

# The Institute of Certified Public Accountants

(Registration No: Maharashtra/252/2015, under the societies registration act, 1860)  
(F -17333 -Sangli, under Bombay Public Trust Act 1950)

(Professional Accountancy Organisation, operating in India)

Registered Address: 4582 A, Sangli Ves, Guruwar Peth, Miraj -41610. Dist Sangli,  
Maharashtra-India

Email : [secretary@icpaindia.org](mailto:secretary@icpaindia.org)

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To,

**Honourable Minister,**

Ministry of Corporate Affairs,

Shastri Bhavan, New Delhi, 110001

**Sub:** Problems faced by Independent Accountants & Need of law for practicing Accountants profession distinguishing from Auditors & Recognition of "The Institute of Certified Public Accountants" there of as SME's Professional Accountancy organisation Regarding.

**Respected Sir,**

This letter if been addressed to the Ministry of Corporate Affairs to bring transparency in Accountancy profession, break monopoly & introduce healthy competition which will result in developing deeper, clearer financial reporting mechanism. As the matter of Administration of Accountancy profession falls under the MCA, we intend to bring to the notice of Honourable Minister some serious problems faced by Accountancy Profession that needs urgent attention of the Ministry of Corporate Affairs- Govt. of India-

1. In India, Accountants & Auditors are never distinguished. Many Auditors are compiling accounts of the entities they are auditing. Though there exists universally accepted professional ethics and enough provisions in the Companies Act to restrict this but due to paucity of Professional Accountants and due to monopoly of the Accounting Institute, implementation of this is questionable. Paving way for Scams and undetected frauds occurring for years in Accounts. On a large scale Ministry has taken great initiatives to

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plug the loops, SFIO, FATF, Anti Money Laundering, & Competition Commission are great examples of it. But in all this process one area being neglected is SME's...

2. There are Independent Accountants class representing Tax Practitioners & Legal Practitioners who are merely commerce graduates and are offering Accounting, Book Keeping, and Financial Advisory & Management Services to the SME's. They are not recognised by any governing body. Nor they have any formal and updated Accounting education to act as "Professional Accountants". They are estimated to be more than 3 lac. They need to be regulated by some professional accountancy organisations.
3. Also there are more than 12 Professional Accountancy Organisations in UK, Ireland & Scotland. 3+ in Australia, 4 In Pakistan, 3 in Bangladesh, 4 in Sri Lanka. 55 state boards and CPA societies in America. Apart from this there are separate Tax Practitioners boards, financial reporting authorities in UK, South African countries, USA, Canada.. We completely fail to understand why there is only one Statutory Auditors Institute in India each regulating Financial Accounting & Other Cost Accounting? Why can't they be separated from financial regulatory policy making? Why can't there exists a Tax Practitioners Board or Accounting practitioners board in India? Why can't be there more than one Professional Accountancy Organisation for regulation of profession? Keeping healthy competition, transparency, global standards & research and development in mind... We beg for the recognition of our institute & separate Accounting Practitioners Board.
4. Both Corporate & Non Corporates fit in definition of SME's. They are defined as-
  - a. Under MSMED Act 2006 ( Amended in 2014)

## Definition of Enterprise as per MSMED Act,2006

Investments	In case Manufacturing	In Case of Services
Micro Enterprise	50 Lac	20 Lac
Small Enterprise	10 Crores	5 Crores

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Medium	30 Crores	15 Crores
Enterprise		

b. Under Companies Accounting Standards Rules –“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 crores in the immediately preceding accounting year;
- iv. which does not have borrowings (including public deposits) in excess of rupees ten crores 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

c. As per ICAI these are Level II & III Entities-

Therefore by saying SME's we are limiting area to the following category–

(With Turnover less than 50 Crores)

1. Sole Traders/ Proprietary Firms
2. Partnership Firms/ LLP's
3. Trust/Societies
4. Small Private Ltd & Not for Profit Co.'s ( Section 8 co.'s)
5. Co-op Societies including Multistate ( Other Than Banks)

5. If we ask –

- a. What are the Accounting Records that are required to be kept by non-corporates? ( is there any defined section? ,As it exists in Companies Act)
- b. Who are their Accountants? Will it hamper the Independence of Auditor or Quality of Audit if Accountant & Auditor is same for the Entity?
- c. What are the Applicable Accounting Standards? (Especially for those border line cases, who are not required to get their Accounts Audited under Tax Laws like Partnership Firms & Proprietary Firms)
- d. Even in Companies Act, What Accounting records needs to be kept is defined but what are the minimum qualifications are for keeping that Accounts are not

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defined.. What if the company is small and outsourcing its accounting work from external agency? Auditing Standards do address these external agency outsourcing issue but Accountants and their qualification is never defined as such.

