

DIRECTORS' REPORT

TO THE MEMBERS OF ICAI ACCOUNTING RESEARCH FOUNDATION

The Directors have pleasure in presenting the Fifteenth Annual Report of the ICAI Accounting Research Foundation (ICAI ARF), together with the Audited Balance-Sheet, Income and Expenditure Account and Cash Flow Statement for the Financial Year ended 31st March 2014.

ICAI Accounting Research Foundation (ICAI-ARF) was established in January, 1999 by the Institute of Chartered Accountants of India, as a Section 25 company and a core research body to promote research in the areas of accounting, auditing, capital markets, fiscal policies, monetary policies and other related disciplines. ICAI ARF believes that proper research inputs are necessary condition for raising the level of corporate governance, management, accounting and financial reporting. High quality research projects based on practical experience with theoretical extrapolations would also provide valuable inputs in formulation of policies and implementation thereof at macro and micro levels.

PERFORMANCE HIGHLIGHTS:

The ICAI ARF has completed another successful year, 2013-14, in establishing it as a core research body in the areas of Accounting, Auditing, Fiscal Laws and Policy, Corporate and Economic Laws and Policies, Economics, Financial Management, Financial Services, Capital and Money Markets and other related disciplines.

Recognizing the impetus required for promoting quality research in the country, the Board has adopted and pursued a multi - pronged action plan to support research projects of contemporary national and international significance in the areas related to accountancy profession. The ICAI ARF has extended an open invitation to undertake research to various institutions, research bodies, research scholars and the practitioners. Focussed advertisements were also hosted on the website of ICAI ARF and ICAI; and published in the Journal of ICAI 'The Chartered Accountant', inviting expression of interest from the members and others to carryout research in the areas of contemporary interest with requisite financial support from ICAI ARF with an option of pursuing research or for taking up of systematic study in relevant areas. Furthermore ICAI ARF also invited interested researchers to undertake projects / assignments on flexi-working basis in its focus areas.

New value added projects will continue to be the fundamental part of subsistence of ICAI ARF. Accordingly the ICAI ARF reaffirms its commitment to continue undertaking the research projects that would add value and help in spreading, promoting and advancement of various disciplines in the fields of accountancy, auditing, fiscal laws and policy, corporate and economic laws and policies, economics, financial management, financial services, capital and money markets, management information and control systems and other allied fields.

RESEARCH PROJECTS:

The main objective of the establishment of ICAI ARF is to undertake, conduct, foster, promote and provide aid and facilities for prosecuting core, fundamental, empirical, applied and other kinds of research work, projects and studies. The research work undertaken by ICAI ARF has been divided amongst two branches of research, viz., (I) Basic Research, and (II) Applied Research.

A status update of major research projects completed during the year and presently undertaken/implemented under basic and applied research is outlined here under along with particulars of proposals that are under consideration:

1. BASIC RESEARCH:

Basic research is designed to add to an organized body of scientific knowledge and does not necessarily produce results of immediate practical value. It is concerned with formulation of a theory or a contribution to theory. The ICAI ARF involves in carrying out basic research projects pertaining to subjects requiring enquiring into problems and issues significant to accounting and auditing and allied disciplines such as economics, finance and business laws through outsourcing research projects by inviting applications from research bodies/scholars and providing them financial assistance. In view of the above, the following projects have been undertaken by ICAI ARF:

1.1. PROJECTS COMPLETED DURING THE YEAR:

The following research project undertaken earlier has successfully been completed during the year 2013-14:

1.1.1. Wider Impact of IAS/IFRS on Indian Accounting Profession and the Socio Economy: International Comparison with Anglo-America, China and Japan by Dr. Tomo Suzuki, Oxford University: The SAID Business School of University of Oxford, London has taken up this project with the ICAI ARF. The research study aims to comprehensively evaluate the impacts of IAS/IFRS on the Indian accounting professions and the economy, so as to contribute to the establishment of India's strategy and policy formulation which may held in India converging with IFRS.

