

*PROFESSIONAL GROWTH
THROUGH
NETWORKING, MERGER & MDP*

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ASSOCIATES

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Batgach
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A Network Approved by ICAI
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MARKET SCENARIO

- Accounting Services identified as one of the Champion Sectors for Export promotion by Govt. of India in order to achieve 5T economy.
- Demand for specialized, experienced and competent Chartered Accountants constantly rising
- Non traditional & new areas of profession
- Increased opportunities - but inability to take advantage



CURRENT SCENARIO OF CA FIRMS

- Small in size
- Catering to local clients only
- Traditional areas of practice
- Over dependence on Statute Based Compliance assignments
 - Bank Audit, Tax Audit, VAT Audit etc.
 - IT Returns, VAT Returns, MCA Returns etc.
- Inability to provide value addition
- Confined Expertise and Competence


Cont'd...

CURRENT SCENARIO OF CA FIRMS (Cont'd...)

- Little scope to exchange & enhance knowledge base
- Increased cost of attest functions
- Increased competition within the profession & stagnated fee structure
- Inability to invest in technology & infrastructure
- Mostly re-active rather than being pro-active



WHAT'S THE WAY OUT FOR SURVIVAL?

Capacity Building through:-

- Networking
- Merger
- Multi Disciplinary Partnerships
- Corporate Form of Practice



BENEFITS OF CAPACITY BUILDING

- Synergy Benefit
- Pooling of Resources – Expertise, Experience, Competency
- Demand for One-Stop-Shop service can be met
- Capability to handle assignments of varying complexity and dynamics
- Greater Financial Strength
- Easier pulling and retention of Human Talent
- Standardisation of Procedures
- Promotes Specialization

Cont'd...



BENEFITS OF CAPACITY BUILDING (Cont'd..)

- Improved client servicing capabilities
- Economies of Scale
- Increase in risk bearing capacities
- Reduction of dependence on large clients
- Ability to provide training
- Greater Quality Control
- Greater Brand Value
- Improved Professional and social standing
- Growth of Individual Firms as well as of Network



3 MODELS OF NETWORKING

- Alliance.
- Networking.
- Networking with Lead Firm concept.



COMPARATIVE ANALYSIS

	Alliance	Networking	Lead Firm Networking
1. Name (suffix)	"& Alliance"	"& Affiliates " or "Network"	" & Affiliates" or "Network"
2. Applicability of Regulation 190	Yes	Yes	Yes
3. Registration	Compulsory	Compulsory	Compulsory
			<i>Cont'd...</i>



COMPARATIVE ANALYSIS (Cont'd...)

	Alliance	Networking	Lead Firm Networking
4. Registration – Centralised/Decentralised	Centralised	Centralised	Centralised
5. Use of Firm's name in Network stationery	Allowed	Allowed	Allowed
6. Use of Network name in Firm's stationery	Allowed	Allowed	Allowed
			<i>Cont'd...</i>



COMPARATIVE ANALYSIS (Cont'd...)

	Alliance	Networking	Lead Firm Networking
7. Unique Registration Number	ARN	NRN	NRN
8. Membership of multiple networks	Not allowed	Not allowed	Not allowed
9. Firm with majority common partners in different network	Not allowed	Not allowed	Not allowed
			<i>Cont'd...</i>



COMPARATIVE ANALYSIS (Cont'd...)

	Alliance	Network	Lead Firm Networking
10. Restrictions in practice in firm name	NIL	Subject to internal agreement of Network	Subject to internal agreement of Network
11. Empanelment by Individual Firms	Allowed	Allowed	Lead Firm will apply on behalf of entire Network
12. ICAI Efforts for recognising Combined Strength	No effort as Alliance is basically for non audit services	Yes	Yes
			<i>Cont'd...</i>



COMPARATIVE ANALYSIS (Cont'd...)

	Alliance	Network	Lead Firm Networking
13. Internal/ Statutory Conflict	Not Allowed	Not Allowed	Not Allowed
14. Rotation inside network	Not Allowed	Not Allowed	Not Allowed
15. Referral	Allowed	Allowed	Allowed
			<i>Cont'd...</i>



COMPARATIVE ANALYSIS (Cont'd...)

