

Mulund CA CPE Study Circle

CA Practice Management in Today's Challenging Environment

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Setting the Context

- *Current Position of CA Practice*
- *Practice Management – Statistics*
- *Practice Vs. Industry*
- *Challenges in Practices*
- *Practice Management Strategies*
- *Ingredients to Successful Practices*
- *Growth Strategies*
- *Practice & Technology*

Current Position of CA Practice

- Risk has gone up substantially
- Several scams have surfaced where CAs are found involved or presumed to be involved
- Increased expectations of Regulators / Stakeholders / Society
- NFRA is set up
- Stiff penalties / regulatory action against CAs
- E-governance in approximately all government administration
- Increasing impact of technology
- Constant amendments in Companies Act, Ind AS, GST, Bankruptcy code, Valuations
- Constant changes in practice due to introduction of Rotation of Auditors, UDIN, Valuation rules, Technology etc.
- General Practice vs Specialisation

Practice Management Statistics

➤ Firm Mix

Year	Proprietorship	Partnerships	Total
2019	52,374	22,783	*75,157
2018	49,392	21,831	71,223
2017	45,956	20,960	66,916
2016	43,080	18,870	62,950
2015	41,808	18,749	60,557
2014	40,768	17,649	58,417
2013	38,263	16,072	54,335
2012	35,127	14,556	49,683
2011	33,093	13,853	46,946
2010	32,235	13,536	45,771
2009	31,871	13,179	45,050
2008	32,001	13,209	45,210
2007	32,165	13,439	45,604
2006	31,950	13,753	45,703

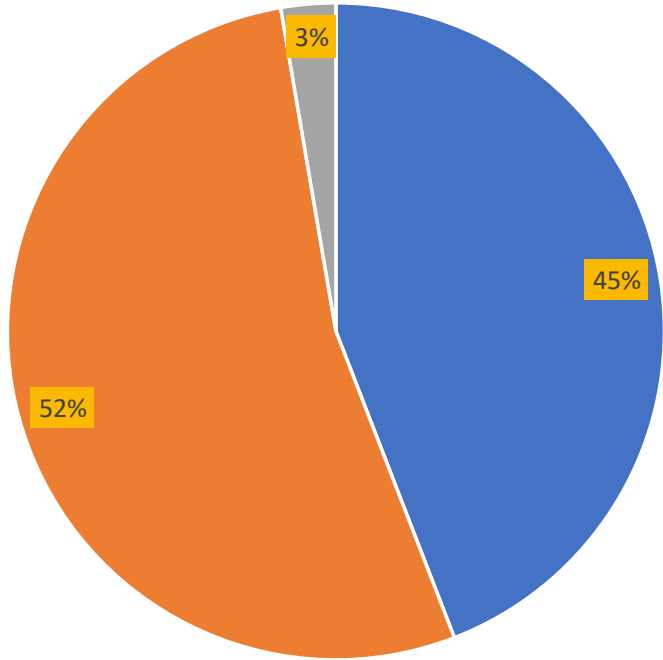
No. of partners	Firms
2	11,935
3-10	10,525
11-20	278
21-50	38
More than 50	7

