

**The Institute of Chartered Accountants of India
New Delhi**

**BACKGROUND MATERIAL
FOR
WORKSHOP ON CAPACITY BUILDING
OF CA FIRMS**

**12th August, 2009
Hindi Bhawan, New Delhi**

Committee for Capacity Building of CA Firms

FROM THE PRESIDENT



Dear Participants,

I am pleased to welcome you for the “Workshop on Capacity Building of CA Firms” organized by the Committee on Capacity Building of CA Firms. It is indeed an occasion for members of the profession to converge and pool their minds, knowledge and experience so as to find sustainable road map for the profession in future.

In today’s era of globalization, and rapid changes in the economic environment, the dynamics of practice has changed significantly. The expectations of the clients from the profession are that of Expertise, Experience and Efficiency. The complexities in laws have enhanced the need of a Single Window concept.

With this objective in view the ICAI has in the recent past initiated several steps towards Capacity Building like Networking, Mergers & Corporate form of practice.

This Workshop has been designed to ensure optimum benefit for the members. By attending the program, members will get the opportunity to widen their knowledge on various matters relating to Capacity Building. It will also enable them to understand the importance of consolidation in the prevailing scenario.

I sincerely hope that the Participants will enjoy the deliberations on various topics of professional interest and get full benefit of the keynote addresses of the faculties.

I congratulate the Chairman, the Committee for Capacity Building of CA Firms and the entire team members and my best wishes to the participants

I wish the participants and the program a grand success.

Date: August 12th, 2009
Place: New Delhi

CA. UTTAM PRAKASH AGARWAL
President
The Institute of Chartered Accountants of India

FROM THE VICE-PRESIDENT



Dear Participants,

I am delighted to welcome you to the ‘Workshop on Capacity Building of CA Firms’ organized by the Committee for Capacity Building of CA Firms (CCBCAF), ICAI on 12th August 2009 at New Delhi.

Due to globalization and widespread competition, a need is felt to enhance the capacity of the CA firms in order to enable them to grow big and function on a competitive platform with the Multi-National Accounting firms. In an attempt to strengthen and consolidate the capacity of Indian CA firms, various measures have been set rolling by ICAI including, Networking, Merger etc. The ICAI also encourages collaboration of Chartered Accountants with professionals/experts in the other relevant fields for facilitating and promoting Multi-Disciplinary Partnership and Limited Liability Partnership.

With this objective, the Committee for Capacity Building of CA Firms, ICAI has organized this Workshop for the benefit of the members.

I congratulate the Chairman, Committee for Capacity Building of CA Firms, ICAI on organizing this event.

The speakers for the Workshop are seasoned professionals in their respective fields and they will share their knowledge and experience with the participants. I convey my best wishes to the participants and hope that this event will help them in their professional endeavors in the future.

I wish the event a marvelous success.

Date: 12th August, 2009

Place: New Delhi

**CA. Amarjit Chopra
Vice-President**

The Institute of Chartered Accountants of India

FROM THE CHAIRMAN



Dear Esteemed Participants,

I take great pleasure in welcoming you to the 'Workshop on Capacity Building of CA Firms' organized by the Committee for Capacity Building of CA Firms (CCBCAF), ICAI on 12th August 2009 at New Delhi.

Due to changes in the economic environment which have thrown open more challenges and opportunities for professionals, it is imperative to build capacities of small and medium Indian CA firms in order to enable them to face and take advantage of this competitive environment. The ICAI is committed to helping its members keep pace with the times and winds of change by undertaking initiatives to create awareness amongst the members and address their apprehensions regarding capacity building measures of the Institute.

The ICAI has initiated various capacity building measures for its members including Networking, Mergers and Practice in Corporate Form and is working towards identifying the impediments faced by members while resorting to such consolidation processes. Initiatives has also been made to explore other areas of capacity building like venture capital, tie-ups with banks for availability of funds at cheaper rates, creation of virtual library and facilitating the pooling of infrastructure facilities so that members can actually come together under one roof. In pursuance of these initiatives, the Committee for Capacity Building of CA Firms, ICAI has organized various Workshops/Interactive Programs at different locations all over India.

With this objective, the Committee for Capacity Building of CA Firms, ICAI has organized this Workshop at New Delhi.