	Alliance	Network	Lead Firm Networking
16. Sharing of Fees/ Profits	Allowed	Allowed	Allowed
17. Network Bye Laws/ Agreement	Mandatory	Mandatory	Mandatory
18. Submission of Bye Law/ Agreement to ICAI	Mandatory	Mandatory	Mandatory
			<i>Cont'd...</i>



COMPARATIVE ANALYSIS (Cont'd...)

	Alliance	Network	Lead Firm Networking
19. Quality Control documentation and compliance	Not Compulsory	Compulsory	Compulsory
20. Code of Ethics	Fully applicable	Fully applicable	Fully applicable
21. Advertisement Guidelines, Website Guidelines	Applicable	Applicable	Applicable
			<i>Cont'd...</i>



COMPARATIVE ANALYSIS (Cont'd...)

	Alliance	Network	Lead Firm Networking
22. Combined Financials Statements	Allowed	Allowed	Allowed
23. Consent of clients	Not needed	Not needed	Not needed
24. Bank account	Yes	Yes	Yes
25. PAN/GST No.	Yes	Yes	Yes
			<i>Cont'd...</i>



COMPARATIVE ANALYSIS (Cont'd...)

	Alliance	Network	Lead Firm Networking
26. Reconstitution	Free	Subject to Internal Agreement/ Bye Laws	Subject to Internal Agreement/ Bye Laws
27. Form Filing	Name Approval, Registration, Reconstitution	Name Approval, Registration, Reconstitution	Name Approval, Registration, Reconstitution
			<i>Cont'd...</i>



SPECIAL ISSUES RELATING TO LEAD FIRM CONCEPT

- The Lead Firm can obtain and execute work in its own name and distribute among Constituent Firms.
- The Lead Firm has to share the fees with other firms, if it quits the network.
- Lead Firm will get Credit of Experience.
- If work procurement in the name of Network is allowed in future, concept of Lead Firm will die.



POINTS TO BE KEPT IN MIND

1. Registration will only be given when every Agreement, Bye Laws, MOUs have been filed with ICAI.
2. Deeds/MOUs, Forms can be signed by managing/designated partner of each of the member firms.
3. Legal status of Alliance/Network can be that of AOP.
4. If needed the Alliance/Network can take up non attest assignments in its own name.

Cont'd...

POINTS TO BE KEPT IN MIND (Cont'd...)

5. For specific assignments Joint ventures can be formed.
6. Alliance/Network can have a website of its own.
7. Only firms/LLPs are permitted to enter in Alliance/
Network
8. Detailed data of firms will be made available in the SSP
for the members to view and take informed decision.
9. Logo - not allowed.

Cont'd...



POINTS TO BE KEPT IN MIND (Cont'd...)

10. With Passage of time, ICAI intends to move towards allowing Foreign Firms to Join Indian networks.
11. If one Firm of a Network is Central Statutory Auditor of an entity, another Firm of the same network can't perform Internal/ Concurrent/ Branch Audit of the same entity.
12. If no firm of a network is Central Statutory Auditor, different Firms of the same network can perform Branch Audit or Concurrent Audit of different branches of the entity.



MERGER

- Merger should ideally follow networking
- Merger agreement in **Form 'E'** is to be filed with the Institute within 30 days from the date of the agreement
- Merger agreement shall contain some guidelines like de-merger provisions
- Separate Partnership Deed should be executed
- Form 18 should also be filed with the Institute
- The Institute will freeze the names of the merging firms and shall not allot the same names to any other firm

Cont'd...



MERGER (Cont'd...)

- Constitution Certificate shall state the original date of establishment, the date of its merger (and the date of the de-merger if any).
- For the purpose of computing the seniority of the merged firm, total period will be reckoned from the original date of establishment of the eldest firm
- CAG criteria - in case of Merger, the partners of the merging firms will be assigned points after one year of merger and points for partner's association to be given after 5 years from the date of merger



DE-MERGER

- De-merger can be demanded within a period of 5 years from the date of merger
- 75% or more of the continuing partners of one of the erstwhile firm(s) can de-merge after giving notice in **Form 'F'** to the other partners and to the Institute. No concurrence/acceptance is required from the other continuing partners of the merged firm
- The De-merged Firm shall be entitled to :-
 - practice in its old firm name
 - claim total seniority acquired i.e. their earlier pre-merger seniority as well as the years during which they were in merged firm

(Cont'd...)