Stagnancy

*As of now the total count has risen to 80,304

Practice Management Statistics

➤ Member Mix - Total

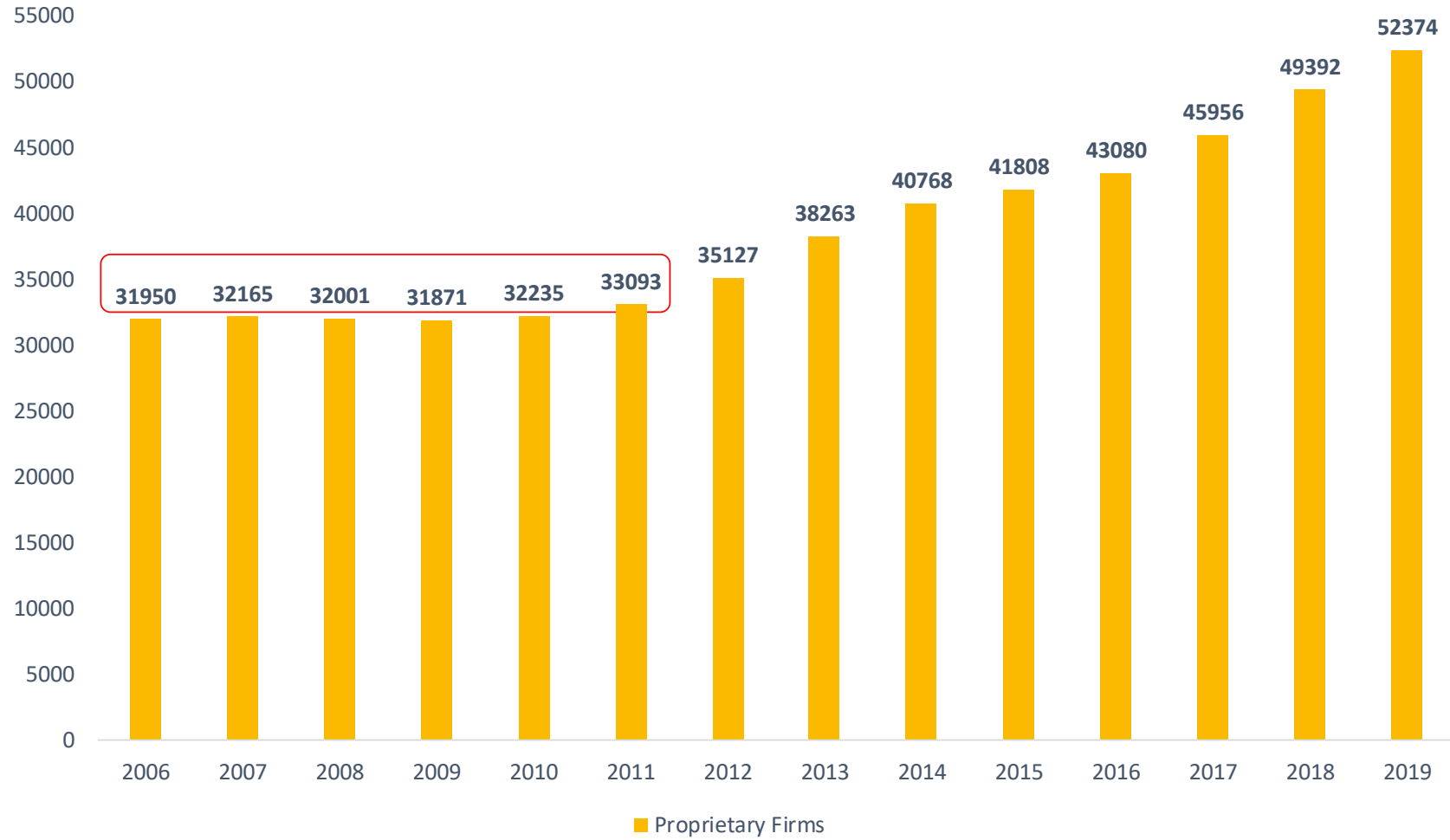


■ Full time COP ■ No COP ■ Part time COP ■

Practice Management Statistics

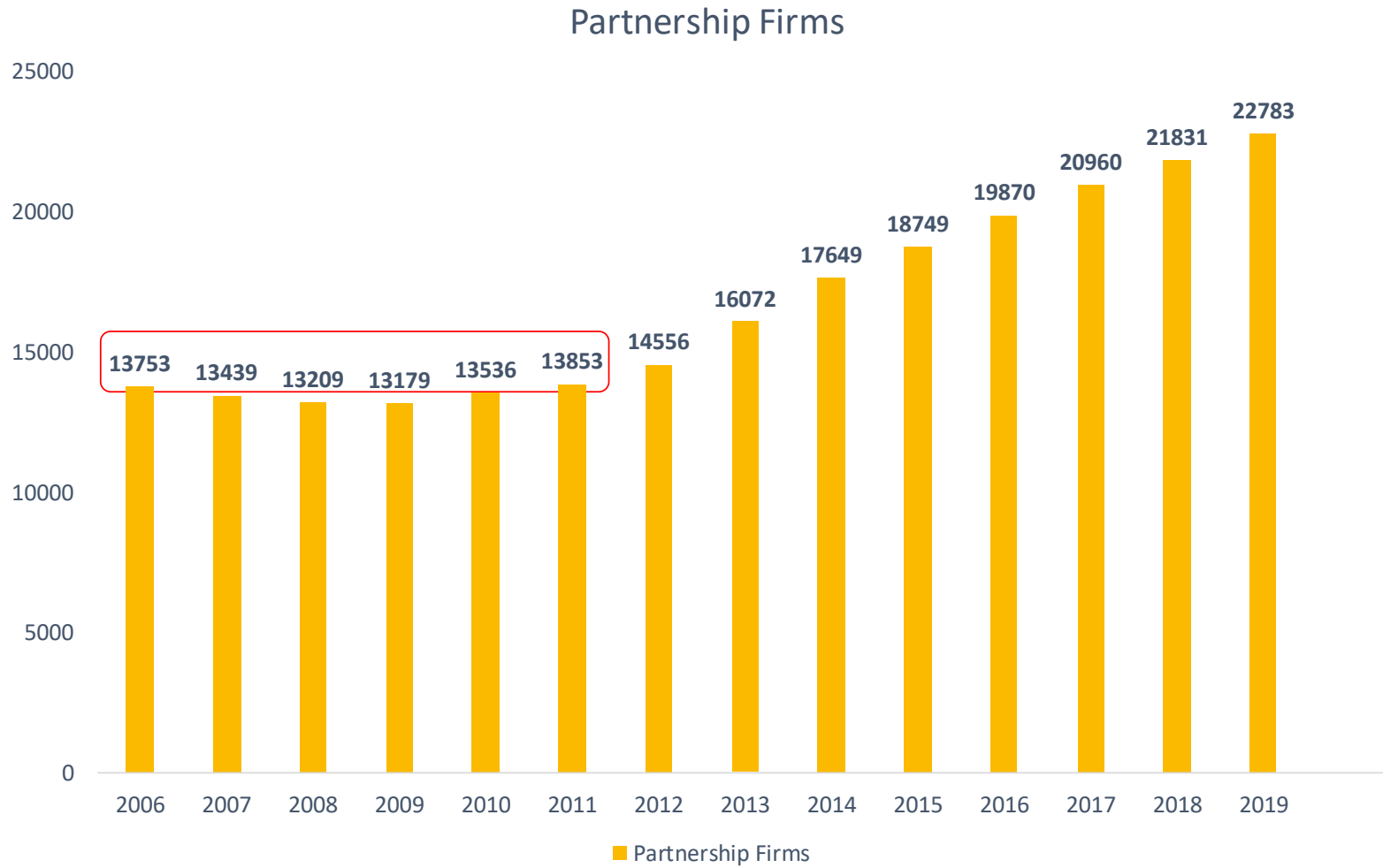
➤ Growth in Practicing Units

Proprietary Firms



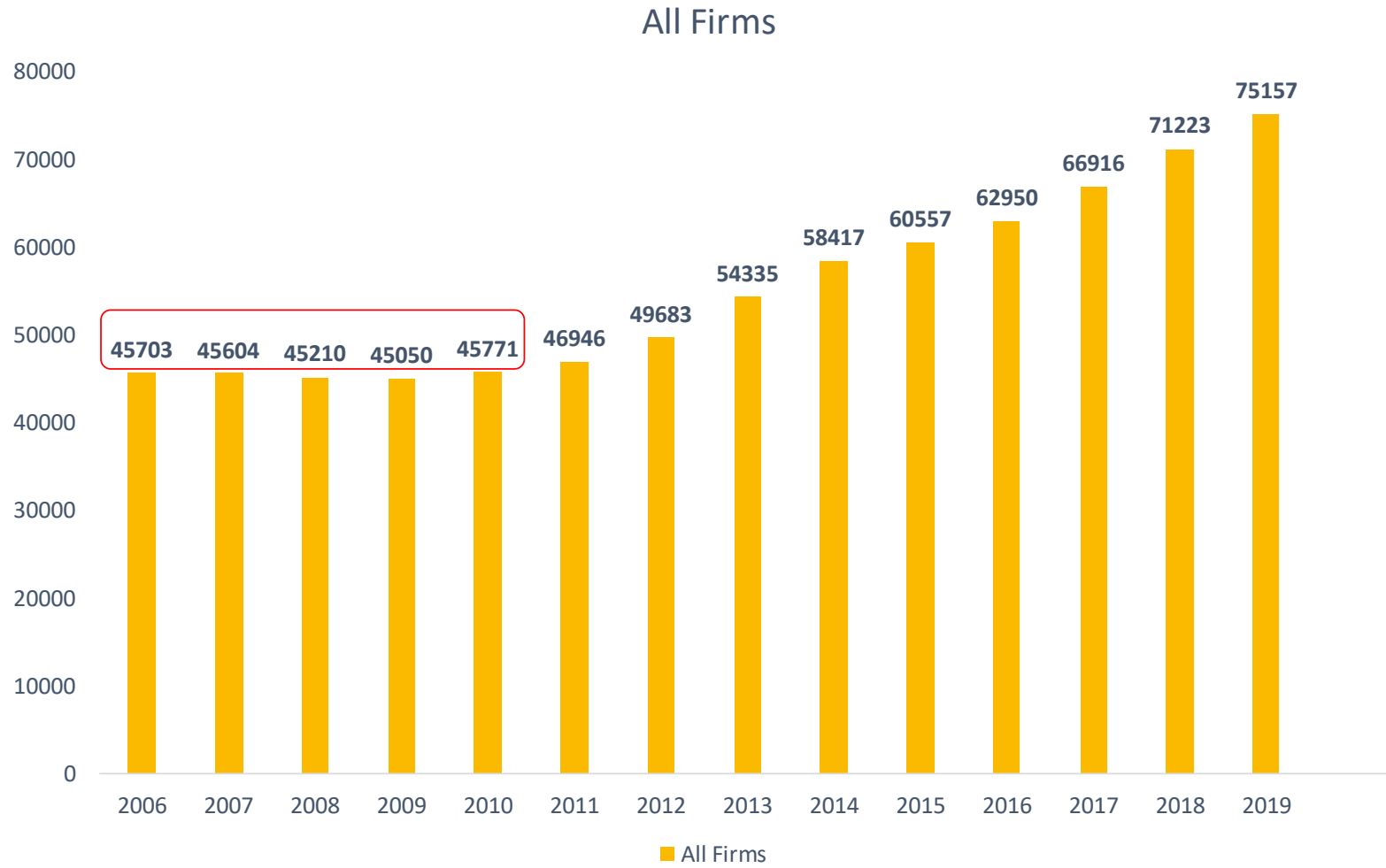
Practice Management Statistics

➤ Growth in Practicing Units



Practice Management Statistics

➤ Growth in Practicing Units



Practice Management Statistics

➤ Trend of changing member preference

As at	Total Members	Average % in Practice	Average % in Industry	Years	No. of Members added to Practice	No. of Members added to Industry
March 31, 1998	83,789	60%	40%	1994-1998	8,885	6,443
March 31, 2003	1,10,256	57%	43%	1999-2003	12,980	13,487
March 31, 2008	1,45,481	47%	53%	2004-2008	5,677	29,548
March 31, 2013	2,16,459	44%	56%	2009- 2013	25,407	45,571
March 31, 2018	282,193	44%	56%	2014-2018	30,287	35,447
January 01, 2019	2,85,565	44%	56%	2019	4,855	(1,483)

Practice Management Statistics

➤ Regional Statistics

Suburb	Full Time	No COP	Part Time	Total
Mulund	726	1,464	63	2,253
Bhandup	205	504	17	726
Vikhroli	60	218	6	284
Thane	1,003	2,046	98	3,147
Bhiwandi	149	168	4	321

Practice Management Statistics

➤ Statistics for Income Tax as on March 31, 2019

Tax Payer status	PAN Number (A)	Count of Returned Filed (B)	Count of Tax Payers (C)	Difference (A-B)
Individual / HUF	43,54,68,489	6,07,11,199	8,16,32,691	37,47,57,290
Partnership Firm	44,32,922	13,18,828	14,25,375	31,14,094
Company	17,41,192	8,47,860	8,86,889	8,93,332
AOP / BOI	12,84,300	183270	2,67,107	11,01,030
Trust	847,834	2,44,624	2,84,578	6,03,210
AJP / LA / Govt.	19,42,646	12,805	24,847	19,29,841
Total	44,57,17,383	6,73,57,829	8,45,21,487	38,23,98,797

(Source: Income Tax time series data FY 2000-01 to 2018-19, www.incometaxindia.gov.in)

Practice Management Statistics

➤ Statistics for GST as on January 05, 2020

1.21 crore
Registered Tax
Payer

38.69 crore
Total Return
Filed
(All time)

~769 crore
Total Invoice
upload
(All time)

1,00,928 crore
Average
Monthly
collection
during F.Y 19-20
till Dec 2019

12.32 crore
No. of
Payment
Transaction
(All time)

(Source: GST Portal)

➤ Statistics for Tax collection

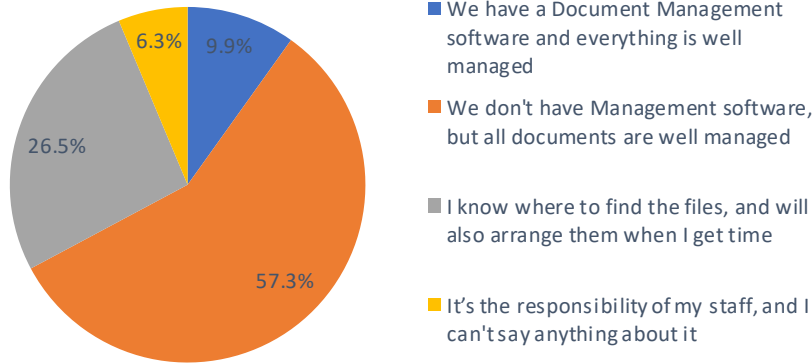
(Rs. in crore)

Financial Year	Corporate Tax	Personal Income Tax	Other Direct Tax	Total Direct Tax	Total Indirect Tax	Total Tax Collections
2018-19	6,63,571	4,73,121	993	11,37,685	9,39,018	20,76,703
2017-18	5,71,202	4,19,998	11541	10,02,741	9,15,256	19,18,210
2016-17	4,84,924	3,49,503	15286	8,49,713	8,61,515	17,11,228
2015-16	4,53,228	2,87,637	1079	7,41,945	7,11,885	14,54,180
2014-15	4,28,925	2,65,772	1095	6,95,792	5,43,215	12,39,007

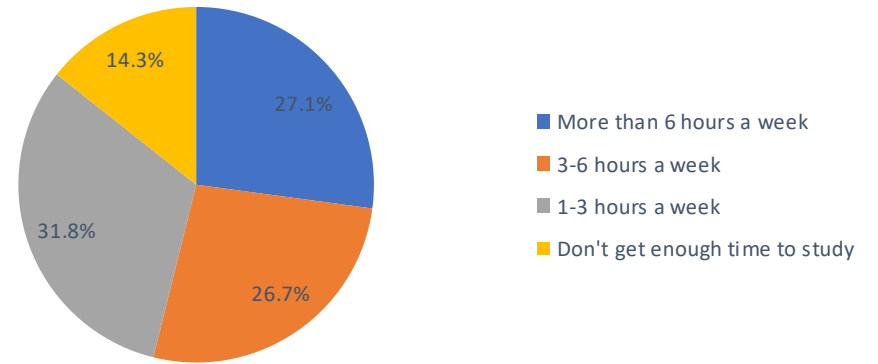
(Source: Income Tax)

