over last 5 years, \$1 added to ESP
Honeywell	Recorded more than \$ 800 million in savings.
Motorola	Saved \$15 billion over last 11 years.

Auditors can use Six Sigma concepts to analyze Balance Sheet risk, ie. investigate the stability of accounts. Instability can often mean risk.

Companies of all types & different capital base are in the midst of a quality revolution.

How much financial commitment does Six Sigma Require and what magnitude of financial of financial benefit can you expect to receive? Do analyze.

Taxation

Obama tax move may hit DTAA

Current US laws allow businesses to claim credit against US tax bill on taxes paid abroad on overseas profits. Obama is planning to close such foreign tax credits, and hopes to net \$43 billion. “Article 25 of the Indo-US DTAA provides relief from double taxation, subject to US domestic laws. This may now be open for a reinterpretation,”

Indian subsidiaries of US firms such as Pfizer, Microsoft, IBM and Oracle could see their tax bills raise significantly once lawmakers pass the measures. Deloitte tax analysts estimate that the Obama changes could boost overall US corporate taxes on average by 8%.

However, until the exact details of the Obama tax proposals are available, the jury is still out on their precise impact.

President Obama announced the end to years of tax incentives to those US companies, which create jobs overseas in places like Bangalore.

Feedback

“The person who gets farthest is generally the one who is willing to do and dare. The sure thing is boat never gets far from shore”, similarly members are close to the heart of CMII.

“Success is not final & failure is not fatal, it is the courage to continue that counts”



We would appreciate your suggestions for news, feature articles and other Critical inputs for CMII eNewsletter, please write to cmii@icai.org

Quotes

- There are some people, who live in a dream world, and there are some who face reality; and then there are those who turn one into the other.
- Even if you’re on the right track, you’ll get run over if you just sit there.”
- Action will remove the doubt that theory cannot solve”



Invitation for becoming members in Industry Specific Groups of Members in Industry of CMII of ICAI.

CMII invites senior members of ICAI serving in industry to become members in Industry Specific Groups of Members in Industry being contemplated in the following (indicative) industries:

- Banking
- Business Process Outsourcing
- Cement
- Constructions
- Hotels & Hospitality
- Education, Training & Research
- Fertilizers
- Financial Services
- Insurance
- Housing Finance
- Iron & Steel
- Mutual Funds
- Non-Banking Financial Service
- Petrochemicals
- Power , Generation & Distribution
- Shipping
- Steel & Metal Manufacturing
- Telecommunications
- Travel & Tourism
- Oil & Gas Exploration

Australian Institute Focuses on Carbon Emissions Reporting

The Institute of Chartered Accountants in Australia (ICAA) has released a statement declaring that businesses need greater motivation and certainty to participate in government carbon emissions trading schemes.

The Australian Institute has also published a paper titled Broad Based Business Reporting, which discusses methods for expanding financial reporting practices to include information on non-financial topics such as the environment and sustainability.

Also released by the Institute was the paper The Benefits of Assuring Carbon Emissions Disclosures, which outlines the case for a global assurance standard on carbon emissions.

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