DE-MERGER (Cont'd...)

- The date of establishment of the new de-merged firm shall be the date of de-merger but the original seniority will be retained
- If the remaining erstwhile merging firms/partners of the erstwhile merged firm decided to continue, then they should enter into a fresh Merger/Partnership Agreement



MULTI-DISCIPLINARY PARTNERSHIPS

BACKGROUND

- Regulation Change – 53A, 53B
- Application 4 MDP - Section 2(2) did not allow
- Section 2(2) of all three Institutes changed
- Applies again - Form 18 did not allow
- Prime Minister's Vision
- MCA Pressure
- Group formed in 2020
- 8th July, 2021 - Form 18 Changed.



REGULATION 53A

- ✓ Company Secretary
- ✓ Cost Accountant
- ✓ Actuary
- ✓ BE
- ✓ B. Tech
- ✓ B. Arch
- ✓ LLB
- ✓ MBA

Para 2, 3 & 5 of Schedule 1 of Part I of CA Act also changed



REGULATION 53B

- ✓ Company Secretary
- ✓ Cost Accountant
- ✓ Advocate
- ✓ Engineer
- ✓ Architect
- ✓ Actuary

Para 4 of Schedule 1 of Part I of CA Act also changed



CHANGED FORM -18

3. Name(s) of the proprietor/partners of firm with his/
their membership number(s)

Details of Partners Holding Certificate of Practice

(Chartered Accountant/Company Secretary/Cost Accountant)

S.N.	Name of Partner	Professional Qualifications*	Membership No.:	Whether membership is active (Yes/No)	Date from which Certificate of Practice held:

Details of Partners Holding Professional Qualifications Other than Chartered Accountant/Company Secretary/Cost Accountant, permitted as per regulation 53B

S.N.	Name of Partner	Professional Qualifications*	Degree No.	Name of University/ Institution which issued the Degree



CURRENT POSITION

- ❖ CS – Law, Regulation changed
- ❖ Cost – Law, Regulation changed
- ❖ Advocate – Rule 2 of Chapter III of part IV – “Conditions for Right to Practice” of Advocacy Act restricts.
- ❖ Engineer – No restrictions.
- ❖ Architect – No restrictions.
- ❖ Actuary – Part 3 of Part 1 of Schedule restricts practicing actuary.



SOME PRACTICAL ISSUES

- ❖ Registration
- ❖ Name
- ❖ FRN
- ❖ Corporate Statutory Audit
- ❖ Majority Calculation
- ❖ Other Attest Functions
- ❖ Verification of non ICAI member partners
- ❖ Permissible Constitution
- ❖ CAG, MEF Points
- ❖ No Non COP holder



CAG POINTS CRITERIA

FIRM RELATED:

1	Experience of the firm/LLP	1 point	For every calendar year - Maximum 15. {Counted from the date of constitution of the firm/LLP with one full time FCA or date of joining of the firm/LLP by the existing partner having the longest association with the firm/LLP whichever is later.}
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PARTNER RELATED:

2	Full time FCA Partners	5 points each	The first 5 full time CA partners will get the points mentioned in the adjacent column and remaining 15 full time CA partners will get half of these points
3	Full time ACA Partners	3 points each	
4	Points for Association of full time CA partners	3 points	
		2 points	For each full time CA partner above 10 years.
		1 point	For each full time CA partner above 5 Years and upto 10 Years.
5	DISA (ICAI)/CISA	2 points each	One full time CA Partner will be awarded points for one qualification only. Maximum 5 full time CA partners will be awarded points
6	IND-AS/FAFD (ICAI)	1 point each	

CA EMPLOYEE RELATED:

7	CA Employees	1 point each	For first 5 full time CA employees and half point each for remaining 15 full time CA Employees (Max 20 employees)
8	DISA (ICAI)/CISA	1 point each	One full time CA Employee will be awarded points for one qualification only. Maximum 5 full time CA employees will be awarded points
9	IND-AS/FAFD (ICAI)	0.5 point each	
10	Turnover of the firm/LLP from Audit Services		Maximum 5 points (1 point for every 1 Cr./60 Lakh)

Cont'd...

CAG POINTS CRITERIA (Cont'd...)