Current Position of CA Practice

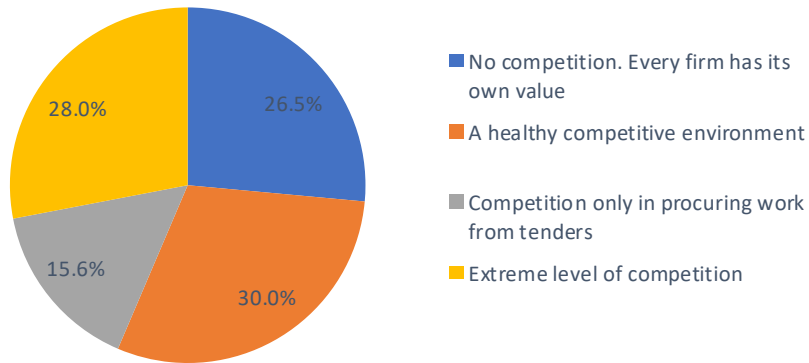
How do you manage both, physical and electronic, documents



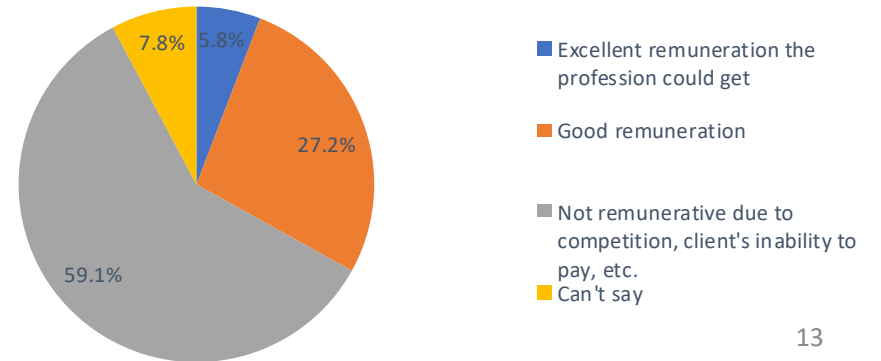
How much time do you devote to study to gain knowledge and stay updated