1.1.2. Role of Independent Directors: A case study on Satyam Computers Fiasco by Mr. Ashish Soni: The aim of the project is to understand the role and responsibilities of independent directors in the functioning of any corporate Board, to develop and debate on the circumstance leading to Satyam Computer Services Ltd., corporate governance fiasco, to examine and critically evaluate the role of independent directors in Satyam Computer Service Ltd. The main activities of this research are to analyze and scrutinize the role of independent directors, shareholder activism and the larger fiduciary role of Board of Directors. The target groups are the shareholder/investors and policy makers etc.

1.2. ONGOING PROJECTS:

The following research projects have been undertaken/ continuing during the year:

1.2.1. Designing a Structural Model for measurement of audit expectation gap in selected South Asian Countries by Dr. S. Rajaram of Kalasalingam University: This proposal aims to provide some insight into the nature and extent of the audit expectation gap in selected South Asian Countries. The target groups are the auditors, auditees and audit beneficiaries. The audit beneficiaries will be represented by bankers, investors, brokers and general public. The auditees will be represented by company directors and accountants.

1.2.2. Analysis of Issues on Mandatory Reporting under IFRS in India by Dr. Shigufta Hena Uzma, NIT Rourkela: The researcher aims to analysis the issues related to Mandatory Reporting under IFRS in India.

1.3. PROJECT PROPOSALS:

The research studies on the following topics have been approved in principle by ICAI ARF subject to modification in methodology/scope for the research:

1.3.1 Request received from Research Committee, ICAI for conducting a Research Project requesting ICAI ARF to consider and take up a Research Project to provide a Compilation from Published Accounts of various companies about the type and variety of qualifications which can be given by auditor in various eventualities for benefits of Members.

1.3.2 Study of Corporate Bond Market in India - An Investor Perspective” by Mr. Dinabandhu Bag, Associate Prof., NIT Rourkela: The main objectives of the study are to determine the factors that drive the debt market as an alternative source of financing for corporate and identify the factors that position the debt market as an effective form of investments for investors.

1.3.3 A comprehensive guide to effective controls in the area of finance” by Mr. Ashish Kedia, Bangalore: The aim of the study is to establish a comprehensive guide focuses on controls specifics to the finance function of a company and to understand the existing frameworks, auditing standards that focus on internal controls which will provide a basis for our guidelines.

2. APPLIED RESEARCH:

Applied Research is directed towards the solution of immediate specific and practical problems. It is performed in relation to actual problems and under the conditions in which they are found in practice. The applied research requires systematic study to gain knowledge or understanding necessary to determine the means by which a recognized and specific need may be met.

In view of the above, ICAI ARF has, in past, undertaken research projects related to conversion of accounts from cash basis to accrual system of Accounting for Municipal Corporation of Delhi (MCD), Kolkata Municipal Corporation (KMC), Controller General of Accounts (CGA) and Department of Posts (DoP) etc. involving conceptualizing a new accounting system including the incorporation of methodologies and procedures not current in India and same had been successfully completed. The Foundation had also undertaken DFID Project relating to Strengthening Rural Decentralization (SRD) suggesting a detailed methodology and road map for under pinning the issues on a logical framework. In continuation to above, the following projects have further been undertaken by ICAI ARF:

2.1. PROJECTS COMPLETED DURING THE YEAR:

The following research project undertaken earlier has successfully been completed during the year 2013-14:

2.1.1. AIIMS Project for Implementation of Accrual System of Accounting: ICAI ARF has undertaken a project related to Accounting Reforms in the All India Institute of Medical Sciences (AIIMS) for implementation of accrual system of accounting and conversion of accounts from cash to accrual basis. The research project has successfully been completed during the F. Y. 2013-14.

2.2. PROJECTS ON HOLD:

The following research projects have been undertaken during the year:

2.2.1. ICAI ARF - Kerala State Insurance Department (KSID) Project related to “Accounting Reforms in KSID: ICAI ARF has taken up a pilot project for Accounting Reforms in KSID. A consultant team has been appointed by ICAI ARF to undertake the said project.