6. Problem doesn't ends here, these SME's are mostly Start Up's ... Usually need funds from bankers, now when asked to file Accounts and Tax Returns, Bankers keep on insisting certification from CA's. Even though they are not audited. Our question is what is the Accountants authority to do such certifications for bank loan purposes? What is the Statutory Power they have for these certification, when they are not auditing the same?
7. There is absolutely no regulations governing the Accounting practices of these SME's...Especially non corporate entities...Accounting Standards prescribed by the ICAI do not apply to them, as they are not required to get their account audited.
8. Accounting Standards notified by the Ministry of Corporate affairs apply to Corporates only.
9. But now when ICDR (Income Computation & Disclosure Standards) notified under Income Tax Act, 1961 are made applicable to all entities, hence there has arisen an urgent need to notify an Authority like NFRA (National Financial Reporting Authority) to look after Accounting & Reporting needs of all entities. ( Not only corporates)
10. Even ICAI has not declared its roadmap to converge to IFRS for SME's... the roadmap never touches upon IFRS applicability to SME's!

Therefore, there exists an urgent need to educate and train & monitor these Independent Accountant. This will also help in creating distinction between Accountants & Auditors and also SME's will be brought under uniform reporting language of Accounts. Implementation of IFRS

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for SME's will become easier along with National Accounting Standards & Tax Computational Standards.

## **To resolve all these issues we pray that-**

1. A Uniform National Accounting Standards be set and made applicable to all Entities, any duplication like Indian Converged AS, Current Accounting Standards and then Tax Accounting Standards (ICDR) will further make it difficult to prepare accounts in consistent manner, at least for SME's
2. Accountants & Auditors should be defined separately, a separate recognition law should be passed or a mechanism should be made from the current Chartered Accountants or Cost Accountants Act for the recognition of Certified Public Accountants Class to regulate Independent Accountants.
3. The term Professional Accountant must be protected, and only person qualified in Accounting Standards, Auditing Standards, and Ethical Standards must be allowed to offer Accounting & Advisory services. These standards should be at par with IFAC Standards for Accounting Education, Auditing & Professional Ethics.  
(IFAC- International Federation of Accountants is global regulator of Professional Accountancy Organisations. Both our statutory Accounting Institutes, ICAI & ICMAI are members of IFAC and we too have adopted their Accounting, Auditing & Ethical Standards)
4. These Professional Accountants must get recognition for their services, except doing Audit work...
  - a. Namely they must be authorised to offer Business Startup & Setup Services and they must be recognised as "Authorised Representatives" to act as agent of the Client for All Governing Business Laws ( Companies/LLP/Trust-Societies/Partnership/ PF-ESI etc. )
  - b. They Must be allowed to sign of Accounts as prepared by them ( this will put liability on them according to Companies Act)
  - c. Their signed Accounts should be recognised by banking authorities



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5. They must be monitored for their professional conduct by a professional institute like ours in this regards.

To help MCA address all the above issues we have incorporated a Voluntary Society of Independent Accountants & Tax Practitioners by the name of "The Institute of Certified Public Accountants" (Not for Profit Organisation). We Educate & Designate them as CPA's.

- (1) It will address the long debated Education & Continuous Training needs of The Independent Accountants & Tax Practitioners
- (2) It will Compel above professionals to prepare the financial statements according to the applicable Accounting Standards (Which currently are not followed by Unaudited non corporate entities, facilitate IFRS & ICDR implementation in SME's) in fact we have undertaken a project to educate and train CPA's according to IFRS for SME's which CA Institute has not yet even thought of.
- (3) It will Facilitate there monitoring & supervision needs
- (4) It will create a completely dedicated one stop SME's professionals in the form of Accountants, who are specifically trained for all their needs
- (5) It will give a Skill development opportunity to already practicing professionals and will make them compatible professional with their global counterparts.
- (6) Also it will act as a fallback body for CA/CMA Final exams failed students. We offer them an alternate career opportunity and there are more than 2lac final students...