How much competition do you face from other CA Firms

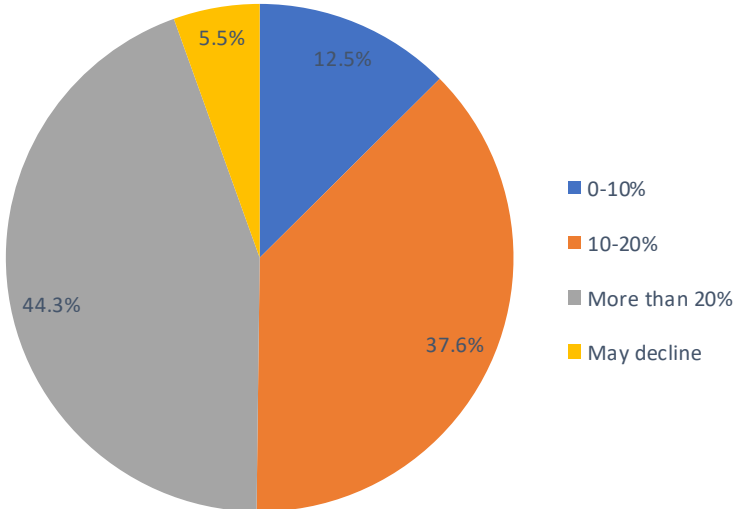


In the CA Profession, what is the level of remuneration vis-a-vis the work done

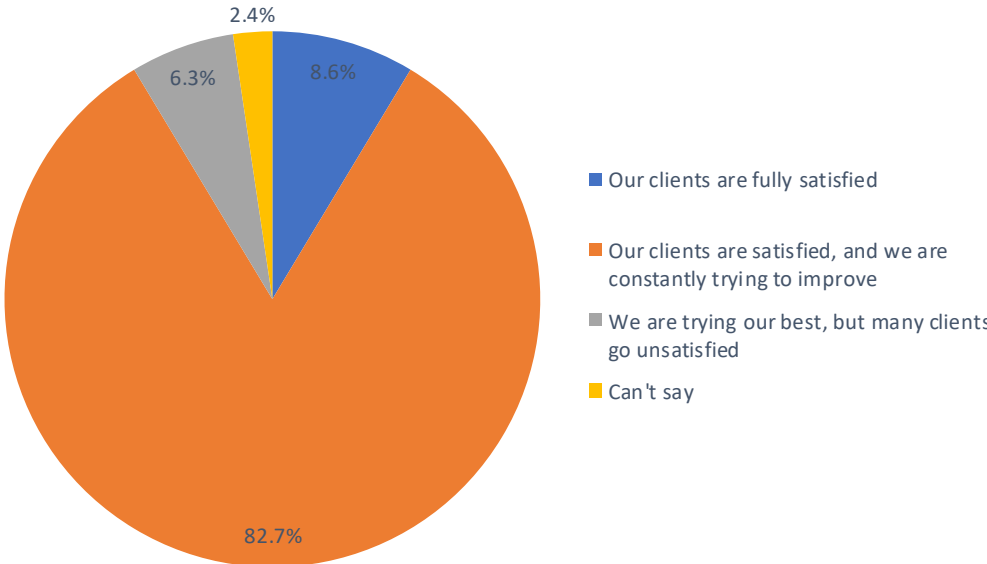


Current Position of CA Practice

In terms of revenue, how much growth do you expect in your firm in coming years

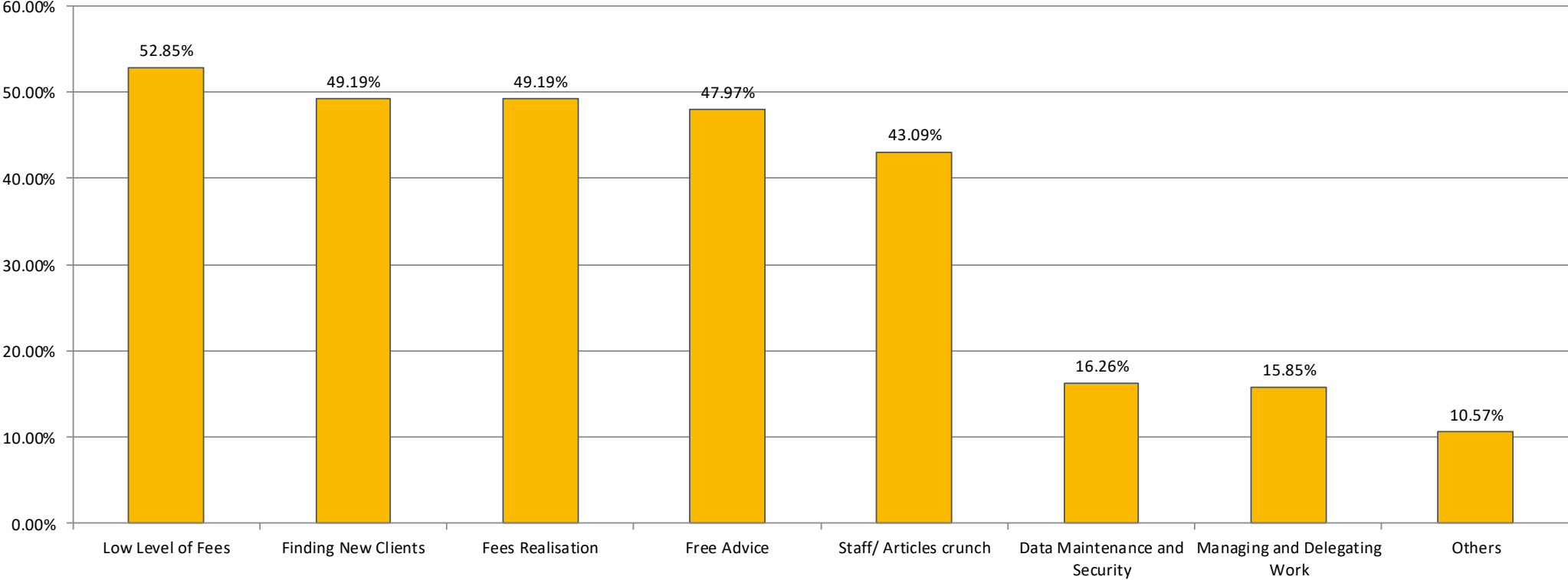


How do you rate your client's satisfaction



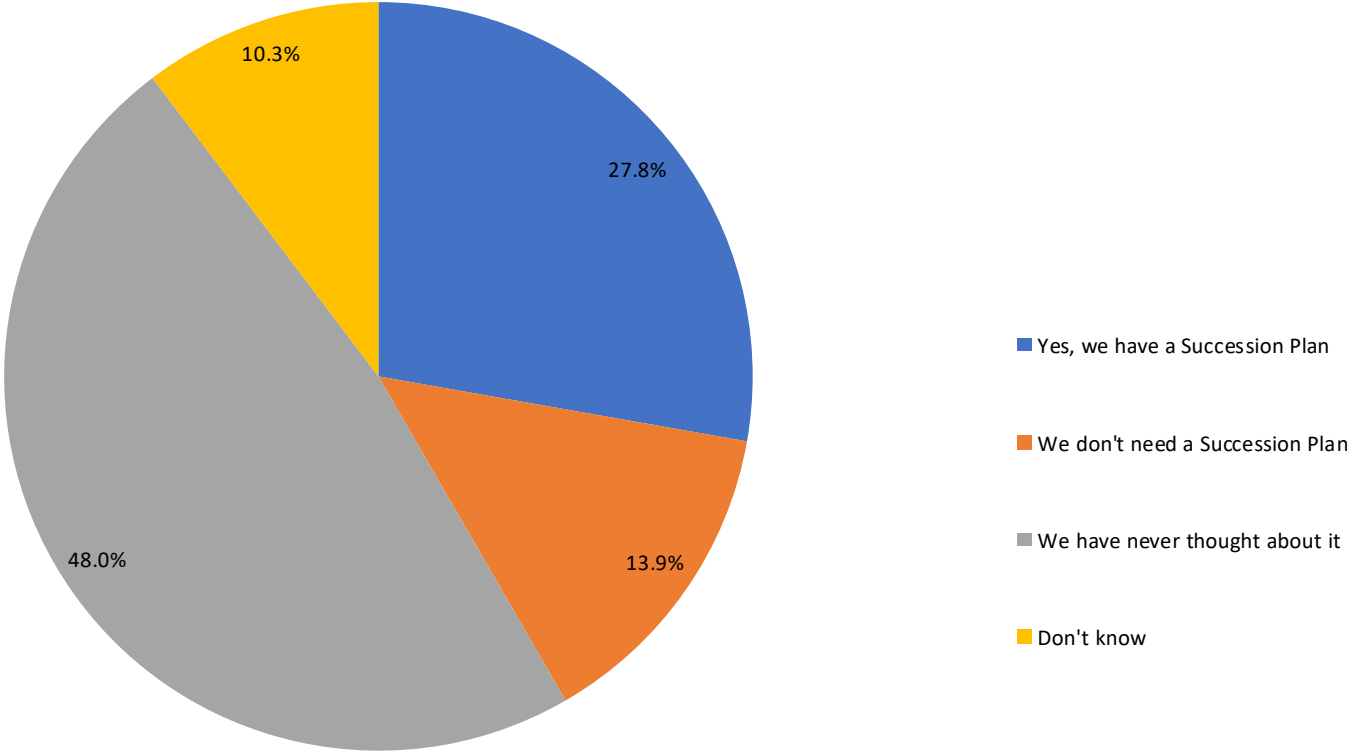
Current Position of CA Practice

Main problems and issues you face in your office



Current Position of CA Practice

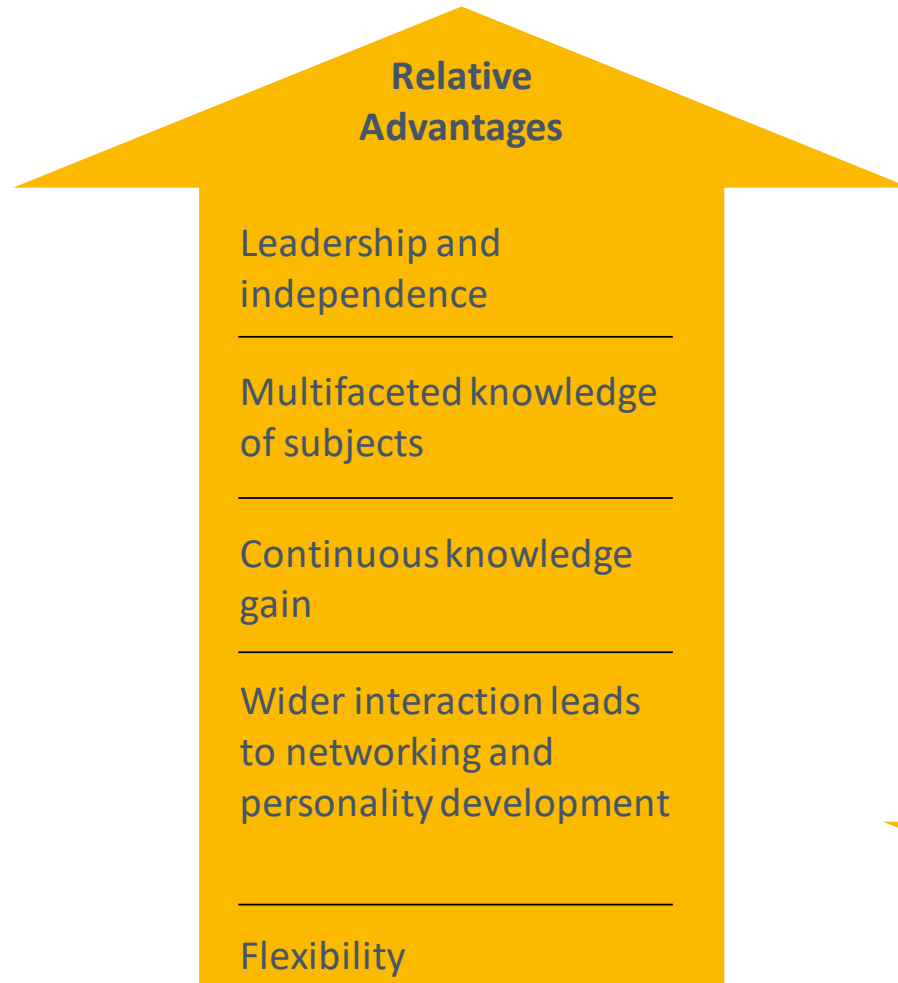
Is your firm equipped with a Continuity Plan/ Succession Plan to succeed the senior partners



Practice Vs. Industry



Practice Vs. Industry



Practice Scenario – Large Accounting Firms



Traditional Areas



Emerging Areas

Valuation

Forensic/ Fraud Investigation

Digital Forensic / Data Analysis

Bankruptcy

Inbound and Outbound services

Blockchain

Risk Assessment & Management

Investment Advisor

Cyber Security

IFC, systems, process development

Business Support Services

AI/ RPA



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Challenges in Practice

Economic

Personal

Regulatory

Technological

Human Resources



Challenges in Practice : Economic

- Rapidly increasing costs
- Inadequate projection of services Rendered (Value of assuring no material misstatement or of no major non-compliance in Taxation is not adequately projected and made known to clients which results in accepting lower fees)
- Competitive environment
- Client loyalties are no longer as stable as earlier (more of professional relationship)
- Retaining clients who are growing big is a challenge (if PU does not grow)
- Traditional Areas of Practice like Audit, Tax etc 'appear' over-crowded
- Increasing cost of executing Assurance Functions (more time taken in compliance of Auditing & Accounting Standards, Regulatory matters, increasing costs of Manpower etc) without corresponding increase in fees
- Lack of Billing Skills throws the smaller firms into the 'Vicious circle of Low Fees'

Challenges in Practice : Economic



Challenges in Practice : Regulatory

- Income Tax reduced no. of Deductions / Exemptions, Simplification & lesser no of scrutiny cases
- Professionals are prone to regulatory actions
(NFRA / Peer review / QRB / FRRB / SFIO / Disciplinary Proceedings & other regulatory issues)
- Frequent changes in Laws, applicable standards and guidelines
- Too many changes at alarmingly rapid speed
(GST / Demonetisation / Ind AS / ICDS / IBC / Company Law)
- Plethora of internal compliances
- Cumbersome procedures

Challenges in Practice : Technological

- Constant updation on technical front (unlearning – a big challenge)
- New technologies coming rapidly (Robotic Process Automation, Machine Learning, AI, Block Chain)
- Increasing use of technology is making the clients more independent and self reliant
- Understanding how the network environment affects the internal control systems which generate accounting and financial data
- Missing audit trail due to automation
- Understanding complex IT environments in which clients are functioning
- Automation in every walk of life
- Increasing Threat to Data security / Privacy
- Knowledge is available at click of button !!!

Challenges in Practice : Human Resources

- Staff Loyalty and High attrition
- Inadequate Training and Practical Experience
- Stressed Relationships
- High expectation of Salary
- Lack of Managerial skills
- Lack of patience among staff
- Preference for routine / mechanical work
- Challenge of good staff with Clients—increasing our work

Challenges in Practice : Personal challenges

- Docile / Passive nature of CAs (accept lower fees and delays)
- Greed to increase volume of work at any cost
- Inadequate / Improper communication skills to showcase oneself
- Society's perception – **Necessary Evil !!**
- Lack of time management (peak and non peak periods)
- Not billing clients for telephonic consultations like lawyers or doctors
- Imbalance between knowledge and execution skills
- Inadequate funds and improper financial management
- Inability to keep pace with Technology changes
- Shift in practice from knowledge to Branding, Size, Organization, Management

A serene sunset scene over a vast, calm sea. The sky is a mix of deep blues and oranges, with soft clouds catching the low sun. In the distance, a range of low mountains or hills stretches across the horizon. The water in the foreground is dark and still, reflecting the colors of the sky.

*"Smooth seas do not
make skillful sailors."*

–African Proverb

Practice Management Strategies



Self - Evaluation



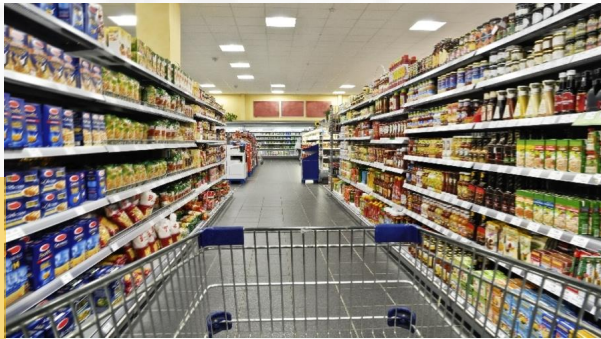
Self - Evaluation



Positioning – Where you want to be ?

- In marketing, positioning is the process by which marketers try to create an image or identity in the minds of their target market for its product, brand or organization
- Need to position in the market to ensure that we get the right kind of work and the right kind of clients
- Since the bigger segment is virtually out of reach of a start-up business, identify whether you want to be in the small service provider segment or in the middle service provider segment
- **You can gradually and eventually grow from small to medium and then big!!!!**

Positioning – Specialisation – What you want to be ?



Positioning – Specialisation – What you want to be ?

- Initially, one may have to provide all services for getting new clients... However specialization is the need of the hour!!!
- Select your area of expertise and provide specialized services
- There are a number of small firms in the market providing core business services to a large number a bigger firms. Such firms have gained great respect and recognition from the professional and the business community
- **Growth does not necessarily mean expansion in size.....It also means excelling in what you do!!!**

Why to Focus on New Areas / Specialisation ?

- To venture into **areas of liking**
 - Income tax representation - many people dislike the representation work (waiting, corruption, etc.)
 - Audits - rewards not commensurate
- Create ability to **provide solution** to the client on complex matters. (Now routine matter clients themselves do it)
- Need to develop clients **over broad spectrum** of society rather than one community/ trade / locality
- In case of services of **one time / specialized** nature rather than annual / routine the client will **not mind paying higher fees** than for routine practice
- **Improve the systems / process** of doing **practice**

Why to Focus on New Areas / Specialisation ?

