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Voice Of Change

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PKF SRIDHAR & SANTHANAM

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From the Editor's Desk...

I am happy to note that the Jan 14 issue covers Delhi branch which is the youngest branch in the firm.

I wish more staff take active part in making the Newsletter and also I wish all staff would read the newsletter as it is about you, for you and by you.

In this message I thought I would touch upon the need for **Skepticism** in audits.

I recently read the PCAOB Staff practice alert no. 10 –on maintaining and applying professional skepticism in audits. This is based on that.

Professional skepticism is an attitude that includes a questioning mind and a Critical assessment of audit evidence. Sometimes I find audit is considered as a 'follow through as in previous period' exercise and a 'box filling' or 'ticking' exercise.

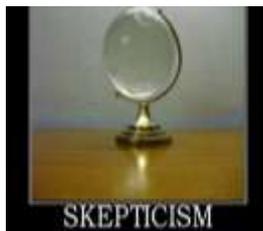
We also seem to rely on what client says as if they are angels!

This is dangerous.

We need to have skepticism **embedded** in all our audits and **throughout** the audit.

Professional skepticism is par-

ticularly important in the areas of
A) Management **estimates** (like provision for doubtful debts/ advances, provision for warranties, provision for obsolete inven-



tory, provision for legal cases, fair value estimates, workings for arriving at impairment of assets including over-ambitious projections etc)

B) Transactions outside the normal course of business and

C) Related party transactions

We should not lose sight of Skepticism by

1. Having any unconscious biases (like we should not say this business group is honest or that we have been auditors for long and hence we need not worry)

2. Yielding to client pressures.

3. Ignoring inconsistencies in audit evidence.

4. Accepting readily available evidence rather than sufficient appropriate evidence.

5. Readily accepting management representations rather than questioning them and looking for corroborative evidence

6. Accepting an aggressive accounting policy by applying deficient rationale and illogical logic!

You will note that in most frauds (including Satyam) these elements were present to a large extent and auditors let down their guard. (In Satyam auditors probably were

a) lulled into complacency by the Golden Peacock award for corporate governance that the Company had got;

b) pressured into providing clean audit opinion by having unreasonable target dates;

c) not checking inconsistencies in

All views are of the authors and not of the firm.

d) just accepting management obtained confirmations for bank balances rather than insisting on direct confirmation in all cases or applying alternate procedures

Please note clearly that Top management and partners of the firm are absolutely seized of the need for professional skepticism in all audits and want you to apply it.

Your appraisal, promotion and compensation will all be linked to the Skepticism levels exhibited; also your audit documentation is expected to show clearly how you have applied professional skepticism in auditing management estimates and abnormal transactions. This will be checked in Internal quality reviews.

Do not sacrifice Skepticism for getting a good client satisfaction rating or to keep audit costs low or to get 'other work' from the client.

Actually we do not expect you to even stick to budgeted mandays if audit warrants more time to be spent to get relevant and reliable audit evidence.

Please keep the partner posted of the reason why you think more time should be spent and go ahead and spend the time required. Be satisfied.

Specifically do the following in audits to ensure skepticism is properly applied:

- Examine journals closely –especially period end journals- remember what happened in Worldcom
Check accounting estimates for bias
- Resolve all inconsistencies /doubts about reliability of confirmations- ensure confirmation is direct to us
Evaluate business rationale for significant unusual transactions
- Going concern issue
- Evaluate uncorrected misstatements
- Evaluation of proper presentation of financial statements.

Happy auditing with loads of Skepticism!

*Do not
sacrifice
Skepticism for
getting a good
client
satisfaction
rating or to
keep audit
costs low*



CA S Ramakrishnan

Partner Speaks...

Dear Friends,

I am delighted to write to you in the first edition for this New Year. My good wishes to everyone in PKF S&S to have a great year filled with all the happiness and joy in the world. Let the New Year give us all the strength and will power to work together to take the firm to the next level. This **choice** of taking the Firm to the next level is in our hands.

The most important of all of our human traits is the power we have to **choose**.