2.2.2. ICAI ARF - NHPC Project related to implementation of IFRS: - ICAI ARF has undertaken a project in NHPC Ltd. for

implementation of International Financial Reporting System (IFRS) in its Organization.

2.2.3. Proposal received from Hindustan Aeronautics Limited (HAL) for Implementation of IFRS: The HAL has requested the ICAI ARF for implementation of IFRS in its units. The foundation office had sent preliminary report detailing out the scope of the assignment, financial highlights, basic approach to convergence, Team members etc. to HAL Office. The response of HAL based on the recommendation of its Audit Committee is awaited.

2.3. NEW PROJECT PROPOSALS RECEIVED DURING THE YEAR:

To further promote the applied research, the foundation office is working on the lines of the aforesaid projects and undertakes the following projects, as given below:

2.3.1. Department of Telecommunications (DoT)

ICAI ARF is under discussion with DoT regarding a pilot study applied research project related to implementation of Double Entry Based Accrual Accounting System in Maharashtra Circle of DoT.

2.3.2. Employees Provident Fund Organization (EPFO)

EPFO has approached ICAI ARF for their transformation from Cash to Accrual Accounting Project. Initial meetings and discussions are going on in this regard.

2.3.3. Indian Railways

Indian Railway has approached ICAI ARF for conversion of their Delhi Division Accounts from Cash to Accrual basis. The matter is under process.

2.3.4. Department of Electronics and Information Technology (DoE&IT)

DoE&IT is in discussion with ICAI ARF seeking its support in designing MIS and related management aspects for its Modified Special Incentive Policy Note.

2.3.5. National Project Construction Corporation Ltd. (NPCC)

ICAI ARF is in discussion with NPCC regarding a pilot study / applied research project to review and strengthen the existing financial; accounting and management framework.

FINANCIAL PERFORMANCE:

During the year the revenue from research activities has been Rs. 50.94 Lakh as against Rs. 25.47 Lakh in the previous year. The increase represents the billing for the final leg of project to AIIMS in the sum of Rs. 38.15 Lakh. The deficit arising due to excess of expenditure over income is Rs 36.59 Lakh as compared to Rs. 60.67 Lakh during the year 2013-14. Financial results for the year 2013-14 compared with those of previous year are summarized below:

(Amount in Rs.)

<i>Particulars</i>	<i>2013-14</i>	<i>2012-13</i>
Revenue from Research Projects	50,94,300	25,47,150
Subscription from Members	1,60,000	140,000
Interest from Bank	1,24,736	138,820
Interest from Income Tax Refund	0	158,660
Grant	30,00,000	30,00,000
Miscellaneous Income	56,579	300
Total Income (A)	84,35,615	59,84,930
Total Expenditure (B)	1,20,94,394	1,20,52,097
Excess of Income over Expenditure (A-B)	(36,58,779)	(60,67,167)

The Directors propose to appropriate this amount as under:

Amount transferred to General Reserve	(36,58,779)	(60,67,167)
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<i>Summarized Cash Flow Statement:</i>	<i>2013-14</i>	<i>2012-2013</i>
Inflow/(outflow) from operations	(8,24,476)	(770,024)
(Inflow)/outflow from investing activities	1,24,736	138,820
(Inflow)/outflow from financing activities	3,54,378	264,710
Net increase/decrease in cash & cash equivalents	(3,45,362)	(366,494)

STRENGTHENING OF INFRASTRUCTURAL BASE:

In order to strengthen the infrastructure base, ICAI ARF had taken an area of 20,000 sq. ft. in the Research Block, A-29, Sector-62, Noida, U.P. on sub-lease for a period of not less than ten years from the Institute of Chartered Accountants of India on annual lease rental of Rs. 5,000/- along with Rs.5,00,00,000/- (Rs. 5 Crore only) towards the acquisition of built up space and the proportionate cost of construction, furniture and fixtures, installation and interiors thereof.

THE WAY FORWARD:

Recognising the fact that considerable efforts are required to promote research in the field of accounting in India, ICAI ARF has taken a number of proactive measures for undertaking applied research, and carrying out research studies. ICAI ARF further plans to intensify promotional campaign for establishing direct contact with the Universities and other bodies on the one hand, and reaching out to the potential researchers throughout the country, on the other.