I take this opportunity to convey my gratitude to CA. Uttam Prakash Agrawal, President, ICAI and CA. Amarjit Chopra, Vice-President, ICAI for their immense support and guidance in organizing this event. I also express my deep sense of appreciation for CA. B. D. Gupta, Chairman NIRC, ICAI for his support and co-operation to make this event a success.

I am sure the participants would benefit immensely from this Workshop. I convey my best wishes to the participants.

Date: 12th August, 2009

Place: New Delhi

**CA. Sanjeev Maheshwari
Chairman-Committee for Capacity Building of CA Firms
The Institute of Chartered Accountants of India**

FROM THE NIRC CHAIRMAN



Dear Participants,

I welcome you all to the ‘Workshop on Capacity Building of CA Firms’ organized by the Committee for Capacity Building of CA Firms (CCBCAF), ICAI and hosted by Northern India Regional Council of ICAI on 12th August 2009 at New Delhi.

The ability to provide multiple services from a single window is the call of the hour for the Indian Chartered Accountants. Capacity building is about enabling the members to grow big and function on a globally competitive environment. The Institute has been actively engaged in the process of creating awareness about the various capacity building measures adopted by it for its members and in equipping them with the requisite domain knowledge through seminars, conferences, workshop etc. This will enable the members to tap the professional opportunities. With this objective, the Committee for Capacity Building of CA Firms, ICAI has organized this Workshop for the benefit of the members.

I am pleased to note that the Committee for Capacity Building of CA Firms (CCBCAF), ICAI is organizing this event on Capacity Building to equip the members with the necessary skills and expertise for excelling in their profession.

This event has been designed with utmost care to cover both theoretical and practical sessions on the subject. I congratulate the Chairman, Committee for Capacity Building of CA Firms, ICAI on organizing this event and for giving me the privilege of hosting the same . I also place on record my sincere appreciation for the efforts put up by the Secretariat Committee for Capacity Building of CA Firms and also place on record the guidance and support of all the office bearers and members of NIRC in organizing this Mega Event.

I hope that the members would benefit immensely from the Workshop.

I wish the event a great success.

Date: 12th August, 2009

Place: New Delhi

**CA. Bhagwan Das Gupta
Chairman, NIRC of the ICAI**

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Guidelines of Network

1. These Guidelines are called Guidelines for Network amongst the firms Registered with The Institute of Chartered Accountants of India.

2. **Definition.**

(i) **Network -**

“Network amongst two or more firms means an arrangement to facilitate the better functioning of the affiliate member firms in the interest of the profession and not for acquisition of any gain. Such Network shall include the formal Network to use the collective resources such as turnover, infrastructures, manpower, location for execution of Professional services of one or more type.

[Explanation –

1. **An affiliation as referred to above shall also include: -**

(i) **having an association with an accounting entity within or outside India such that it results directly or indirectly in a common professional economic or beneficial interest.**

(ii) **one or more of the entities holding out that it is so affiliated or networked.**

2. **An entity shall not be treated as an affiliate of another merely for the reason that they**

(a) **share professional knowledge and data base;**

(b) **refer certain professional assignments or authorize the other to represent certain specific matters.**

3. **If different Indian firms are networked with a common Multi National Accounting Firm (MAF) then irrespective of the presence/absence of any `affiliate' relationship between the Indian firms inter-se, they shall be considered as part of a network.]**

(ii) **Formal Network -** Formal network means a network amongst two or more firms registered with The Institute of Chartered Accountants of India (ICAI),

where the object of network is to use the collective resources of the affiliates for execution of professional services of one or more types at one and/or at multi-locational points. The resources would include financial, technical and other logistic support required to execute the professional assignments. In such type of network, the common resources may be pooled and exhibited together before the service user as those belonging to one particular set of professionals.

- (iii) **Referral Practice** – Referral Practice means a practice to refer professional work by a firm to one of its associate/affiliate either situated at a different place or rendering professional services not provided by it, to the user of the services. The pre-dominant objective of such a network is not to pool in their collective resources and exhibit them as those belonging to one particular set of professionals.
- (iv) **Act** – Act means The Chartered Accountants Act, 1949.
- (v) **Regulations** – Regulations means Chartered Accountants Regulations, 1988.
- (vi) **Code of Ethics** – Code of Ethics means the Code of Ethics issued by the Institute and decisions of the Council in this regard.
- (vii) **Institute** – Institute means the Institute of Chartered Accountants of India.
- (viii) **Council** – Council means the Central Council of the Institute.
- (ix) **Member** – Member means a Member in Practice. Member in Practice means a Member in Practice as defined in the Chartered Accountants Act, 1949.