To **choose** how we live.

To **choose** what we will do.

To **choose** how we will view and consider a circumstance.

We are free to choose our actions, but we are not free to choose the consequences of our actions.

People forget the great power they hold within - the power to shape their life. Our life is shaped by the choices we make. You are the one who choose how to live your life or create your life's path. Our future will not be determined by chance, but rather by the choices we make today. Life is a series of choices. The choices we make now affect the options available for the next round of choices. Learning what to choose, and how to choose, may be the most important education you will ever receive.

There is no such thing as the perfect human. All humans are imperfect whether we like it or not, but it is not something to tension about. It is our imperfections that make us, human. These imperfections teach us about ourselves and the mistakes we make in life will teach us how to be a better human being. And those who let their mistakes teach them and not rule them are one step closer to becoming the perfect.



Each day we have the opportunity to make choices and the way we choose, shapes our destiny.

A traveler went up the mountains with his kids for a quick ski trip. It suddenly started raining. They could have grumbled. They could have complained. Instead they stepped back, decided to make a better **choice** and then viewed the whole thing differently as a giant adventure. They **got excited instead of getting upset**. They donned the plastic covers that the resort provided and skied like there was no tomorrow. Guess what? The skiing was actually amazing with soft snow, no crowds and clean runs.

American Travel Writer Paul Theroux once observed, "Only a fool blames his bad vacation on the rain".



CA V. KOTHANDARAMAN

Know that you can do something new every day.

It's so easy to eat the same food each day. But if you don't try new foods, you just might miss out on the opportunity to discover your new favorite meal. It's easy to associate with the same set of people and have the same conversations each day. But if you don't expand your community, you just might miss out on meeting your new best friend. It's so easy to do the same things at work each day - to get stuck in a rut. If you don't stretch, you'll miss an achievement that could flood you with a sense of confidence and fulfillment that will be the start of a whole new world of work.

Challenge yourself. It does not matter what you choose to do, but find something that challenges you. Push your limits. Not only will you be adding excitement to your life, you will also end accomplishing more than you ever thought you could.

Expand your comfort zone. Summon the courage to step out of your comfort zone. It can feel exciting, get your heart pumping faster, and make you feel alive again. When you step outside your comfort zone, you open a door to a new world of exciting experiences

So I invite you to use each day as a platform for filling your life with more adventure, passion and energy by injecting into it more new things.



Doing the same things everyday cannot deliver new results. To change the results you are getting, you need to change the things you are doing.

Do something new in your day to day audits – the way, the approach, the method, etc. Each productive new step taken every day by all the PKF S&S family members will certainly take the firm to the next level for sure.

Wish you a Happy and Fulfilling 2014

- Kots

Leader speaks...New CSR Policy – Social Service at Behest

What is CSR?

Corporate Social Responsibility (CSR) is defined in many ways and no universally accepted definition is in place, however, with the introduction of mandatory CSR for the Indian corporate in The Companies Act, 2013 ('the Act') it has become a hot topic of discussion in corporate board rooms and continues to gain momentum. In common parlance, CSR means that a corporation should be accountable to a community, as well as to shareholders, for its actions and operations. The CSR activities are mainly focused on making the corporate business activities and corporate culture sustainable in majorly three aspects – Economic, Social and Environment & Ecological aspects.

Legal position

CSR, which has largely been voluntary contribution, by corporate has now been included in law. The Act enacted on 29 August 2013 on accord of Hon'ble President's assent, in Section 135 of the Act states that every company having:

- net worth of Rs 500 crores or more, or
- turnover of Rs 1000 crores or more ,or
- net profit of Rs 5 crores or more during any financial year

shall constitute a Corporate Social Responsibility Committee of the Board.

The committee would comprise of three or more directors, out of which at least one director shall be an independent director. The committee shall be responsible to formulate and recommend to the Board, a Corporate Social Responsibility Policy, which shall indicate the activities to be undertaken by the company as specified in Schedule VII. The committee shall devise, recommend, and monitor CSR activities. Further the committee has to ensure that the company spends, in every financial year, at least two percent of the average net profits in CSR activities. If the Company fails to spend such amount, the Board shall, in its report specify the reasons for not spending the amount. "Average net profit" shall be calculated in accordance with the provisions of section 198 of the Act.