- Be jack of all but **master of few** areas
- Need to go **up the value chain and get higher fees**
- Better **job satisfaction** / liking of the work being done
- Make focused / better / bigger investment in **resources** (infrastructure, Personnel (HR) / Premises - Ambience latest technologies etc)
- **Better client perception** (good response / service/ office / advice)
- **Churning** the portfolio of **clients** (existing clients will always have mental resistance in paying higher fees)
- Have Economies of scale, better organization, improved services to client in routine services


Why to Focus on New Areas / Specialisation ?

- To sum it up **better potential**
- Hence, it is **imperative** to go into newer areas to increase our **value chain**. There is lot of opportunity.
- One note of caution: kindly do not spoil the fees levels by under cutting in newer areas - there is enough room / scope do not be desperate

Right Sizing

- Rightsizing means ensuring that your firm has the right kind and amount of resources to deliver the output expected by clients
- This growth strategy is a corollary of 'Specialization and Positioning'
- Once you have decided how you want to be and where you want to be, it is important to **'RIGHTSIZE YOURSELF!'**
- Rightsizing involves having enough man-power to deal with all kinds client aspirations
- Decide amount of Specialization to be provided
- Rightsizing ensures that resources are not scarce or wasted but are just in the 'RIGHT' amount to help you achieve your objectives.

Clientele and Client Acquisition

#CustomerLoyaltyMonth 

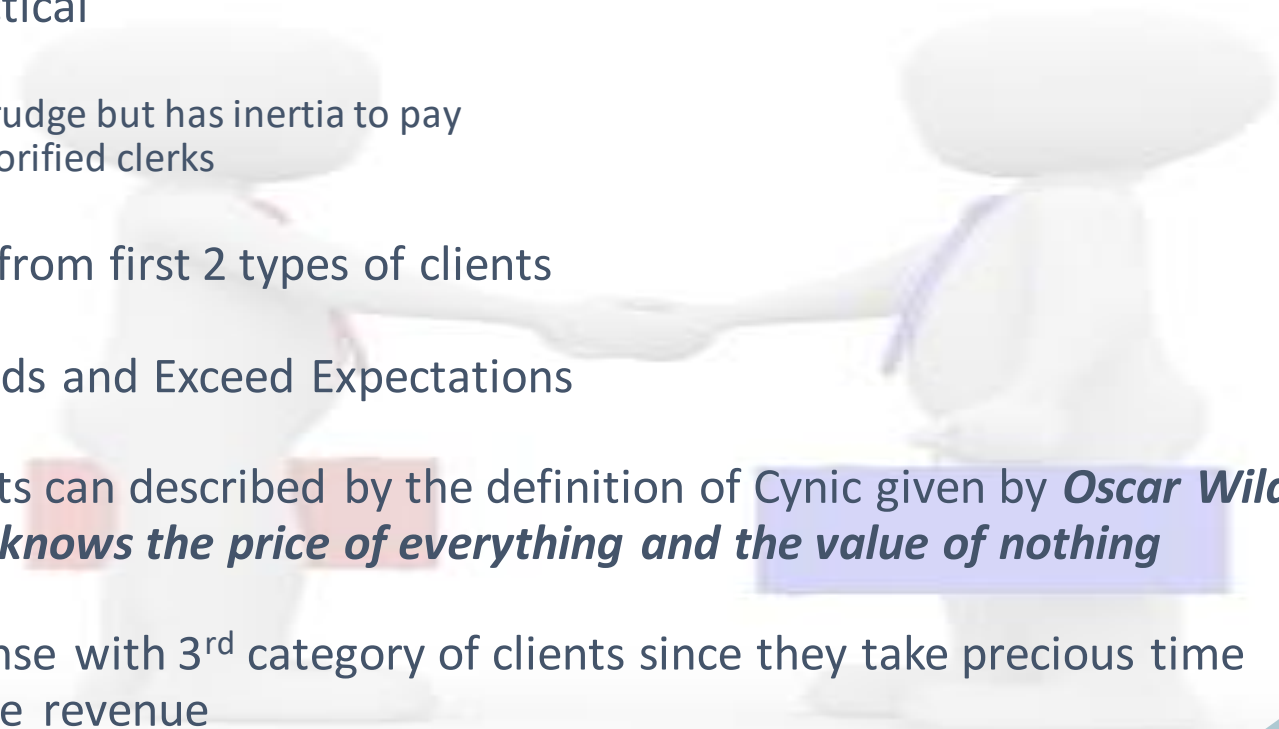
“We see our customers as invited guests to a party, and we are the hosts. It’s our job every day to make every important aspect of the customer experience a little better.”

Jeff Bezos

Clientele and Client Acquisition

- While initially, a firm would like to grab as many assignments as possible, as a firm grows it becomes important to identify those clients which have the potential to add value to the firm.....
- Know your Client (Geography, Size, Industry)
- Understand Client needs and Exceed Expectations
- What is “**value**” for your clients – Compliance vs Cost optimization vs high specialized advisory
- Build a Client Profile – “**Who is our ideal client?**”
- Don't feel comfortable taking on the Client – **SAY NO !!**
- ICAI does not allow firms to advertise

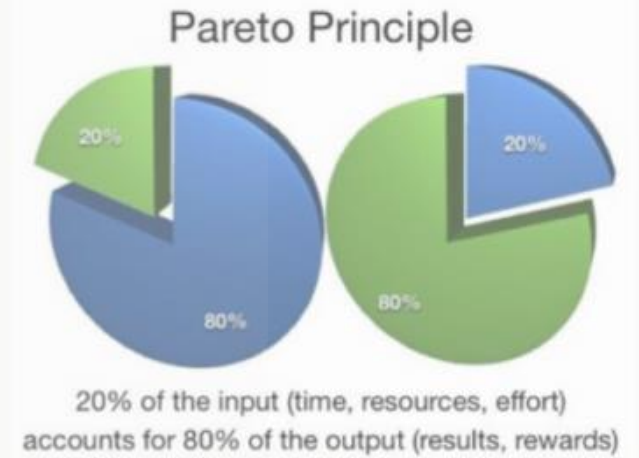
Clientele and Client Acquisition

- 
- Two stylized, white, rounded figures are shaking hands. The figure on the left is wearing a red tie and a red belt. The figure on the right is wearing a purple tie and a purple belt. They are standing on a light blue surface. The background is a light blue gradient.
- Clients can be classified under 3 categories:
 - Quality lover and fair
 - Moderate and Practical
 - Miser
 - Appreciates with grudge but has inertia to pay
 - Considers CAs as glorified clerks
 - Can recover fees only from first 2 types of clients
 - Understand Client needs and Exceed Expectations
 - The third type of clients can be described by the definition of Cynic given by *Oscar Wilde* – ***“What is Cynic?” – a man who knows the price of everything and the value of nothing***
 - After few years, dispense with 3rd category of clients since they take precious time without commensurate revenue

Pareto Principle

80% of the events / activities in life contribute to 20% of the results and 20% of the events/ activities contribute to 80% of the results. Hence, successful people concentrate on “important few” and pay less attention to “trivia many”

Focus on 20% clients giving 80% revenue

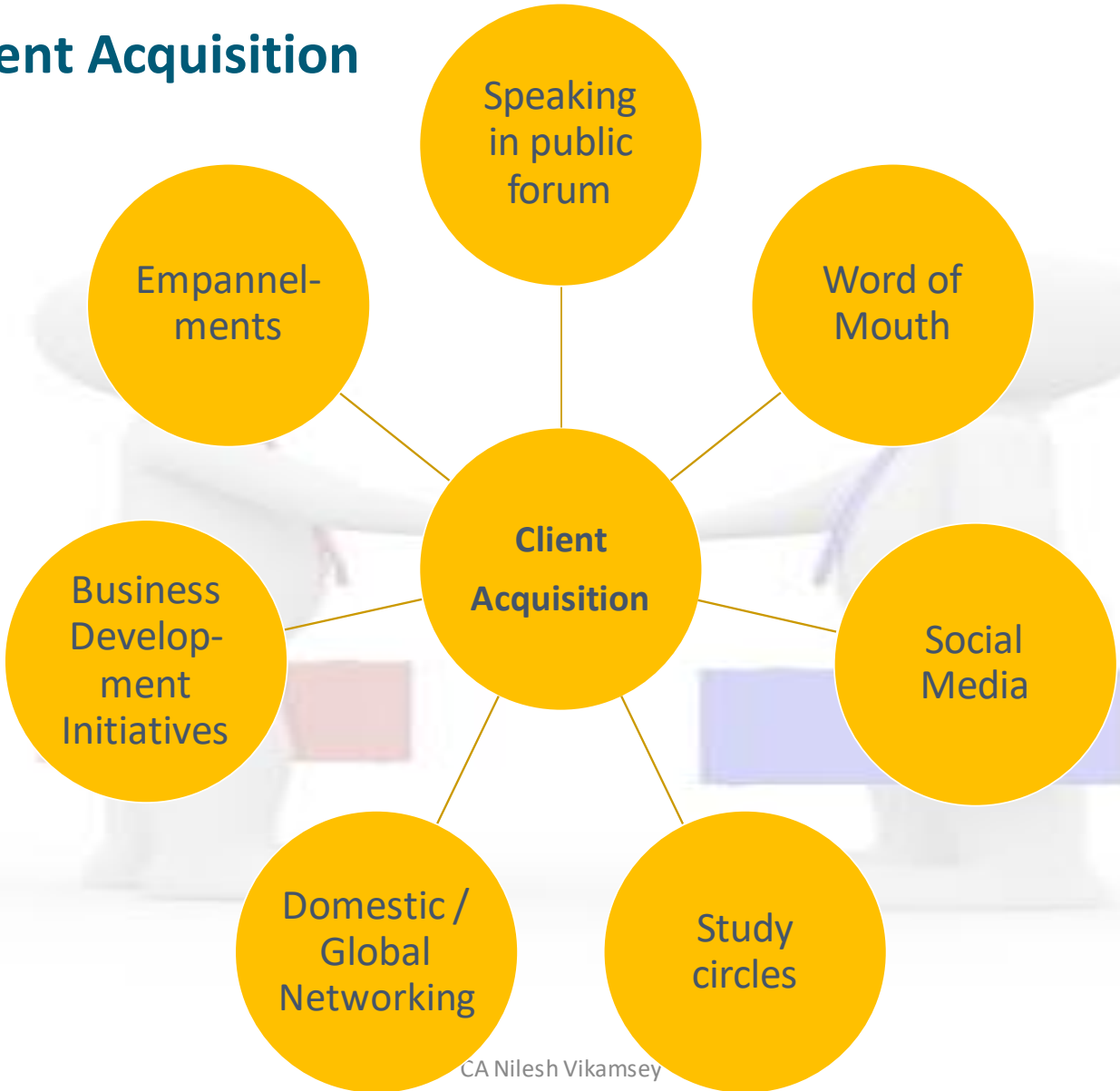


Clientele and Client Acquisition

ABC Analysis / Client Rating *based on....*

- Fees per client – Good / Moderate / Poor
- Quality of client – Progressive / Good Housekeeping
- Potential of growth of client
- Profile value – Clients adding profile to the firm

