Dear Colleagues,

The months of March and April are busy months for professionals. While on one hand, you must be grappling with the fine print of Union Budget 2005-06, on the other, you must be gearing up for Bank Audits for the financial year 2004-05.

The theme of the current issue of the Journal is "Bank Audit" in view of the imminent fact that audit of banks would be commencing from April, 2005. All efforts have been made to include relevant articles both for the bank branch auditors and the central statutory auditors.

The Editorial Board is making all out efforts to restructure the Journal to make it more contemporary, relevant and user friendly. In this direction, commencing from this issue, certain new columns like Tech 4 You, Accounting Standards and Auditing Standards have been introduced. The readers are requested to send their comments as to the usefulness and relevance of these features. Some more new features, which have been contemplated by the Editorial Board include, Net Watch Professional Horizons and Professional Practice Tips amongst others. As we are in the process of reforming the Journal, may I request you to share your views and suggestions so as to serve the needs of membership in a better manner?

I recently attended a meeting of the Small and Medium Practices (SMP) Permanent Task Force of the International Federation of Accountants (IFAC). This meeting was followed by a conference held by SMP Permanent Task Force jointly with Developing Nations Permanent Task Force of IFAC. The conference was addressed among others by Mr. Paul Pacter, Director, Standards for SMEs, International Accounting Standards Board (IASB) and Ms Tatiana Krylova, Head - Investment and Enterprise Competitiveness Branch, United Nations Conference on Trade and Development (UNCTAD). The SMP Permanent Task Force's mission is to identify and represent the needs of SMPs that provide accounting and assurance services principally but not exclusively to clients who are small and medium-sized entities (SMEs) and, where applicable, to give consideration to relevant issues pertaining to SMEs. The SMP Permanent Task Force made a substantial contribution to the compilation of the IFAC response to the IASB's Discussion Paper, 'Preliminary Views on Accounting Standards for Small and Medium Sized Entities'. The SMP Permanent Task Force is highly supportive of the proposal to have a separate set of standards for SMEs and it is strongly of the opinion that these should be much less onerous than International Financial Reporting Standards (IFRSs). IFAC fully supports the IASB in its quest to develop high quality global accounting standards and to further international convergence of such standards. In particular, IFAC encourages the IASB to seriously consider allowing for different recognition and measurement rules i.e. the rules that determine key performance indicators like revenue, profit and asset values for SMEs, from those adopted in the full IFRSs. Further, SMP Permanent Task Force is also making comments on the internal working drafts of proposed new or revised International Standards on Audit (ISAs) of the International Auditing & Assurance Standards Board (IAASB) pronouncements at an early stage and ensure that they reflect SME and
SMP considerations.

As Alvin Toffler said: "The illiterates of the 21st century will not be those who cannot read and write, but those who cannot learn, unlearn and relearn". The accountancy profession is fully conscious of the fact that continued development of professional competence and lifelong learning are critical if the professional accountants have to meet the expectations of the society. At the Institute, we are fully committed to standards laid down by the IFAC in International Education Standard 7 "Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence".

The Continuing Professional Education (CPE) Committee of the Institute has identified topics for the calendar year 2005 which amongst others include Value Added Tax (VAT), Auditing and Assurance Standards (AASs), International Taxation, Internal Audit and Sarbanes Oxley Act. The Programme Organising Units are expected to include VAT and AASs as compulsory topics as a part of the CPE programme. Members in practice are required to obtain CPE credit of 20 hours for the calendar year 2005.

A Workshop on the Union Budget 2005-06 was organised by the Fiscal Laws Committee on March 7, 2005. The Workshop was attended by several experts and senior government officers, both from the Central Board of Direct Taxes (CBDT) and Central Board of Excise and Customs (CBEC), who shared their viewpoint on the intricate taxation provisions of the Finance Bill, 2005. Based on the deliberations, the Institute will soon submit its Post-Budget Memorandum containing its detailed suggestions on the various provisions of the Finance Bill, 2005 for the consideration of the government.