The turning point

Usually Indian corporate had to wait a long time for any good things to come into a reporting system, while the introduction of either comply or explain principle of CSR is a turning point. There is an urge for CSR to be part of corporate DNAs. With the inclusion of such provision it is expected that many companies which were not having any say in the public welfare activities will also be covered in the net and encourages the participative approach to philanthropy. Also from the companies who are already following philanthropy whose CSR contribution was less than 2% of average net profit, the contribution will increase to meet the legal requirement. For instance the total contribution is expected to be around Rs 22,000 Cr in the next financial year. It is expected that the companies will come up with innovative ideas and may even choose to be strategic by aligning CSR with core strengths while following philanthropy. While the companies are awaiting the final rules for CSR to come out, it is expected that the companies will now follow a more structured approach to social initiatives. It may it be by partnering with NGOs or INGOs or by taking help of professionals.



*There is an urge for
CSR to be part of
corporate DNAs*

This is again good news for CA fraternity as we can add a lot to it though faced with many challenges.

Bitter Truth :

Our performances are always better and more accountable when we do things at our choice than at behest of others. Adding 2% of the Average Net Profit to already heavily taxed Indian companies may not yield the results as expected as one may argue that it is just an attempt by government to create a model out of its failure of governance. It is worth mentioning that it can be a single big reason contributing to inflation as companies may try to accommodate the CSR contributions in the product/service sale values itself. Instead of searching for innovative ways to serve the society it might end up in loophole searches and a mere paper exercise.

Way Ahead :

With much clarification yet to come from government on the topic, it is still a welcome move by the government to come up with such CSR regulations. For a country like India with problems more than population it is the corporate which can reach to the economically disadvantaged sections of the society after government. Corporate can also extend its helping hands to the government in its initiatives and programs. While corporate reserves are increasing at insurmountable rate, the country still lingers with one third of the world's poorest people living here as stated in 2013 UN Report. It is the corporate exploiting the resources of the society for its business, they ought to be obliged to pay for it as well. Let corporate be accountable towards it and join hands with government to better serve the nation. United we win divided we fall.

*Our
performances
are always
better and more
accountable
when we do
things at our
choice than at
behest of others.*



CA Shantamani Lamichhane

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My Life .. My Goals!!



Anuvak

A goal as described consists of various lengths including short term and long term goals. Both are essential for a smoother and a balanced life and hence should be looked at equally.

My short term goals include to pass my CA Final exam with flying colors at the same time to give my best at my articleship term.

My long term goals are to become a successful person in the field of finance after doing CA & MBA (from India or abroad) .

“Life” is a dynamic word; goal in life, even more.

So much happens in a day, and our mind (the best ever critic) keeps silently evaluating our own actions, both the good and not-so-good ones, and every night sets brand new goals for itself so that the next day is better than the one that just passed. Collectively it boils down to one broad goal-happiness and success.

I’m the same, wishing to be a successful and at the same time happy Professional. For achieving that, I plan to do MBA and/or a Specialisation course after CA, from either India or abroad (from humble universities like IIM or Harvard!), in a particular field that interests me (there are so many fields, I am yet to decide which one!).

My overall goal is to become capable and competent enough to get placed in a really good Company and contribute all I can to the Company to help it grow and flourish (Once I do that and perform well, I am sure my other “Live life Queen size” goals will be taken care of! ☺) .I also wish that however busy life gets, I find enough time for my parents and family and that I won’t lose track of my creative interest in painting and music.



Apoorva

Hi all!

I am Shefali, Article from Delhi office of PKF S&S. After being in PKF for 2years, I got this opportunity to get my Goal featured in the Newsletter. I was never a goal oriented person. But since I had to write for the newsletter, I had to undergo some brain-storming session with myself.

The phase we are in, the first and foremost obvious goal is the timely completion of Chartered Accountancy Course.