3. Name of Network:

- (i) The Network may have distinct name which should be approved by the Institute. To distinguish a "Network" from a "firm" of Chartered Accountants, the words "& Affiliates" should be used after the name of the network and the words "& Co." / "& Associates" should not be used. The prescribed format of application for approval of Name for Network is at **Form `A'** (enclosed).
- (ii) Standards prescribed in Regulations 190 of the Chartered Accountants Regulations, 1988 shall be applicable to the name of Network. However, even if a name is provided and subsequently it is found that the same is undesirable then, the said name can be withdrawn at any time by the Institute. The Institute shall reject any undesirable name and the provisions in respect of names of companies as prescribed in the Companies Act, 1956 shall be applicable in spirit.

- (iii) The network should neither be permitted to advertise nor to use logo. The firms constituting the network are permitted to use the words "Affiliates/Members of" (a network of Indian CA firms) on their professional stationery.
- (iv) Network may work without a Name also.

4. Registration:

- (i) A Formal Network is required to be registered with the Institute in a prescribed **Form 'B'** (enclosed).
- (ii) Referral Practice requires no registration.
- (iii) It is for each firm to decide whether its affairs and relations with another firm results in creation of a Formal Network. Network shall evaluate for itself whether or not it is a formal network requiring registration with the Institute.
- (iv) If different Indian firms are networked with a common Multinational Accounting Firm (MAF) then irrespective of the presence/absence of any 'affiliate' relationship between the Indian firms inter-se, they shall be considered as part of a network. As such, for these firms the registration with the Institute is not mandatory. It is only if these Indian firms decide to constitute a Formal Network, then the registration with the Institute is mandatory.

5. Ethical Compliance:

Once the relationship of network arises, whether registered or not with the Institute, it will be necessary for such a network to comply with all applicable ethical requirements prescribed by the Institute from time to time in general and the following requirements in particular: -

- (a) If one firm of the network is the statutory auditor of an entity then the associate [including the networked firm(s)] or the said firm directly/indirectly should not accept the internal audit or book-keeping or such other professional assignments which are prohibited for the statutory auditor firm.
- (b) The Notification No. 1-CA(7)/60/2002 dated 8th March, 2002 (enclosed) in respect of ceiling on Non-audit fees is applicable in relation to a Network as follows: -

- i) For a constituent member of a Network who is doing statutory audit (including its associate concern and/or firm(s) having common partnership), it shall be the same as mentioned in the said notification; and
 - ii) For other constituent member(s) of the same Network collectively, it shall be 3 times of the fee payable for carrying out the statutory audit of the same undertaking/company.
- (c) In those cases where rotation of firms is prescribed by any regulatory authority, no member firm of the network can accept appointment as an auditor in place of any member firm of the network which is retiring. However, this restriction shall not apply in case of appointment as Statutory Central Auditor of Government agencies/Undertakings such as Public Sector Undertakings (PSUs), Public Sector Banks and Financial Institutions etc.
- (d) The Constituent member firms of a Network & the Network shall comply with all the Ethical Standards prescribed by the Council from time to time.

6. Consent of Client:

The network shall obtain consent of the client to engage an affiliate in discharging the professional assignments.

7. Constitution of Network:

- (i) Proprietary/partnership firm(s) as well as individual member(s) are permitted to form a Network.
- (ii) A proprietary/partnership firm as well as individual Member are allowed to join only one Formal network.
- (iii) Firms having common partners shall join only one network.

8. Object of Network:

The Network itself will not carry on any business for acquisition of gain for itself and only act as a facilitator for its members/constituent Member firms to pursue their professional jobs.

9. Responding to Enquiries:

Only one firm/Member can apply on behalf of the network showing the collective strength of all the constituent firms of the network, when responding to any enquiry.

10. Issuing Reports:

Only the firm(s)/Member(s) forming Network are eligible to issue/sign/attest any certificate/Report/professional document/assignment.