Clientele and Client Acquisition



How to Enter New Areas

- Decide your own **USP** (Unique Selling Proposition) and areas / services of your **liking**
- Be on the lookout and try to enter areas having “**First Mover**” **advantage**, eg. IBC, Environment Audits , IFRS, GST, Liquidation, Outsourcing, Asset Reconstruction, NCLT, etc.
- **Analyse competition** in those areas and know to live and thrive with it
- Do a **project report, business plan and activity chart** how to be successful in the new area
- Decide **strategy** on:
 - **High end specialization or lower end mass repetitive working**
 - How to **create and need** in the mind of clients
 - How to attract the clients
 - **Using jargons** like SRS (Systems Review), ABCD (Artificial Intelligence, Block Chain, Cyber Security, Data)
- Have **commitment / determination to devote time and to succeed**
- Do **landmark assignments** which may not make money but will create a brand for future jobs

Problems in Venturing into New Areas

- Lack of vision, awareness, conviction, desire, willingness to accept change
- Cost of entering new area
- Losing opportunities / work in existing area
- Last mile syndrome - Inadequate efforts put to succeed in the new areas
- Not identifying gaps / weaknesses and ways to overcome it
- Continuous up-gradation of knowledge / skills not done
- Inadequate clients / contacts
- Lack of Practical experience
- Inadequate financial backing

Fees & Billing

- Man-hour rates
 - CA's earning is dependent on time
 - Hence apart from generating good fees out of advisory, maximize earning out of time
 - ***Time sheets are must !!***
- Bill clients for telephonic consultations
- Specify clear terms and condition
- Develop policy of advance and credit
- Develop policy for reimbursements
- Regular reminder mails and second line of escalations
- Be courteous, Be professional
- ***Charge as soon as the assignment gets over***



Time is money.

~ Benjamin Franklin

Fees & Billing – Calculation of Man-Hour rate



No. of Working days in a Year		365
Less: i. Holidays for Sundays	52	
ii. No. of Days for further continuing education	16	
iii. National Holidays, Bank Holidays and unscheduled Holidays on account of social reasons, Bandh, etc.	15	83
		<hr/>
		282
Less: Annual Leave including Sick leave, etc.		30
No. of Working days in an year		<hr/>
		252
Therefore No. of Working days in a month		<hr/>
		21

Fees & Billing – Calculation of Man-Hour rate

Minimum Expected Net Monthly Remuneration for a C.A.	50,000	100,000	200,000	500,000	10,00,000
Minimum Expected Net Yearly Remuneration	600,000	1,200,000	2,400,000	6,000,000	1,20,00,000
Add: Overhead Expenses	1,000,000	1,000,000	1,000,000	1,000,000	10,00,000
	1,600,000	2,200,000	3,400,000	7,000,000	1,30,00,000
Therefore Rate per Day	6,667	9,167	14,167	29,167	51,587
Therefore hourly rate (assuming 4 hours chargeable) *	1,667	2,292	2,542	7,291	12,897
(assuming 6 hours chargeable) *	1,111	1,528	2,361	4,861	8,598

* Substantial time of a day goes into Administration, training, etc. i.e. non billable time


Fees & Billing – Considerations for Man-Hour rates

- Normal working days in a year (240-260)
- Normal working hours devoted to clients (i.e. excluding time spent for administration, continuing education, research, reading etc)
- Overheads
- Opportunity Costs
- Specialised Skills required
- Nature and type of assignment / client
- Seniority in profession
- Quality & Service Levels
- Peak and non-peak season
- ***Consider Minimum Scale of fees as recommended by ICAI***



Adobe Acrobat
Document

Fees & Billing - General Guidelines

- As far as possible when raising the Bill, **break-up all services rendered** and mention each service separately.
- Try to make your Bill as **exhaustive** as possible by detailing all the services rendered so as to make the **client realise the efforts** put in by us. 
- Raise the Bill **immediately** on completion of work and realise the value of service when rendered, as thereafter the significance may be lost.
- Monitor **outstanding bills** and try to realise the bill in the shortest possible time.
- Try and **provide value addition** to clients. A satisfied client will honour your bills with pleasure.
- Be **firm with your Billing** and as far as **possible do not settle for lower amount**.
- The recommendatory scale of fees is in the interest of the members as well as profession at large, hence members should adhere to the schedule of fees.

Office Space

➤ Office Sharing

You may also want to consider sharing offices whether this means sharing with other companies or just sharing a desk with your colleagues. This would not only cut costs and boost social awareness and new friendships

➤ Location

The Location of your business is an essential aspects to your overall success. You want your business to be located in a safe neighborhood, eco-friendly and ideally, one that is convenient for your clients or customers

➤ Building

A healthy building one that has lots of natural light, good ventilation, and eco-friendly materials, paints and flooring is always a plus

➤ Space

Many businesses make the mistake of selecting an office space that is too small for their requirements. When selecting your business spot, ensure that you are choosing a space that is large enough not only to accommodate you now but in the future if needed

Ingredients of Successful Practice

➤ **Service First Attitude -**

People with a money-first attitude become so money-conscious that they forget money cannot be harvested unless they plant the seeds that grow the money. And the seed of money is service. That is why “put-service-first” is an attitude which creates wealth. Put service first and money takes care of itself.

- You don't get an increase in fees on the promise of better performance. You get it only by demonstrating better performance. You can't harvest money unless you plant the seeds that grow money.
- There never is a demand for anything second-class, especially when it is given a first-class price tag.

Ingredients of Successful Practice

Use of Power of Social Media

- Increase in Visibility
- Regular update of Website
- Regular updates on Laws, Regulations, Notifications, Circulars
- Webinar : Key Events and Conferences
- Client Engagement Activities



Ingredients of Successful Practice

- Value addition to client even in compliance work e.g Management letter (suggestion letter)
- Remove the perception of being a “Necessary evil” in audit and taxation in the minds of the client. One needs to add value to clients on an ongoing basis and document value added to client.
- Be patient as there may be a long gestation period of at least 3 years or more
- Increase delegation of work as practice starts growing
- Plug Revenue Leakages (Certification, Oral advisory on phone / meeting etc.,)
- Do Proper Client Appraisal- whether he has the ability & willingness to pay proper/ reasonable fees
- Quote fees for work only after **proper analysis of work**, time & man power required

Example - Agreement v/s Expectation

➤ Agreed scope of work

- Filing GST returns = Rs. 3,000 per registration as reduced after discussion (Original quote Rs.4,000)

➤ What is expected by client?

- Segregation of sales data and purchase data in the prescribed format
- Preparation of returns (GSTR-1 and GSTR-3B)
- Verification of eligibility of input tax credit (ITC)
- Reconciliation of ITC with GSTR-2A
- Send mismatch reports to client
- Computation of GST liability
- Preparation of payment challans
- Sometimes, make payment on behalf of client
- Filing the GST returns (GSTR-1 by 11th and GSTR-3B by 20th) within due date.
- Regular advice on HSN codes and GST rates to be charged
- Advice on HSN codes and GST charged by supplier in their Invoices
- Answering calls of the department officers
- Advice on contract clauses in agreement with suppliers/customers
- Negotiation with supplier for ITC mismatches and invoicing issues
- Making correction in the subsequent returns due to errors in previous return

Efforts put in
and fees for
doing all this
= 30,000

Ingredients of Successful Practice

- Job assignment should be clear to the CA and the client by documenting it in the quotation / engagement letter to avoid unpleasant expectation gaps
- In case of new work/ large work (non-audit), take advance payment/ installment of fees as the work progresses
- Improve office area – better large area, good furnishing, good work ambience
- Train people including Articles (clients are observant)
- Technology – use technology effectively for improving quality, productivity, management, knowledge, research, tracking work, etc
- Rendering Personalized Service with a more broader exposure covering Audit, Income Tax , GST etc)
- Discuss issues with peers and seniors and get different perspective
- Networking with like minded people

Ingredients of Successful Practice

- Provide multi Disciplinary services
- Need to network / collaborate / merge
- **Office timing, system of appointment, time at department, time for introspection, time for physical fitness, time for family.**
- Empanel with various authorities
- Regular updation of knowledge through reading various professional publications and keeping in touch with recent updates.
- Make Products of Services (Preparation of Manuals, Company Formation, Compliance audits, etc.)
- Systemize work procedures in writing
- Define Engagement Letters for assurance and non-assurance services