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We offer -

- a) A proper Membership Certificates & Unique 7 digit Number, ID Cards to all categories of members, who are categorized in 3 classes based on their experience and education ( 0 to 5 Yrs., 5 to 10 yrs., and beyond 10 yrs. experienced and practicing ITP/STP/Advocates are allowed as members in our society)
- b) We are Offering them training on small and Medium Size Enterprises
  - a. Accounting & Reporting Needs
  - b. Taxation ( with specific stress on Post filling Notice Handling, Appeal, Scrutiny, Review, Rectification Practice and Pleading up to Tribunals for All Central Direct & Indirect Taxes & State VAT & Other Taxes )
  - c. Business Regulatory Laws Compliances
  - d. Banking- Financial & Management Consultancy Services
- c) While delivering above we have given due credit to their accredited prior learnings, experience in Income Tax Practice etc.
- d) You honour will appreciate that Our members offer their services only to SME's that is specifically to Proprietary/Partnership/LLP/Trust/Societies/ Co -op Societies / Pvt Ltd Co.'s & Section 8 Co.'s, having turnover of less than 50 crores ( In majority of the case less than 10 crores). Hence Government Co.'s, Insurance, Financial Markets ,Banks, NBFC's, Large Entities & Public Co.'s are expressly excluded from work area of CPA's
- e) We Train and Certify them, we take Exams online and all this is monitored by our Educational Partners namely Institute of Computer Accountants. They have 17 yrs. of experience in giving Computerised Accounting, Taxation & Finance Knowledge. They are authorised by concerned government agencies to conduct courses and examination. Also they are Accredited Training partners of National Skill Development Corporation, under skill development initiative of government of India. They conduct Online Course and also online Exams, first of its kind in India. Our CPA Course is in line with National Skill Qualification Framework – NSQF-Level-7 (Post Graduate Level Professional Studies) & at par with Global Standards of similar professionals.

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- f) We also offer post qualification, continuous professional development and education to CPA members. Without which they cannot practice as CPA's and cannot renew their CoP.
- g) We have Monitoring & Disciplinary mechanism at par with global standards of other professional accountants. In fact we have adopted "Code of Ethics for Professional Accountants" from International Federation of Accountants (IFAC), a global regulator of Accountancy profession. Your honour will appreciate that it not only covers Accounting/ Auditing professionals ethics but Taxation & Other Finance & Management Consultants also.
- h) We meet all the criteria of IFAC Membership, and our CPA Course is as per their Accounting/ Auditing/ Ethical & Educational Standards. We have also applied for their membership, and currently meeting their other Membership obligations and sponsorship from "The Institute of Cost Accountants of India" (Our application is pending for CMA Institutes consideration)

Therefore, we request Honourable Minister, to allow "Certified Public Accountant" member to -

1. Act as Authorised representative under -

(To file Registrations, Returns, and Cancellation, Alteration on behalf of their clients)

- A. Companies Act 2013 ( On MCA Portal)
- B. Limited Liability Partnership Act 2008 ( On MCA Portal)
- C. Indian Partnership Act 1932
- D. Societies Registration Act, 1860
- E. Indian Trust Act 1882
- F. State & Multi State Cooperative Societies Act 2002
- G. Other State Acts such as Shop & Establishments, Food Licenses, Factories & Labour Licenses, PF, and ESI Acts, IPR Laws, FCRA etc.



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2. Allow Our Society a Recognition to act as "Professional Accountants for SME's"
3. Recognize CPA's to Act as Internal Auditors/ Financial Fraud Auditors
4. Make Indemnity Insurance compulsory for Accounting professionals
5. Introduce Anti money laundering laws implementation through Accountants, create whistle blowing policy, make them responsible for provisions of the Act.
6. **Kindly Accept and nominate one person on our governing board to handle the disciplinary issues and monitor our members to ensure smooth application and compliance of various governing laws**

We hope your honour will appreciate our efforts for Uniting & Educating & monitoring long neglected Independent Accountants, Income Tax & Sales Tax Practitioners and will accept our invitation to nominate on Member as MCA Representative on our governing council. We are obliged to provide you any further information and explanations regarding our initiatives. But please afford us opportunity of being heard before deciding on our case.

It is further clarified that our Institute is not expecting any change in Act, sections 7(1) b), 128, 132, 133, 135, 138, 144, 432 has already made enough provisions for Accounting professionals, all we are requesting MCA is to amend/Create Rules for "Accountants", by issuing appropriate notification in this regards to recognition of CPA Members of our Institute.

We beg your honour to kindly accept our prayer. And our application for above information, this will help us reach all the current Independent Accountants to become CPA's and get membership of our society. Of course we will not compel them to, unless MCA certifies us for so.

Jai Hind!

CPA Pro

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Yours Faithfully,  
Mohasin Tahasildar,

Founder President & CEO,  
The Institute of Certified Public Accountants  
Cell No: +91 9545331199

Date: 07/05/2016

Place: Miraj

CC:

1. Secretary, MCA
2. Professional Institutes Section
3. Policy I & II Section
4. Company Law Section I

Enclosure:

1. A copy of grievance letter posted to Honourable PM Sir, & Its Status as on today.
2. A Copy of Our Registration Certificates, Bye Laws & Regulations