No points if -

- ❖ A partner in other firms/LLPs
- ❖ Employed full time/part time elsewhere.
- ❖ Practicing in own name.
- ❖ **Compensation** is below the minimum:
 - ❖ FCA Partner - Rs. 4.50 lakh/ 2.70 lakh
 - ❖ ACA Partner - Rs. 4.50 lakh/ 1.80 lakh
- ❖ Individual share of compensation less than:
 - ❖ Above 14 Partners – 1%
 - ❖ 10 to 14 Partners – 3%
 - ❖ 5 to 9 Partners – 5%
 - ❖ Below 5 Partners – 8%
- ❖ Other source of professional income is more than **compensation**.

{Compensation is sum total of share of profit, remuneration and interest on capital}



CAG POINTS CRITERIA (Cont'd...)

❖ Deduction Of Points

- ❖ **Refusal of Audit** - 10% (Life time barring after second refusal)
- ❖ **Professional Misconduct** - 10% + No point for involved CAs
- ❖ **Unsatisfactory Performance** - 10%

❖ Major Auditors -

- ❖ Firm's Existence of 10 Years
- ❖ At least 6 full time CAs.
- ❖ At least 1 Partner with 10 Years, 3 Partners with 5 Years association.
- ❖ At least 1 Partner with CISA / ISA Qualification.
- ❖ 5 Years experience of CAG Audit



MEF/SBA CRITERIA

Eligibility norms for the empanelment of audit firms to be appointed as statutory branch auditors for Public Sector Banks (2020-21 onwards)

Category	No. of CAs exclusively associated with the firm	No. of partners exclusively associated with the firm	Professional staff	Bank audit experience of Firm or at least 1 Partner	Standing of the audit Firm
(1)	(2)	(3)	(4)	(5)	(6)
I.	5	3	8	8 years	8 years (Firm)
II.	3	2	6	5 years	6 years (Firm or at least 1 partner)
III.	2	1	4	3 years	5 years (Firm or at least 1 partner)
IV.	2	2	2	Not necessary	3 years (Firm)
IV - SP.	1	1	2	Not necessary	3 years

Note : The proprietary concerns of Chartered Accountants with 1 paid CA, 2 professional staff and not having any statutory branch audit experience of a nationalised bank or of a private sector bank will be treated at par with the partnership firm after deducting their 3 years seniority from the date of their establishment

ESSENTIAL REQUISITES OF CAPACITY BUILDING

- Institutionalisation – Firm belongs to none - perpetual continuity
- Roles and responsibilities should be clearly set out
- Managing Partner / person who represents the firm to be clearly identified
- Committees of partners to be formed with ultimate powers resting with entire partnership / network
- Rules for admission of new Partner/Firm should be documented
- Retirement of Partners/Firms should be defined


Cont'd...

ESSENTIAL REQUISITES OF CAPACITY BUILDING

(Cont'd...)

- Profit/Cost Centers should be identified & profit/cost should be shared accordingly
- There should be no ambiguity regarding key areas such as sharing of profits etc.
- HR processes should be put into place
- Stationery of common design should be used
- Periodical Meetings are must
- Creation of immoveable properties should be avoided



ROAD MAP TO CONSOLIDATION

- Change of Mind Set
- Identification of Geographical & Practice areas
- Identification of Firms/Partners
- Meeting of Minds
- Presentation by Firms/Partners identifying resources, areas of practice, future visions, strengths, weakness
- Identification of common Goals & Objectives
- Finalisation of model of Network to be followed
- Finalisation of Name & office Address and filing for name Approval

(Cont'd...)


ROAD MAP TO CONSOLIDATION (Cont'd...)

- Finalisation of Network/Firm vision for 3-5 years
- Finalisation of Membership fees, Referral fees, work execution procedures, sharing of professional fees etc.
- Identifying Network/Firm Leadership & hierarchy
- Finalisation of Branding & Standardisation matters
- Finalisation of Quality Control aspects
- Finalisation of other Policy matters, Rules, bye Laws & Procedures
- Upon name approval - Registration of Network/Firm
- Successful Implementation



LIMITATIONS TO CONSOLIDATION

- Conservative thinking
- Lack of vision
- Emotional attachment with firm name
- Selection of Firm – finding the right fit
- Difficulty in trusting the other professional's competencies
- Reluctance to share specialization
- Only Bank/CAG based mergers