11. Violation of Act:

In case of alleged violation of the provisions of the Act, Regulations framed thereunder, guidelines/directions laid down by the Council from time to time and Code of Ethics by the Network firm, the proprietary/partnership firm(s)/individual Member constituting the Network would be answerable.

12. Exit From Network:

A constituent Member firm/Member of a Network can exit from the network by sending the declaration in **Form 'C'** (enclosed) to the Institute and also to each and every constituent of the network. The concurrence/acceptance of the same by other firms forming part of the network firm shall not be required.

13. Network with entities outside India -

13.1 The duly authorized representative(s) of the Indian Member firm (s)/Member Constituting the Network shall file a declaration with the Institute in **Form 'D'** for registration.

13.2 Proprietary/Partnership firms as well as individual members shall be permitted to join such Network with entities outside India.

Provided that the proprietary/partnership as well as individual member are allowed to join only one formal network and firms having common partners shall join only one such network.

14. Framework of Internal Byelaws of Network requiring Registration:

To streamline the networking, a network shall formulate operational byelaws. Byelaws may contain the following clauses on which the affiliates of the network may enter into a written agreement among themselves:

- (i) Appointment of a Managing Committee, from among the managing partners of the member firms of the network and the terms and conditions under which it should function. The minimum and maximum number of members of the Managing Committee shall also be agreed upon.
- (ii) Administration of the network
- (iii) Contribution of membership fees to meet the cost of the administration of the network.
- (iv) Identifying a partner of any of the member firms of the network to be responsible for the assignment (engagement partner)
- (v) Dispute settlement procedures through arbitration and conciliation
- (vi) Development of training materials for members of the network
- (vii) Issue of News-letters for staff and clients
- (viii) Development of softwares for different types of assignments
- (ix) Development and maintenance of data bases relevant for different types of assignments
- (x) Library
- (xi) Appointment of a technical director to whom references can be made
- (xii) Determining the methodology for drawing resources from each member firm
- (xiii) Determining compensation to member firms for resources to be drawn from them
- (xiv) Peer review of the member firms

These clauses are illustrative.

APPLICATION FOR APPROVAL OF NAME FOR NETWORK OF FIRMS

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

[See Rule 3 of Guidelines of Network amongst the firms registered with The Institute of Chartered Accountants of India]

1. Proposed name of Network (in order of preference) if the Network has a distinct name
- | | |
|----|-------|
| 1. | _____ |
| 2. | _____ |
| 3. | _____ |
| 4. | _____ |

- | | | |
|---|---------------------------|--------------------------|
| 2. Name(s) of the firm(s)/Member(s) forming network | Firm Name/
Member Name | Firm Regn. No./
M.No. |
| | 1. _____ | _____ |
| | 2. _____ | _____ |
| | 3. _____ | _____ |
| | 4. _____ | _____ |

3. Address of the Office of the Network
- _____
- _____
- _____
- _____ Pin _____
- E-mail (if any) _____

4. We hereby declare that the above firm(s)/Member(s) proposed/have entered into an understanding to form a network in accordance with Guidelines of Network amongst the firms registered with The Institute of Chartered Accountants of India and further affirm and confirm that the partner signing the application has been duly authorised by the other partners of the respective firms.

Place :

Date :

Name(s) with Membership No(s).
and signature(s) of duly authorized
Partner(s)/Proprietor(s) of the firms/
Member constituting Network

DECLARATION FOR REGISTRATION OF FORMAL NETWORK AMONGST FIRMS REGISTERED WITH ICAI

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

PARTICULARS OF NETWORK HAVING INDIAN AFFILIATION

1. Name of the Network
2. Address of the Network
3. Names and addresses of firms/Member constituting the Network

Names and addresses of Firm(s)/Member(s)	Firm Registration No./M.No.
---	-----------------------------
4. (a) Date of formation of Network
(b) Date on which present network arrangement was entered into
5. We undertake to comply with the guidelines/directions laid down by the Council regarding Network from time to time.

We hereby declare that:

(a) the network constituents have entered into an agreement to form this network.

