

Home (1917) Department.
(Education)

Ordinary SERIES.

G.O. No. 1302

DATED 20-10-17

[Despatch Abstract.]

ACCOUNTANCY EXAMINATIONS. ---

Recording copy of the letter addressed by the Government of India to the Government of Bombay in regard to the utilisation of the Sydenham College of Commerce & Economics as a central examining body ~~of~~ for the conduct of ---

BACK PAPERS.

G.O.	No.	Department.	Date.	G.O.	No.	Department.	Date.

FURTHER PAPERS.

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G.O. No. 1302, dated 20. 10.

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Tabling Abstract.

Accountancy exam.

Regarding copy of
the letter addressed by the Govt. to
the Govt. of Bombay in
regard to the utilisation of the
Sydenham College of Commerce &
Sciences as a central examining
body for the career of —

(b) Index Headings.

MAIN HEADING

Accountancy Exam.

CROSS REFERENCES.

Institution of Commerce
Sydenham College of
Commerce & Sciences

SPECIAL INDEX.

DO NOT SPECIAL INDEX.

(a) and (b) not to be filled in for 'Routine' Series.

No. 761.

FROM

THE HON'BLE MR. H. SHARP, C.S.I., C.I.E.,

Offg. Secretary to the Government of India,

TO

THE SECRETARY TO THE GOVERNMENT OF BOMBAY,

EDUCATIONAL DEPARTMENT.

Simla, the 7th September 1917.

Department of Education.
Education.

SIR,

I am directed to refer to your letter no. 95, dated the 11th January 1916, with which was forwarded a scheme for the utilisation of the Sydenham College of Commerce and Economics, Bombay, as a central examining body for conducting examinations at various centres and for awarding a diploma in accountancy which could be recognised as a basis for the issue of auditors' certificates under the Indian Companies Act, 1913, the Indian Life Assurance Companies Act, 1912, and the Provident Insurance Societies Act, 1912. It was requested that the scheme which, with due consideration to Indian conditions, had been drawn up on the lines of the regulations prescribed for the Chartered and Incorporated Accountants of Great Britain, might be circulated to other local Governments and Administrations for their consideration and for the suggestion of any alterations in the regulations which they deemed necessary.

2. The Government of India are now in possession of the views of other local Governments who, subject to certain reservations and suggestions which are dealt with in the following paragraphs of this letter, generally approve of the scheme. It has in some quarters been stipulated that acceptance of the scheme should not necessarily preclude a local Government from instituting a similar diploma hereafter. This is a point which may be considered when it arises. *Prima facie* there would be no objection to such a development were assurances forthcoming as to the standard of the proposed examination; and possibly a system of reciprocal recognition, based on equality of standard, might be evolved.

The Government of Madras have made two stipulations. *First*, they desire to see the diploma awarded by the Government of India. The Government of India are not able to accept this stipulation as it stands and consider that the diploma should be awarded by the Government of Bombay. It is however, suggested that the final certificate, testifying to apprenticeship with a recognised firm and to the good conduct of the candidate, might be formally endorsed by an officer deputed by the Government of India. *Second*, the Government of Madras desire representation on the Accountancy Diploma Board. The Government of India leave these points for consideration by the Government of Bombay and would be glad to hear their views.

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3. One local Government has found out from experience that, at any rate in the early stages, there will be very great difficulty in providing the facilities for practical training upon which the whole scheme depends. It is urged therefore that great care will be necessary in the selection of the practising firms to which apprentices may be accredited for training and that, considering the fluctuations which occur in the business of such firms under present conditions in India, it might be advisable to lay down that instead of authorising special firms generally to take apprentices each individual application for apprenticeship should be examined separately and special permission given to take up his apprenticeship with a firm. Another local Government whose advice is prompted by the experience of recent events within its jurisdiction, suggests that the Accountancy Diploma Board should satisfy themselves not only that persons authorised to take apprentices are able to afford their apprentices the requisite facilities for practical training but also that the character of their work is above reproach, and that, with a view to ensuring this result, the local Government concerned should be consulted in all cases before any authorisation of the kind is granted. It is obviously difficult for a Board constituted in Bombay to obtain very reliable information regarding the status and character of an auditor practising, for example, in a province of Northern India. Such inquiries would not be necessary when the person authorised to take apprentices is either a member of a society exempted by the Government of India from obtaining certificates from local Governments or is the holder of a permanent unrestricted certificate. Subject to this proviso, the Government of India desire to commend these suggestions to the consideration of the Government of Bombay.