The list of proposed research projects of contemporary national and international significance and proposed research projects for Ph. D degree would be further expanded, and expression of interest invited. In select areas, ICAI ARF may directly undertake research. Possibilities for networking with research organisation of repute, within and outside India, would be explored. Series of technical documents are proposed to be published and focussed training programmes organised for dissemination of technical knowledge and skills to various stakeholders.

Initiative for applied research in newer areas including already undertaken with the office of All India Institute of Medical Sciences (AIIMS) of India on the lines of those taken up under MCD, KMC, CGA and DoP would also be considered basis their significance and usefulness as well as serving the ICAI ARF objectives.

Also, as a part of the ongoing initiatives ICAI ARF is exploring options to work with as well as undertake joint initiatives in its focus research areas with organization / institutes of repute. ICAI ARF office has touched base with the local offices of international organisations namely UNDP and IMF in Delhi in this regard. It is also in touch with academic institutions such as MDI, Gurgaon; GGS IP University, Delhi, IMI, Delhi for expanding its research activities and undertaking joint initiatives.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND EXPENDITURE:

Conservation of energy: The Foundation deals in Basic and Applied research and does not require large quantities of energy. However, wherever possible energy saving efforts are made.

Technology absorption: Being a research organization, all the functions and resources are devoted towards research purposes. The MCD, KMC, CGA and DoP projects

have been instrumental in building expertise in conversion of accounts to accrual basis.

**Foreign Exchange earnings
& Outgo:**

Foreign Exchange earnings : Nil
Foreign Exchange Outgo : Nil

Particulars of Employees: Pursuant to provisions of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended from time to time, it is stated that no employee was in receipt of remuneration exceeding Rs. 24 Lakhs per annum or Rs. 2.00 Lakh per month during the year 2013-14.

DIRECTORS' RESPONSIBILITY STATEMENT:

As required by section 217(2AA), Board of Directors hereby confirms that:

1. In the preparation of annual accounts applicable accounting standards have been followed with no material departure;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Foundation as at 31st March 2014 and of the income and expenditure of the Foundation for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
4. We have prepared the annual accounts on a 'going concern' basis.

INDUSTRIAL RELATIONS

ICAI ARF has always maintained cordial and harmonious relations at all levels. Efforts were made to inculcate team spirit and motivate the employees to fully develop their potential.

HUMAN RESOURCE DEVELOPMENT

ICAI ARF has always considered that its core strength lies in quality of its human assets.

STAFF WELFARE

Welfare of the employees had received due attention during the year.

BOARD OF DIRECTORS

During the year CA. Subodh Kumar Agrawal relinquished the charge of Chairman held by him as Ex-Officio. The Board places on record its appreciation for the commendable services and contribution made by CA. Subodh Kumar Agrawal.

STATUTORY AUDITORS

M/s. R. Shyam & Associates (Chartered Accountants), New Delhi retire and are eligible for re-appointment. They have confirmed that, if re-appointed their appointment will be within the limits prescribed under Section 224(1B) of the Companies Act, 1956. The Directors recommend their re-appointment as Auditor of the Company for the Financial Year 2014-15.

ACKNOWLEDGEMENT

The Board takes this opportunity to place on record its appreciation for the continued assistance, support and co-operation received from the Ministry of Corporate Affairs- Government of India, State Governments and Urban Local Bodies, M/s. Infosys Technologies Ltd, Office of the Department of Posts (DoP), AIIMS Authorities, Government of India, Guru Gobind Singh Indraprastha University, Bank of India and other authorities, experts, research scholars and individuals during the course of execution of the research projects and in other disciplines.

The Board of Directors sincerely appreciate and commend the valuable contribution made by the employees of the foundation at all levels in the pursuit of achieving objectives of the foundation for another year in succession.

For & On behalf of the Board
For ICAI Accounting Research Foundation

Place: New Delhi
Date: 28/08/2014

(CA. K. RAGHU)
CHAIRMAN, ICAI ARF