(b) that the partner(s) signing this declaration has been duly authorized by the other partners of the firm

Place :

Date :

Name(s) with Membership No(s).
and signature(s) of duly authorized
Partner(s)/Proprietor(s) of the firms/
Member constituting Network

Notification No.1-CA(7)/60/2002**8th March, 2002**

1-CA(7)/60/2002: In exercise of the powers conferred by clause (ii) of Part II of the Second Schedule to the Chartered Accountants Act, 1949, the Council of the Institute of Chartered Accountants of India hereby specifies that a member of the Institute in practice shall be deemed to be guilty of professional misconduct, if he accepts the appointment as statutory auditor of Public Sector Undertaking(s)/Government Company(ies)/Listed Company(ies) and other Public Company(ies) having turnover of Rs. 50 crores or more in a year and accepts any other work(s) or assignment(s) or service(s) in regard to the same Undertaking(s)/Company(ies) on a remuneration which in total exceeds the fee payable for carrying out the statutory audit of the same Undertaking/company.

Provided that in case appointing authority(ies)/regulatory body(ies) specify(ies) more stringent condition(s)/restriction(s), the same shall apply instead of the conditions/restrictions specified in this Notification.

Explanation:

1. The above restrictions shall apply in respect of fees for other work(s) or service(s) or assignment(s) payable to the statutory auditors and their associate concern(s) put together;
2. For the above purpose,
 - (i) the term "other work(s)" or "service(s)" or "assignment(s)" shall include Management Consultancy and all other professional services permitted by the Council pursuant to Section 2(2)(iv) of the Chartered Accountants Act, 1949 but shall not include: -
 - (i) audit under any other statute;
 - (ii) certification work required to be done by the statutory auditors; and
 - (iii) any representation before an authority;
 - (ii) the term "associate concern" means any corporate body or partnership firm which renders the Management Consultancy and all other professional services permitted by the Council wherein the proprietor and/or partner(s) of the statutory auditor firm and/or their "relative(s)" is/are Director/s or partner/s and/or jointly or severally hold "substantial interest" in the said corporate body or partnership;

(iii) the terms "relative" and "substantial interest" shall have the same meaning as are assigned under Appendix (10) [now Appendix (9)] to the Chartered Accountants Regulations, 1988.

3. In regard to taking up other work(s) or service(s) or assignment(s) of the undertaking/company referred to above, it shall be open to such associate concern or corporate body to render such work(s) or service(s) or assignment(s) so long as aggregate remuneration for such other work(s) or service(s) or assignment(s) payable to the statutory auditor/s together with fees payable to its associate concern(s) or corporate body(ies) do/does not exceed the aggregate of fee payable for carrying out the statutory audit.
4. This notification is applicable for any appointment(s) on or after 1st April, 2002.

DECLARATION FOR DISSOCIATION FROM A NETWORK

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
[See Rule 12 of Guidelines of Network amongst the firms registered with The
Institute of Chartered Accountants of India]

1. Name of the Network
2. Address of the Network
3. Names and addresses of firms constituting the Network
Names and addresses of Firm(s)/Member(s) Firm Registration No./M. No.
4. Name and address of the firm/member willing to dissociate from the Network

Name and address of Firm(s)/Member(s) Firm Registration No./M. No.

In pursuance to the Rule 12 of Guidelines of the Network issued by The Institute of Chartered Accountants of India, We/I hereby declare our dissociation from the Network w.e.f.

I hereby declare that I have been duly authorised by the other partners to issue this declaration.

Place :

Date :

Name with Membership No(s).
and signature(s) of duly authorized
Partner(s)/Proprietor of the firm/
Member dissociating from the Network

**DECLARATION TO BE FILED FOR NETWORK WITH
ENTITIES OUTSIDE INDIA**

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

PARTICULARS OF NETWORK WITH ENTITIES OUTSIDE INDIA

1. Name of the Network
2. Date on which the Indian firms have joined the present Network arrangement:
3. Name(s) & address(es) of all the Indian firm(s) joined/joining the Network

Name(s) of Firm(s)

Firm Registration Number(s)

Verification

I/We solemnly declare and affirm that the information provided is true and correct to my/our knowledge and belief.

Place:

Name(s) with Membership No(s) and

Date:

signature(s) of a duly authorised

Partner of the Indian firm(s)/

Member joining the Network

Note:

- (i) All existing Network should file this declaration on or before 30th June, 2006.
- (ii) Any new network arrangement shall file this declaration within 30 days of entering into the Network arrangement.