Ingredients of Successful Practice

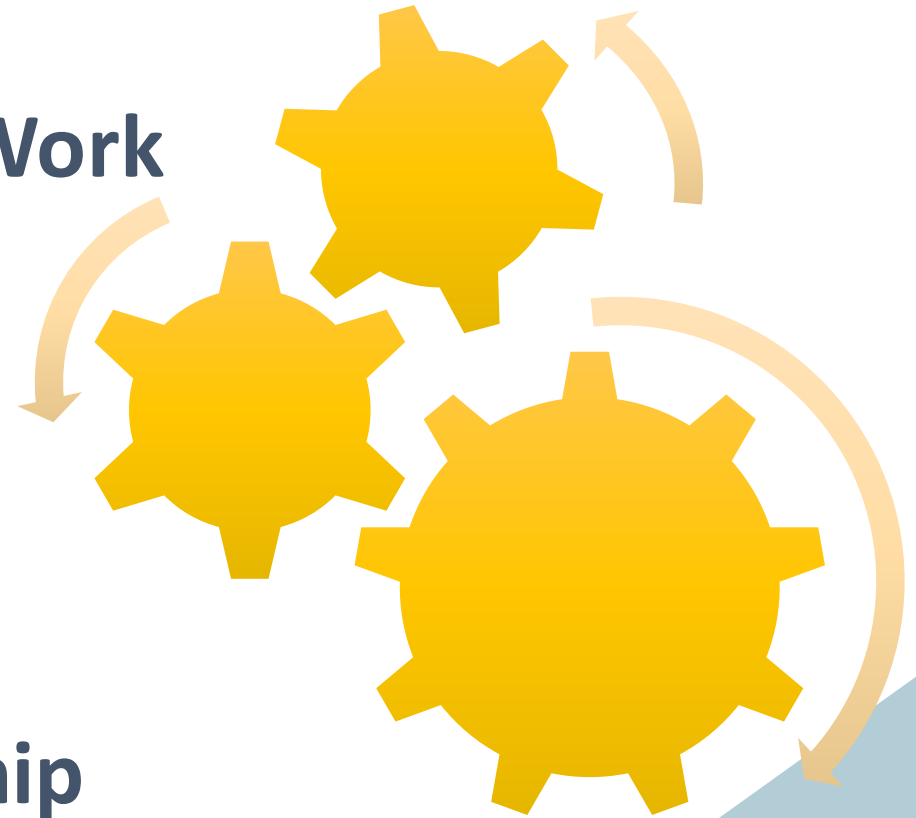
- You get what you deserve. We should resolve to raise our standard of knowledge and competency and give satisfactory service to our clients.
- Acquire **new knowledge and skills** in a continuously and rapidly changing environment for e.g. new laws like IFRS, GST, Data analytics, AI, Block Chain, Personality Development, Public Speaking etc. and for improving technical skills for audit, taxation, etc which will help in upward movement of practice.
- Make room for accepting new good clients/ work
- Create & Devote time on **Challenging Assignments** requiring more time. E.g. Business Advisory Services, Investigations, Corporate Restructuring, FEMA, Information System audit, Valuation, Business Process Outsourcing (BPO), etc.
- Increase fees every year by minimum 10 to 20%. Increase more when the clients/ economy is growing / doing well
- Do not fall in the Trap of Lump sum fees for various services
- Send detailed billing of work done
- Recover OPE (Conveyance, Printing & Stationery, Courier charges etc)

Interpersonal Skills

➤ Amongst Partners – **Team Work**

➤ With Clients - **Networking**

➤ With Employees – **Leadership**



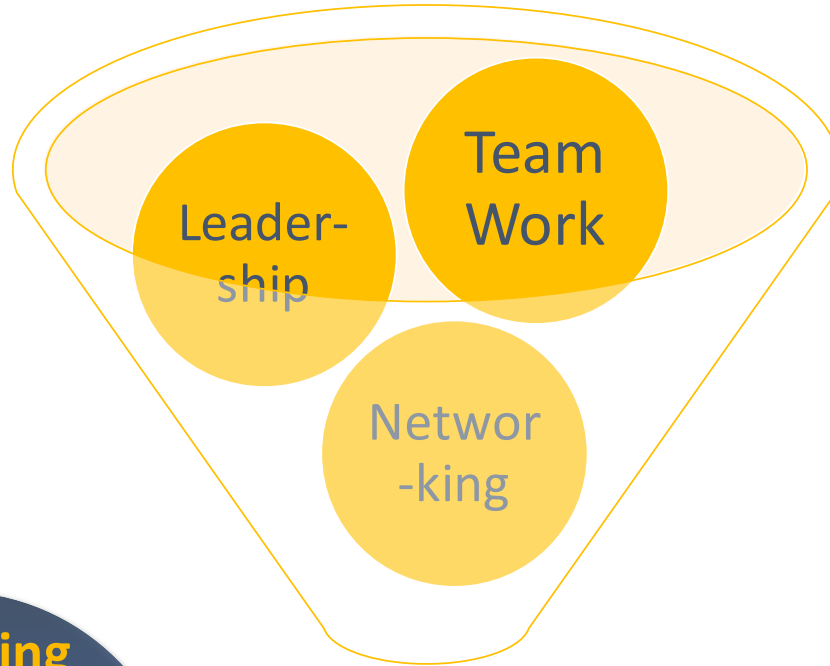
Interpersonal Skills

Leadership

- Decision Making
- Mentoring
- Delegation
- Motivating

Networking

- Self Confidence
- Effective Communication



Cordial Interpersonal Relationships

Team Work

- Mentoring
- Collabroration

TEAM – Together Everyone Achieves More



- Sacrifice small for larger interest
- I vs We Culture
- Success is Team Efforts

Meetings and Reviews

- Meetings ensure that firms quality standards are maintained and improved
- **Regular Partner Meetings:**
 - ✓ Growth strategy discussions
 - ✓ Discussion regarding Human Resources etc
 - ✓ Discussion regarding enquiries / proposals
 - ✓ Discussion on updation and use of technology
 - ✓ Improvements in systems & processes
 - ✓ Firm Policies- updation & introduction of new policies



Ingredients of Successful Practice – Protect your Intangibles

- Human Capital
- Existing Clients
- Client's satisfaction
- Own Investment & Fund Management abilities
- Knowledge & Skills
- Professional Networks
- Health and Happiness

*“A wise man will
make more
opportunities
than he finds”*

- Francis Bacon



Few years after the practice

- Consider merging small firms which leads to specialization
- Each partner can look after a specific area.
- Increasing networks and client base.
- It also increases the capacity of the partners to absorb huge costs eg. Personnel, IT Costs, overheads etc.
- Considering competition from the bigger firms with multinational presence, prospective clients' need, demographics and market trends, consider networking and merger

Growth Strategies

- Networking
- Merger and Demerger
- Practice in a corporate form



Networking

- Network amongst two or more firms registered with ICAI.
- Object -use the collective resources of affiliates for execution of professional services of one or more types at one and/or at multi-locational points
- Resources -- financial, technical and other logistic support required to execute
- Stepping stone for the mergers and acquisitions of the firms
- Once one is comfortable with networking one can go for bigger partnership firms & get the advantage of the big work to follow.
- Helps the firms to build competitive advantage over others, also be able to build up brands.
- Survival of small firms depends on their ability to re-engineer. Networking is one of the ways of re-engineering.

Networking – Advantages / Disadvantages

Advantages

National / Global presence

Common & Professional branding

Technical Support

Knowledge Sharing

Quality Enhancements

Referral from all over the world / Country

Clients can be serviced all over the globe

Competitive advantage

Less intrusive than merger

Disadvantages

Limited 'Quality review' process

Inability to get “big work” as consolidated strength i.e. network may not be approved by regulatory authorities like CAG, SEBI, RBI etc

Work given to “Non – network CA friends” due to poor quality of some network firms

Lack of mindset to merge in long run

Consensus building is very time consuming

Merger & Demerger

- For growth of CA firms- desirable that the firms begin with networking and then mature to mergers.
- Mergers should be effected to develop core competencies and to render professional services of a larger range spread over bigger geographical area. A merged big entity will always be superior to a network arrangement.
- Demerger can be demanded within a period of 5 years from the date of merger
- Demerged Firm is entitled to practice in its old trade name, which existed at the time of merger.

Practice in Corporate form

- To empower the members to face the emerging challenges in the service sector as well as to equip them for the opportunities in the non-audit service area, the Council decided to allow members in practice to hold the office of Managing Director, Whole-time Director or Manager of a body corporate.
- The body corporate should be engaged exclusively in rendering Management Consultancy and Other Services permitted by the Council



*Coming together is a beginning,
staying together is progress and
working together is success*

- Henry Ford



What future holds for us ?



Traditional practice losing their relevance

Practice becoming less attractive for new comers

Mismatch in demand and supply leading to increase in staff cost

Automation making accountant less relevant

Knowledge being freely available, role of CA getting changed

Practice & Technology – The New Alphabet



Artificial Intelligence

AI refers to machines undertaking tasks which require some kind of 'intelligence', which typically refers to things such as learning, knowing, sensing, reasoning, creating, achieving goals and generating and understanding language. Recent progress in AI has been based on techniques such as machine learning and deep learning, whereby algorithms learn how to do things, such as classify objects or predict values, through statistical analysis of large amounts of data, rather than through explicit programming



Cyber Security

Cyber security covers measures that protect networks, systems, devices and data from attack, unauthorised access or damage. Organisations face many challenges in building effective risk management around cyber security, including the spread of cyber risk across all organisational activities, the external nature of many of the threats, and the pace of change in the risk



Block Chain

Blockchain is a foundational change in how records are created, kept and updated. Blockchain records are distributed among all their users. The success of the blockchain approach is in using a complex system of consensus and verification to ensure that, even with no central owner and with time lags between all the users, nevertheless a single, agreed upon version of the truth propagates to all users as part of a permanent record. It creates a kind of 'universal entry bookkeeping',

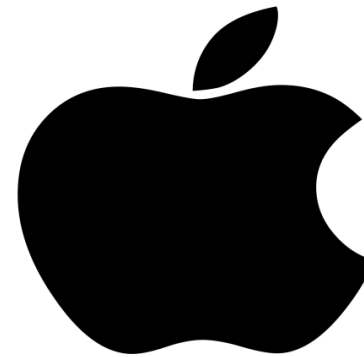


Data

Data is at the heart of all economic activity, including the accountancy profession. Recent technology-driven improvements to data capabilities include the ability to access very large amounts of data; new sources of data, particularly unstructured data such as text and images; and greater emphasis on speed and real-time data.