The State-Level VAT being introduced w.e.f. April 1, 2005 is a historic initiative for reforms in the Sales-tax laws. The Institute fully supports the concept and the framework as enunciated in the White Paper on State-Level VAT. As stated in my previous communication, we are in the process of finalising a Guidance Note on Accounting for VAT and also background material on VAT for the purpose of holding chain seminars throughout the country for educating members, general public and the traders in particular to allay their apprehensions in this regard.

As the members are well aware, the CBDT has issued a notification regarding 'Electronic Furnishing of Return of Income'. Members should come forward to register themselves as e-Return intermediaries and make this scheme a grand success. The e-Returns would go a long way in helping the Government in easy and quick processing of the returns filed, which would facilitate quicker refunds to the taxpayers.

I am happy to inform you that the CBDT has constituted a panel to review the proposed Fringe Benefit Tax (FBT) in which the ICAI is represented. Though the ICAI agrees that no income should go untaxed, it is of the view that the principle of equity should be incorporated in the FBT provisions.

The year 2005 marks the end of the first decade of the digital networks. The emergence of mobile, digital and a networked world has transformed our lifestyle and the way we work. It is being predicted that by 2020, learning will be a lifelong endeavour, freed from constraints of time and space. Physical presence on campus will become extinct and perhaps "virtual campuses" will become a reality. I am of the firm belief that the Institute will emerge a true global player in the field of education by the end of the next decade. I am happy to note the great strides being made by the Institute in this direction.

As far as technological initiatives of the Institute are concerned, you will be glad to know that the Committee on Information Technology has released "Information Systems Audit
Technical Guide" to provide a framework for providing IS Audit and Assurance Services. Members may also visit www.isaicai.org (ISA portal) and browse through the March 2005 issue of IT Harmony e-newsletter on the theme "IT Infrastructure Management". In this context, I am also happy to share that the Institute has successfully conducted the first virtual class for the benefit of the students. In a virtual class, a subject expert is available on selected networked centres or on the Internet at a scheduled time to assist students in assimilation of the concepts and getting their queries resolved in an interactive manner. In such a mechanism, disparities arising out of different teaching standards are eliminated. Instructional quality is consistent to all the students. Shortly, the Institute plans to introduce more such classes in a structured manner.

I also take this opportunity to inform you that the Council of the Institute is committed to finding an everlasting solution to the hardships being faced by certain category of students in the matter of provisional registration for Professional Examination Course-II within the framework of the existing relevant Regulations, besides mitigating the hardships of students during the interregnum. Further, it has also been decided to grant exemption from payment of fee and/or scholarship to the children of Defence and Paramilitary forces killed in action. The finer details of the decision will appear in the next issue of the Students' Newsletter.

Members might be aware that the Chartered Accountants' Benevolent Fund (CABF) is providing financial assistance to deserving and unfortunate members and families of the deceased members in distress. In order to provide assistance to more members, and to strengthen the position of the fund, it is earnestly requested to contribute your mite for this noble cause. The members who have not become life members of the fund are requested to become life members by paying one time life membership fee of Rs.1000 and those members who are already life members of the fund may contribute voluntarily from time to time. The members residing abroad are eligible to contribute if they are Indian citizens. A Group Protection Solution (CABF) Insurance Scheme has been introduced for the benefit of the members and the details of the scheme are hosted on the website of the Institute/published in the Journal. Members are requested to join the same.

The S. Vaidyanath Aiyar Memorial Fund is granting freeship/scholarship to the needy and deserving students. Members are requested to become life members of the fund by contributing one time life membership fee of Rs.500. This will go a long way in giving freeship/scholarship to more and more needy and deserving students pursuing the chartered accountancy course.

Finally, I must admit that my interaction with a multitude of members, both in practice and industry, since my assumption of office has convinced me about their strength and capabilities. I am confident that the Indian accountancy profession has a bright future.

With best wishes

Sincerely yours,

Kamlesh S. Vikamsey
President

New Delhi,
21st March, 2005