- (iii) A copy of the authorisation to be filed with the Institute by the Partner signing the declaration on behalf of the firm.
- (iv) The declaration may be filed jointly or separately with the ICAI by the firms entering the Network.
- (v) Proprietary/partnership firms(s) as well as individual Member(s) are permitted to form a Network.
- (vi) A proprietary/partnership firm as well as individual Member are allowed to join only one Formal Network.
- (vii) Firm having common partners shall join only one network.

Rules of Merger & Demerger

1. These rules are called Rules of Merger & Demerger amongst the Firms registered with The Institute of Chartered Accountants of India.

2. Concept of Merger & Demerger:

(i) The Partnership Act has not prescribed merger & demerger of partnerships. In the corporate world, merger and demerger have become universal practices for securing survival, growth, expansion and globalization of enterprise and achieving multitude of objectives. Merger is the fusion of two or more existing companies. On the other hand, demerger signifies a movement in the company just opposite to merger. 'Demerger' is also used to describe spinning off of an "undertaking" of a Corporate entity. The concept of 'Merger', 'Demerger' & 'Acquisition' are arising out of the 'Arrangement' under Sections 391-394 of the Companies Act, 1956. Merger and Demerger are natural corollary of globalization.

(ii) To incorporate the spirit of Corporate World and to imbibe the consolidation creed, the Council used the term 'merger' and 'amalgamation' of CA firms. The Council in its 198th Meeting held from 25th to 27th February, 1999 and in 223rd Meeting held from 2nd to 5th February, 2002 considered the Seniority and Mergers of the firm and implications of the decisions, are enclosed in **Tabular form.**

(iii) In order to have an orderly and sustainable growth of the CA firms, it is desirable that the coming together of the firms begins with networking and then matures to mergers. Networking will enable the firms to develop working relationships with each other. However, it is not to suggest that there cannot be mergers without networking.

(iv) The 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.

3. Merger

(i) To effectuate merger, a merger agreement in **Form 'E'** (enclosed) is to be filed with the Institute within 30 days from the date of the agreement. The

re-constitution agreement/partnership deed shall be filed with the Registrar of Firms.

- (ii) Upon the merger of the firms, the Institute will freeze the names of the merging firms and shall not allot the same names to any other firm.

4. Demerger

- (i) The merger has to precede the demerger. The merger agreement itself shall contain the terms and conditions for demerger. Therefore no concurrence/acceptance is required from the continuing partners. The merger agreement shall stipulate that in case 75% or more of the continuing partners of one of the erstwhile firm(s) are willing to demerge then they can do so after giving due notice in **Form 'F'** (enclosed) to the other partners and to the Institute.
- (ii) In case 75% or more of the continuing partners of one of the erstwhile merging firm have demerged after giving due notice to the other partners, then in such case, the merger shall come to an end and if the remaining erstwhile merging firms/partners of the erstwhile merged firm decided to continue, then they should enter into a fresh Merger/Partnership Agreement.
- (iii) The Demerged Firm is entitled to practice in its old trade name, which existed at the time of merger.
- (iv) The Constitution Certificate issued by the Institute to the demerged firm shall state the original date of establishment, the date of its merger and the date of the demerger. For the purpose of computing the seniority of the firm, the total period will be reckoned from the original date of establishment.
- (v) The demerger can be demanded within a period of 5 years from the date of merger.

Form `E`

FORMAT OF MERGER AGREEMENT

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

[See Rule 3 of Rules of Merger & Demerger amongst the firms registered with The Institute of Chartered Accountants of India]

We, (1)..... (2) (3) partners of (1) M/s. A & Co. (2) M/s. B & Co. & (3) execute this Merger Agreement on this ____ day of _____, at _____:

1. M/s A & Co., a Partnership/Proprietorship firm of Chartered Accountants having its registered Head Office at _____, duly registered with the Institute of Chartered Accountants of India vide Firm No. _____ in _____ region (which expression shall include its successors, heirs and assigns).

The date of establishment, name of the partners, their membership nos, are as follows:-

- (i) Date of establishment
- (ii) Name of the Partners Membership No.

2. M/s B & Co., a Partnership/Proprietorship firm of Chartered Accountants having its registered Head Office at _____, duly registered with the Institute of Chartered Accountants of India vide Firm No. _____ in _____ region (which expression shall include its successors, heirs and assigns).