4. In the matter of the period of apprenticeship exception has been taken in one instance to an undergraduate with two years' attendance at a "recognised institution" being placed on the same footing as graduates (i.e., graduates other than the Bombay B. Com. who has taken advanced accountancy and auditing as a special subject for his degree). The scheme provides that a student of either of these two classes should receive three years' practical training. It has been suggested that this period be increased to four years in the case of the first mentioned class. The question which arises from this criticism is whether an undergraduate with two years' theoretical training is as well qualified as a graduate who has not had the advantage of such a training to benefit by the present specified period of apprenticeship. If, as the Government of India incline to hold, the answer to this question is in the affirmative they do not think that there is any real justification for the alteration proposed. It would probably be the case that the graduate was often one who had turned to commercial studies as an after-thought or as a last resort without any special predilection for the profession. In such a case it would be illogical to require a briefer period of practical experience, especially as it is understood that a reasonable stage for bifurcation from general to professional studies is that marked out by the conclusion of the high school course or a year later. An undergraduate who elects the commercial side at a comparatively earlier stage and completes an appropriate course of preliminary study for two years, not only conforms more closely to the above mentioned principle but also affords a better guarantee that he has made a deliberate choice of a profession. A suggestion received from another source is that, following the precedent of the Scotch societies of accountants, attendance at classes at a recognised Institute might be made compulsory in the case of graduates as well as undergraduates. While the Government of India are not prepared to press this suggestion they recognise that its adoption would justify the proposal to prescribe a shorter apprenticeship for graduates than for undergraduates. Otherwise they deprecate the adoption of the latter proposal.

5. Another proposal which has been put forward is that the attendance at a "recognised institution," which is prescribed in the case of undergraduates, should be dispensed with, as facilities for such attendance do not exist in all provinces and as no such course is insisted on in England. As regards the first reason mentioned in support of the proposal there appears to be a misapprehension that a recognised institution must necessarily be a commercial

college on advanced lines. The Government of India presume that for the purpose of affording the two years' preliminary instruction prescribed for undergraduates a commercial school on less elaborate lines than the central institution at Bombay will prove adequate. The alternative to the present provision would be a five years' practical course. But, having regard to the fact that one of the foremost industrial provinces in India anticipates great difficulty in providing proper facilities for practical training, it is thought that at the beginning at any rate the system of a two years' preliminary theoretical course at such a school will prove to be of greater convenience to students generally. As regards the second reason adduced in favour of the proposal, the existence of ample practical facilities in England vitiates the comparison drawn from the conditions existing in that country. Finally, the Government of India would only observe that, as already mentioned above, another local Government has recommended that attendance at a recognised institution should be made compulsory in the case of graduates as well as undergraduates.

6. The period of two years' practical training which it is proposed to impose in the case of Bachelors of Commerce of the University of Bombay is held to be too short. The minimum length of training prescribed for graduates by the regulations of the English and Scotch Societies is one of three years. These regulations make no distinction between degrees of Bachelors of Commerce and ordinary degrees and the Government of India are inclined to consider that this innovation in the Bombay regulations is undesirable. In any case it seems desirable that holders of a degree of commerce of other universities, both British and Indian, should be eligible for privileges analogous to those to be accorded to the graduates of the University of Bombay.

7. The Accountancy Diploma Board recommended that unrestricted auditors' certificates be awarded to all holders of the proposed diploma. They laid stress on the high qualifications represented by the diploma and they argued that if a holder is qualified to conduct audits in one province he must be equally qualified to do so in other provinces. The Governor in Council approved this recommendation and suggested that it might best be given effect to by the issue of an exemption order by the Government of India under the proviso to sub-section (i) of section 144 of the Indian Companies Act of 1913 in favour of diploma holders. The views expressed by local Governments in this matter are not unanimous. While some are prepared to acquiesce in the course proposed others have represented that in view of the fact that something more than mere technical skill is required in an auditor, the automatic grant of certificates is not desirable. It is suggested that each local Government should deal with its own candidates and that unrestricted certificates should be bestowed only if the local Government is satisfied with the conduct and character of the diploma holder. The Government of India are disposed to concur in this view and they also share the opinion expressed in this connection that until the success of the Bombay Accountancy Diploma examination can be gauged by actual results it would be premature to exempt diploma holders from the necessity of obtaining certain certificates or permits from local Governments. This procedure would have the additional advantage of rendering the whole scheme more acceptable to local Governments with the result that they would be less likely to start similar schemes of their own. Accordingly, the Government of India would suggest that :—

- (i) A candidate should obtain permission to present himself for examination from the local Government in whose jurisdiction he intends to have his office or to work as a restricted certificate holder. The definite conditions under which this permission may be granted may possibly be decided later, and in accordance with future experience.
- (ii) Holders of restricted certificates whether permanent or temporary and of temporary unrestricted certificates should receive the sanction of the local Government concerned before they may take apprentices in connection with the diploma of the Accountancy Diploma Board.

(iii) Those who pass the accountancy diploma examinations should be given a restricted certificate by the Accountancy Diploma Board after a period of practical experience shorter by one year than is prescribed in the draft regulations for the diploma examinations. The certificate should be sent to the successful candidate through the local Government concerned.