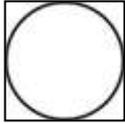
Apart from professional goals, I do have some other tasks on my wishlist. World tour and learning some good cooking, starting an orphanage-cum old age home being some of them.

All the social goals depend on the professional achievements. As of now, it is all in thoughts. But I’ll try to accomplish all of them some day.



Shefali

Gol
(Meaning: Round)



My tomorrow will be great,
If what I do today is perfect.

Today is great,
Because yesterday taught
lessons perfect.

The journey from CPT to
IPCC to Articleship,

Has shown the strength of
learning.

I seek to be open to change,

With enthusiasm burning!!

Gola
(Meaning: Ball)



Grabbing the ball,
Seizing the opportunity!

Wearing the helmet of fo-
cus,

To work & give to the so-
ciety,

The best of my ability!

Trying to fix the stumps,
in the base of character &
humility.

Trying to top it, with a
boost of smart – hard work
& empathy.

Gola
**(Meaning: Flavoured
Sugar Ice Candy)**



The right mix of the
right attitude,

Undoubtedly leads to
victory!!

No matter, which profes-
sion or field or phase of
life,

Let the balance of the
flavours flourish,

Helping me relish every
bite!!

In the unwinding path,
Let the thrill remain!
The seed sown,
Sprouts in the rain!!



Swarnaprabha Y.S

Holidays for 2014
PKF Sridhar & Santhanam

Date	Holidays	Chennai	CBE	Bangalore	Hyderabad	Mumbai	Delhi
Wednesday, January 01, 2014	New Years Day				√	√	
Monday, January 13, 2014	Boghi		√		RH		
Tuesday, January 14, 2014	Sankaranthi	√	√		√	√	√
Wednesday, January 15, 2014	Pongal	√		√			
Sunday, January 26, 2014	Republic Day						
Thursday, February 27, 2014	Mahashivrathri				√	√	√
Monday, March 17, 2014	Holi	RH	RH	RH	RH	√	√
Monday, March 31, 2014	Telugu New Years Day / Ugadi / Gudi Padwa	RH		√	√	RH	
Tuesday, April 08, 2014	Ramanavami						RH
Sunday, April 13, 2014	Mahaveer Jayanthi						
Monday, April 14, 2014	Tamil New Year/ Dr.Ambedkar Birthday	√	√				
Friday, April 18, 2014	Good Friday	RH	√	RH		RH	RH
Thursday, May 01, 2014	May Day / Maharashtra Day	√	√	√	√	√	√
Tuesday, July 29, 2014	Ramzan	RH	RH	RH		RH	RH
Sunday, August 10, 2014	Raksha Bandan / Avani Avittam						
Friday, August 15, 2014	Independence Day	√	√	√	√	√	√
Sunday, August 17, 2014	Janmasthmi						
Wednesday, August 20, 2014	Parsi New Year						
Friday, August 29, 2014	Vinayakar Chaturthi	√	√	√	√	√	√
Thursday, October 02, 2014	Gandhi Jayanthi	√	√	√	√	√	√
Friday, October 03, 2014	Vijaya Dasami (refer note below)	√	√	√	√	√	√
Monday, October 06, 2014	Bakrid						
Wednesday, October 22, 2014	Naraka Chaturthi (Diwali)			√			
Thursday, October 23, 2014	Deepavali - 1		√	RH	√	√	√
Friday, October 24, 2014	Deepavali - 2	√	RH	√		RH	√
Saturday, October 25, 2014	Baabeej	√	RH			RH	RH
Saturday, November 01, 2014	Kannada Rajyotsava			√			
Tuesday, November 04, 2014	Muharram		RH	RH	RH	RH	RH
Thursday, December 25, 2014	Christmas	√	√	√	√	√	√
	Total Fixed Leave Days	11	11	11	11	11	11
	Restricted Holidays - 2						
	out of	4	5	5	3	6	5
Note: Some Calendar Says on 4th Oct.. Pls instruct respective offices to observe as per local calendar.							

A look at Delhi Branch



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