The date of establishment, name of the partners, their membership nos, are as follows :-

- (i) Date of establishment
- (ii) Name of the Partners Membership No.

3.

Now, therefore, in consideration of mutual promise herein made and the consideration hereunder expressed, the parties hereto mutually covenant and agree as follows:

1. That the name of the merged firm will be _____ and the date of establishment of the merged firm is the date of establishment of the oldest/older firm i.e. _____.

2. That this merger will come into force w.e.f. _____ 20XX, whereafter, the merging firm i.e. M/s A & Co., and M/s B & Co. cease to exist and a separate partnership deed has been executed on _____ amongst the partners of the merged firm.

3. That the following persons are the partners of the merged firm:

1. Mr. _____ Membership No. _____
2. Mr. _____ Membership No. _____
3. Mr. _____ Membership No. _____
4. Mr. _____ Membership No. _____
5. Mr. _____ Membership No. _____
6. Mr. _____ Membership No. _____
7. Mr. _____ Membership No. _____
8. Mr. _____ Membership No. _____

We, all the partners of the merged firm understand that this merger has the following consequences in pursuance to the decision of the Council of the Institute: -

1. That the name of the erstwhile merging firms will be frozen by the Institute.
2. And in case 75% or more of the continuing partners of one or more erstwhile merging firm(s) are willing to demerge, they may demerge after giving due notice and will be entitled to the following benefits :
 - (i) They shall be entitled to the total seniority acquired i.e. their earlier pre-merger seniority and the years during which they were in merged firm.
 - (ii) They are entitled to their old firm's name.

Provided in case, 75% is a fraction, then the same shall be rounded off to the next number.

3. That the date of establishment of the new demerged firm shall be the date of demerger.
4. That to effectuate such demerger, no concurrence/acceptance is required from the other continuing partners of the merged firm. The partners of such demerged firm shall execute a partnership deed. The merged firm as well as the demerged firm shall submit fresh Form 18 as prescribed under the Chartered Accountants Regulations, 1988 to the Institute within the prescribed period.

5. In case of 75% or more of the continuing partners of one of the erstwhile merging firm have demerged after giving due notice to the other partners, then in such case, the merger shall come to an end and if the remaining erstwhile merging firms/partners of the erstwhile merged firm decided to continue, then they should enter into a fresh Merger/Partnership Agreement and shall submit fresh Form 18 as prescribed under the Chartered Accountants Regulations, 1988 to the Institute within the prescribed period.
6. That the demerger in the manner hereinbefore mentioned can be demanded only within a period of 5 years from the date of merger.

IN WITNESS WHEREOF, the Partners of the Merged firm M/s..... hereto set their hands on this agreement in the presence of the witnesses.

WITNESSES :

1.

(i) _____

(ii) _____

(iii) _____

(iv) _____

(v) _____

(vi) _____

2.

(vii) _____

(viii) _____

Partners of M/s.....

NOTICE FOR DEMERGER

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

[See Rule 4(i) of Rules of Merger and Demerger amongst the firms registered with The Institute of Chartered Accountants of India]

1. We the following persons

Name(s)	Membership No.(s)
_____	_____
_____	_____

being partners of M/s _____ which merged with the firm M/s _____ as per merger agreement dated _____ willing to demerge with effect from _____

2. We are the partners of the erstwhile Merging firms, M/s _____ merged with M/s. _____ & constitute the merged firm _____ with effect from _____. The Merger Agreement dated _____ and Form 18 were filed before the Institute on _____

3. We constitute 75% or _____ % of the continuing partners of the erstwhile firm M/s. _____

4. This demerger is within a period of 5 years from the date of merger.

5. We desire that our pre-merger name be allotted to us.

Place:

Date:

Signature of all the Partners of the Erstwhile Firm M/s. _____ willing to demerge.

Guidelines for Practice in Corporate Form

As per the existing Code of Ethics, a member in practice is permitted generally to be a 'Director Simplicitor' in any company and as such he is not required to obtain any specific permission in this regard irrespective of whether he and/or his relatives hold substantial interest in that company. However, a member in practice shall not hold the position of Managing Director or Whole-time Director of a Body Corporate if he and/or his relatives hold substantial interest in such concern. In the alternative, a member in practice can occupy such positions by surrendering his Certificate of Practice (CoP). Where substantial interest is not so held, a member in practice can hold these positions only after obtaining specific and prior approval of the Council in which case the member will be regarded as being in part-time practice and therefore, can neither do attest function nor he can train articled/audit assistants.