(iv) Diploma holders should be given an unrestricted certificate by the Accountancy Diploma Board after the full period of practical experience prescribed in the draft regulations for the diploma examinations.

The certificate should be sent to the successful candidate through the local Government concerned, but if within two years after receiving the full diploma the holder transfers his residence to some other province he should obtain the permission of the local Government before establishing his headquarters in that province.

(v) It must be recognised that, though the ideal system of control is an autonomous regulation by recognised and associated bodies of professional accountants of the professional discipline of their own members, there is at present little basis for such an organisation, and the present is a period of transition. There exists, however, in Bombay a society of professional accountants and it is a question for the consideration of the Bombay Government whether now or at some later time this body might not be recognised as the disciplinary body for accountants at present amenable to the disciplinary control of the Bombay authority, either in all cases, or only as regards members of the society, and subject to such degree of control by the local Government as may be found desirable. No such societies exist outside Bombay, and it will therefore be necessary for the rest of India and for Bombay, until the course suggested above proves practicable, to establish a disciplinary body having powers, as regards the rest of India, over the holders of diplomas from the Accountancy Diploma Board, and as regards Bombay, over all certificate holders at present amenable to the control of the local authority. For the present, therefore, the Government of India consider that in the case of holders of restricted and unrestricted certificates granted by the Accountancy Diploma Board, disciplinary action should be taken by that Board subject to the confirmation of the local Government within whose jurisdiction the auditor in question resides and ordinarily conducts his work. In the case of holders of restricted and unrestricted certificates granted by the Bombay Government such action will continue to be taken, until it proves possible to adopt the suggestion made in the first part of this sub-paragraph, by the Auditors' Council. It is a question for consideration whether the Council might not, as an initial step towards the ultimate form of control, be enlarged by the addition of at least three members nominated by the Accountancy Diploma Board, two at least of these nominees to be the holders of either an Accountancy Diploma Board or of a restricted or unrestricted certificate granted by the local Government.

8. In conclusion, I am to refer to a cognate question which has been definitely raised by a local Government, the continuance for a few years more of the system of granting provisional certificates to selected persons who are not members of the exempted societies of auditors. In addition to the contention that many companies are unable to afford the fees charged by chartered accountants, it may be taken into account that many holders of provisional certificates should now be better able to carry out an audit efficiently than they were when they first received their certificates. It is also sometimes inconvenient for a company to change its auditor.

It is clear that those who have done no audit work for a reasonably long period or have shown incompetency should not receive an extension of their certificates, but there seems no good reason to withhold a certificate from those who have been doing good audit work. It is possible again that others may have their restricted certificates renewed, but with such extra restrictions as local Governments may think desirable in each case. By this means the number of such auditors would decrease gradually. The knowledge that bad work would lead to a cancellation of a certificate would be a great incentive to the remaining holders to do their best work. After very careful consideration the Government of India have come to the following conclusions :—

(i) Local Governments should be empowered to grant to present holders both of temporary restricted and temporary unrestricted certificates new restricted certificates for such periods and subject to such restrictions as they may determine in each case. Such restrictions would be in addition to those specified in sub-clause (ii) below and might conveniently confine the holder to the audit of a certain class of company, or a company whose accounts are kept in a specified vernacular. They might also preclude him from taking the audit of any limited company whose balance sheet he had not previously signed as auditor. In very exceptional cases local Governments might give permission to a company to employ as an auditor of its accounts for any one year a man who has not previously been granted a certificate, but such cases would be reported to the Government of India. Permission would thus be granted to the company and not to the auditor. Local Governments would not have power to grant a restricted certificate to any person who had not previously held either a temporary restricted or a temporary unrestricted certificate.

(ii) The holders of all restricted certificates whether those granted hereafter by local Governments in accordance with sub-clause (i) above or those granted by the Accountancy Diploma Board in accordance with paragraph 7 (iii) of this letter, should be eligible only to conduct audits in the province for which the certificate was granted and provided that the company whose accounts are being audited has not a share capital exceeding Rs. 50,000 paid up. This permission should do away with the necessity for the existing special rules which prescribe the qualifications of those who are eligible to audit the accounts of Provident Insurance Societies and of Life Assurance Companies.

(iii) Holders of unrestricted certificates whether granted by local Governments or the Accountancy Diploma Board should be eligible to audit the accounts of any company, subject in the case of those already granted by local Governments to such restrictions as may be stated in their certificates.

(iv) Local Governments should not have the power to grant any further unrestricted certificates.

9. Before issuing final orders on the subject the Government of India would be glad to be favoured with any remarks which the Governor in Council may desire to offer on any of the points dealt with in this letter.

A statement showing the number of certificates of each different kind in each province is enclosed for information.