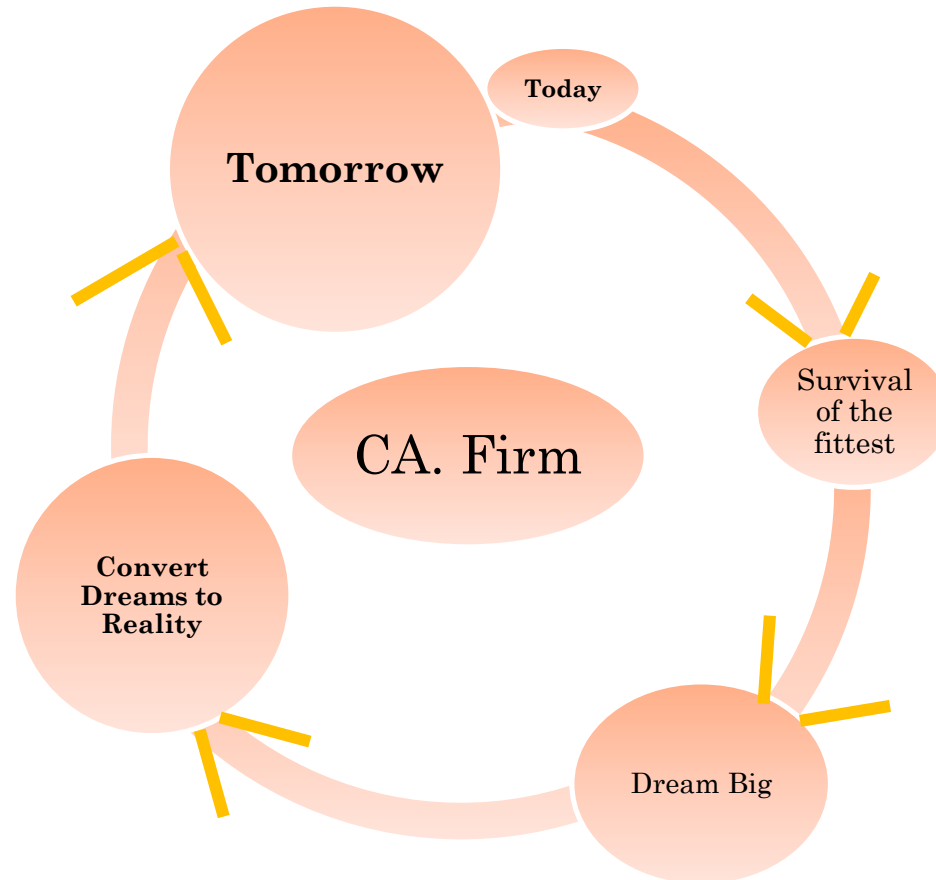

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LIMITATIONS TO CONSOLIDATION (Cont'd...)

- Reluctance to invest in Technology
- Reluctance to invest in physical & human infrastructure
- No or ambiguous rules
- Being too informal / casual about it
- Lack of Family Support
- Lack of zeal to grow



IS IT WORTH ???



Nothing is impossible

REMEMBER

- You are not more important than the organisation
- It's a marriage





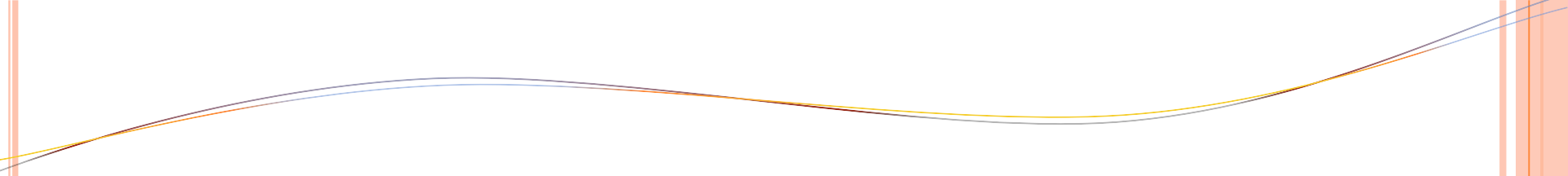
“ Take Risks in Life”

- If you win, you can lead
- If you loose, you can guide

- Swami Vivekananda







“ Coming together is beginning
Keeping together is progress
Working together is success ”

- Henry Ford



THANK YOU !!!