Practice & Technology – Current Scenario

➤ Business are getting “Uberised”



Practice & Technology – Current Scenario

- Robotics is driving business
- Similarly, practice could also get uberised
- New entrant with fancy technologies may uproot established firms
- Traditional practices no longer relevant
- Website and automation taking over the routine work of CAs
- PAN, Aadhar, DIN leaving thousand of digital footprints which can be easily accessed by government
- Right to Privacy is new fundamental right
- Localisation of Data
- AI has potential to replace / disrupt the practice (eg: ITR filing, Audit, Vouching, GST return)
- Data / Knowledge is freely available which has changed CA's role for business
- Reluctance / Lack of priority in converting fear into opportunities

Practice & Technology – What can we do ?



Practice & Technology – What can we do ?

- Most Important is to **UPGRADE**
- Harness technology to improve efficiency of current practice area
 - Increase coverage / Speed up in Internal / External audit
 - Income Tax Filings
 - Use software to solve administration problems
 - Use of cloud computing for saving data and thereby reducing cost of physical space
- Requisites for data driven practice
 - Acquire good technical skills
 - Develop environment to attract tech-savvy millennials
- With uberisation, relevance of office place is losing. Develop concept of work from home, & Flexi-time

IT Infrastructure

A firm Should have basic IT assets which would enhance standards of Practice:

- Robust Server and Backup Server
- Proxy Server
- Knowledge Management Database
- Laptops
- Video Conferencing
- Tele Conferencing
- IT policies
- IT Network securities and Anti-viruses

Practice & Technology – Tools

TeamMate®



Practice & Technology – An Opportunity – Human Machine Collaboration

- **Information system Audit**
 - Examination of controls within IT structure
 - Examining data integrity
 - ITGC
 - Migration audit

- **IT advisory**
 - Benchmarking
 - System development

- **Cybersecurity services**
 - Detection of attacks on accounting system
 - Designing of program to respond attacks
 - Restoration of system after attacks
 - Cyber checklist

Practice & Technology – An Opportunity – Human Machine Collaboration

➤ **Role in MIS for CFOs and CXOs**

- Financial Planning and analysis (Data Driven Modelling)
- Developing MIS for CFOs and CXOs
- Development of Data driven tools for decision making (Dashboards)

➤ **Assurance**

- Increase in extent of coverage
- Better sampling
- Cost effective risk based audit by using data analytics tools

➤ **Digital Forensics - Branch of Forensics encompassing computer crimes**

You live, you learn,
and you upgrade.

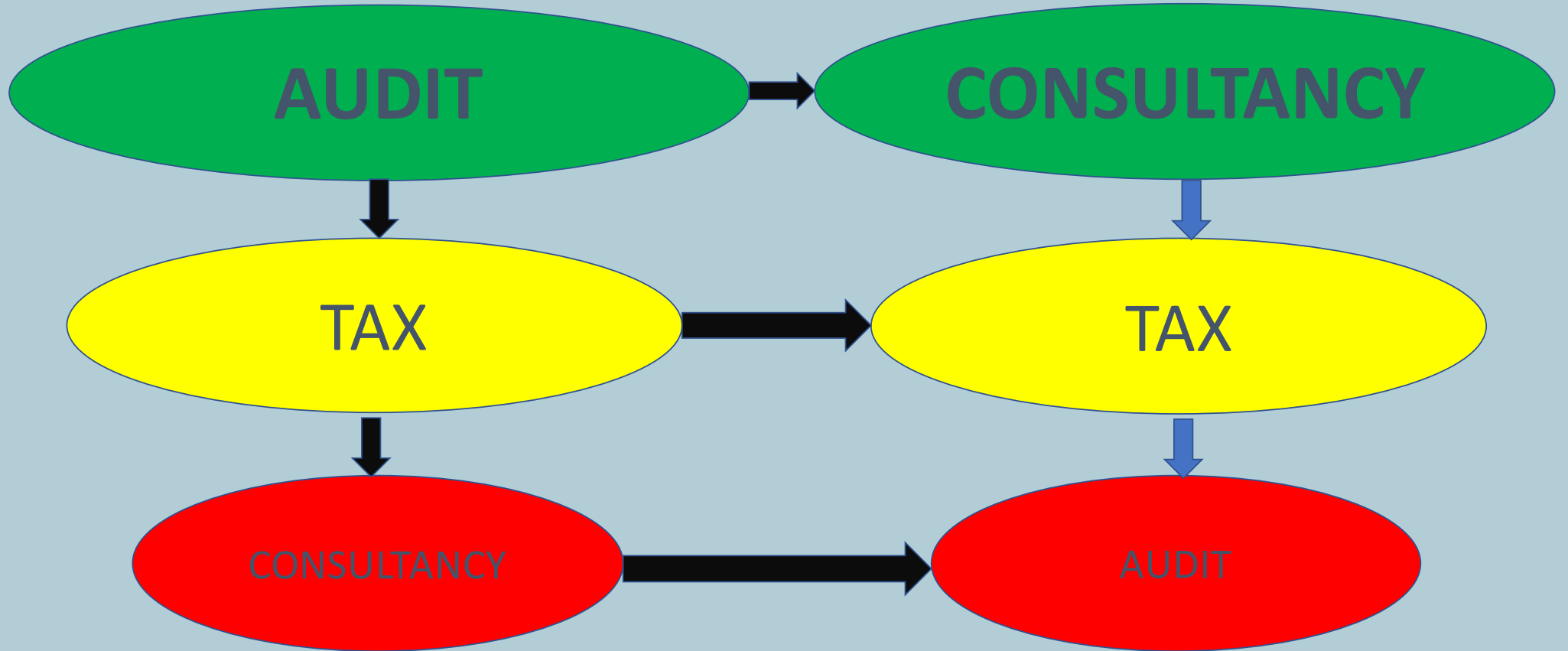
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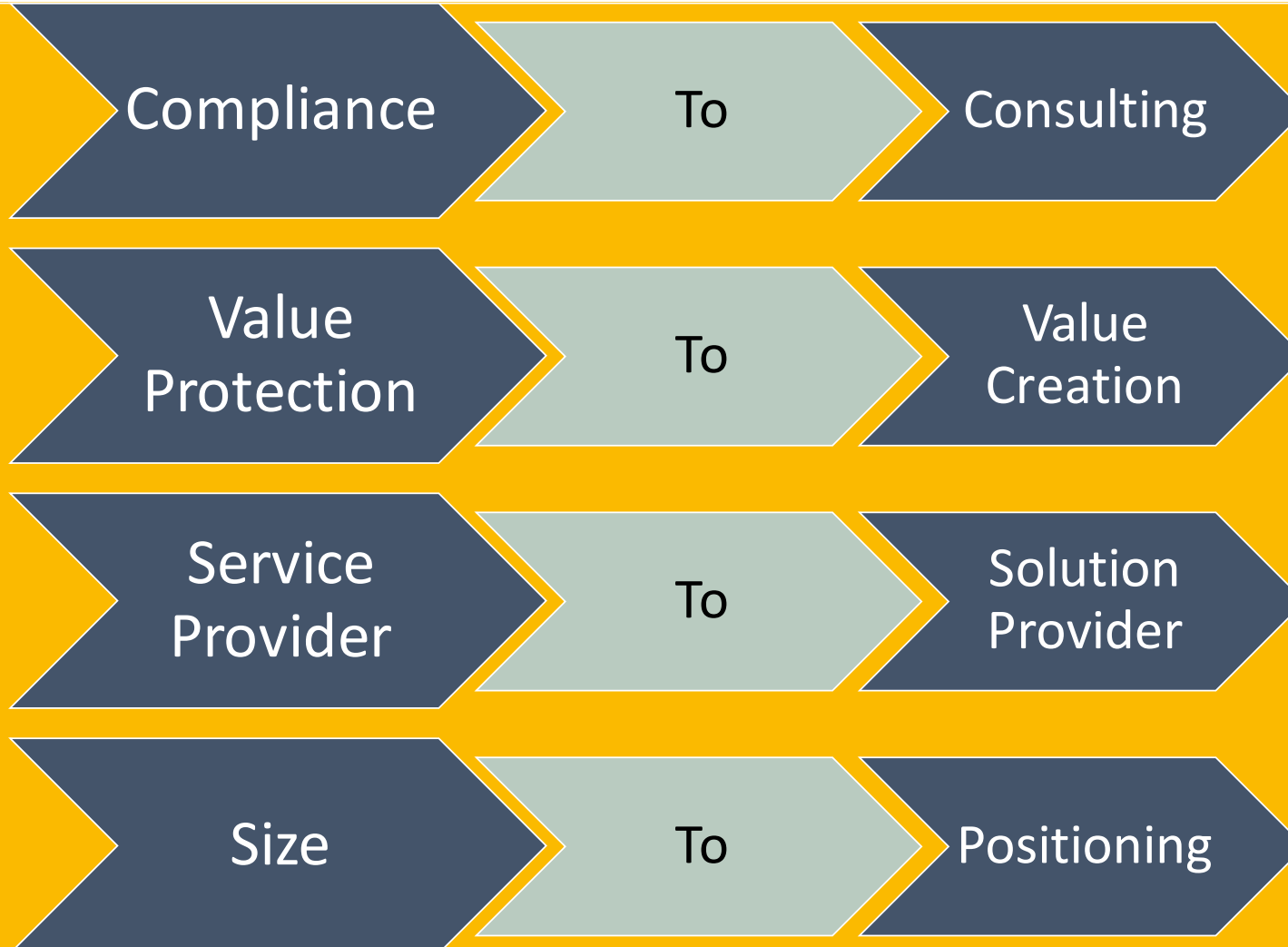
CA Nilesh Vikamsey

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Shift in Practice & Revenue Stream



Practice Management : Vision



THANK YOU

-CA Nilesh Vikamsey