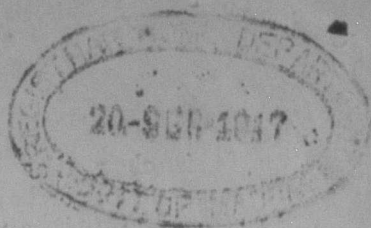
I have the honour to be,

SIR,

Your most obedient, humble servant,

(Sd.) H. SHARP,

Offg. Secretary to the Government of India.



Copy forwarded to the Government of Madras
for information.

By order,

C. Madan

Assistant Secretary to the Government of India.

See serial follow

Number of certificates of each different kind at present in force in each Province.

Provinces.	PERMANENT.		TEMPORARY.		REMARKS.
	Unrestricted.	Restricted.	Unrestricted.	Restricted.	
Bombay	3	32	1	18	
Bihar and Orissa		2		10	
Punjab	3			1	
Bengal	5	4		17	
United Provinces				15	
Burma				4	
Madras	3	9		54	
Assam		1		4	
Central Provinces	1	5			
Ajmer-Merwara	1		3	7	
North-West Frontier Province				1	
Civil and Military Station of Bangalore				14	
Delhi			1	3	
TOTAL	16	53	10	148	
	69		158		
	227				

Home Dept.
(Sd. S)

Co. 1035/B, from the G. of I., No. 761, dt. 15.12.17

Subject. Diploma in Accountancy.

In connection with the recognition of the Sydenham College of Commerce & Economics as a central examining body for the conduct of Accountancy exams, the Govt. of India were requested in letter No. 1032/B-2, dt. 6.12.1917 to ascertain whether the Govt. of Bombay were agreeable to the following two stipulations:-

(a) that the Accountancy Diploma is awarded by the Govt. of India instead of by the Bombay Govt. as provided for in Reg. 1 of the Bombay Regulations; and

(b) that Madras is represented on the Bombay Accountancy Diploma Board.

2 India now forward a copy of their letter addressed to Bombay remitting the above two points among several others intended to regulate the grant of certificates under the Companies' Act, for the consideration of the Govt. of Bombay.

para 2 of the letter
stated with Co. 813
(W) 16.6.17

* printed on p. 3 of
- Co. 1131-2 Sd. 7
27.10.16 (R)

para 2 on p. 1 c. 4.

Box 9
Circ 4.10.17
Filed 10.10.17

NOTES.

Regr.

A

Home (Ind) Dept

The case may be perused and referred to Home (Ind) no. Perhaps a copy of Govt of India Commⁿ may ^{also} be sent the Regr of Joint Stock Companies ~~and~~ ^{in addition to the} ~~and~~ ^{D. P. 9.}

SMO
2.10.17

M.V.V.
2.10.17

CR
3/10/17

EO: 40

Home (Ind) Dept

The file may be circulated to H.E. & H.M. (Regr) for per

CR
3.10.17

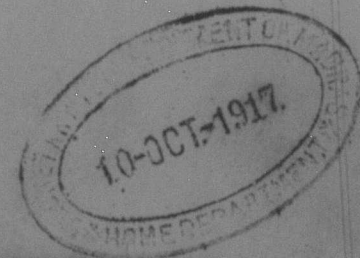
A copy of the letter may be sent to the Regr of Jt Stock cop

Govt of India letter for perusal. may 4/10

H.E.

H.M. (Regr)

6-OCT-1917



[Handwritten signature]

¹⁰
A draft according to
papers is due.

On
13-10-17

Id
13-10-17

Id
13-10-17

Accountancy exam:

HOME DEPARTMENT

(Feb 2)

Recording copy of the letter (Encl²)
addressed by the G. of G. to the Govt. of
Bombay in regard to the utilisation of
the Sydenham College of Lecturers & Students
as a central examining body for the control of

READ AGAIN G.O. No. 1131-32 renewed dated Nov 27th Oct. 1916 (R)

813 ~~none~~ the 16th June 1917. (W)

READ ALSO:—

C. No. 1035/2, From the G. of I., No. 761, dated Nov 7th Sep. 1917
Dep't. of Ed.

” ” ” ” ” ” ” ” 191

" " ***** ; " " "***** ; " " ***** ; " " ***** 191

ORDER.

ME:

No. 1302, dated 20-60-1917

Recorded.

12-12-1

Id
13201

$\frac{C_R}{19.102}$

attached
on
2001

Copy to Mr. J. P. G. (Ld)
 .. Regs of Joint Stock
 Companies. (Ld)
 .. ~~House~~ - Trade: bepl:

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When signed

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READ AGAIN G.O. No. 191

DATED

CURRENT No.

ENCLOSURE TO C. No.

ORDER OF GOVERNMENT

A A A A A A A

LETTER OF GOVERNMENT

STATEMENT WITH DITTO

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