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 at its 261st meeting held from 1st to 3rd August, 2006 reviewed the aforesaid position and in the interest of the profession, decided to allow members in practice to render Management Consultancy and Other Services in Corporate form, subject to the guidelines to be issued by the Institute in this regard.

The Council decided to allow members in practice to hold the office of Managing Director, Whole-time Director or Manager of a body corporate within the meaning of the Companies Act, 1956 provided that the body corporate is engaged exclusively in rendering Management Consultancy and Other Services permitted by the Council in pursuant to Section 2(2)(iv) of the Chartered Accountants Act, 1949 and complies with the conditions(s) as specified by the Council from time to time in this regard.

The members can retain full time Certificate of Practice besides being the Managing Director, Whole-time Director or Manager of such Management Consultancy Company. There will be no restriction on the quantum of the equity holding of the members, either individually and/or along with the relatives, in such Company. Such members shall be regarded as being in full-time practice and therefore can continue to do attest function either in individual capacity or in Proprietorship/Partnership firm. They are also entitled to train articled/audit assistants.

The name of the Management Consultancy Company is required to be approved by the Institute and such Company has to be registered with the Institute. The guidelines alongwith the prescribed application forms for approval of name and registration, provisions of ethical compliance and other details have been issued and the same will come into force w.e.f. 1.10.2006.

The guidelines for Corporate Form of Practice are as follows:

GUIDELINES FOR PRACTICE IN CORPORATE FORM

Definition.

(i) Managing Director, Whole-time Director and Manager -

The term "Managing Director", "Whole-time Director" and "Manager" shall have the same meaning as defined/understood in the Companies Act, 1956. For this purpose, the member in practice who is a Managing Director, Whole-time Director or Manager shall be full-time practitioner/proprietor/partner in a Chartered Accountants firm.

(ii) Act – Act means The Chartered Accountants Act, 1949.

(iii) Regulations – Regulations means the Chartered Accountants Regulations, 1988.

(iv) Code of Ethics – Code of Ethics means the Code of Ethics issued by the Institute and decisions of the Council in this regard.

(v) Institute – Institute means the Institute of Chartered Accountants of India.

(vi) Council – Council means the Central Council of the Institute.

(vii) Member – Member means a Member in Practice. Member in Practice means a 'Member in Practice' as defined in the Chartered Accountants Act, 1949 and its Regulations.

(viii) Management Consultancy & Other Services – Management Consultancy & Other Services or MCS means 'Management Consultancy & Other Services' permitted by the Council in pursuance to Section 2(2)(iv) of the Chartered Accountants Act, 1949. The definition of the expression "Management Consultancy and other Services" as appears at pages 8-10 of the Code of Ethics, 2005 edition is as under:

The expression "Management Consultancy and other Services" shall not include the function of statutory or periodical audit, tax (both direct taxes and indirect taxes) representation or advice concerning tax matters or acting as liquidator, trustee, executor, administrator, arbitrator or receiver, but shall include the following:

- (i) Financial management planning and financial policy determination.
- (ii) Capital structure planning and advice regarding raising finance.
- (iii) Working capital management.
- (iv) Preparing project reports and feasibility studies.
- (v) Preparing cash budget, cash flow statements, profitability statements, statements of sources and application of funds etc.
- (vi) Budgeting including capital budgets and revenue budgets.
- (vii) Inventory management, material handling and storage.
- (viii) Market research and demand studies.
- (ix) Price-fixation and other management decision making.
- (x) Management accounting systems, cost control and value analysis.
- (xi) Control methods and management information and reporting.
- (xii) Personnel recruitment and selection.
- (xiii) Setting up executive incentive plans, wage incentive plans etc.
- (xiv) Management and operational audits.
- (xv) Valuation of shares and business and advice regarding amalgamation, merger and acquisition.
- (xvi) Business Policy, corporate planning, organisation development, growth and diversification.
- (xvii) Organisation structure and behaviour, development of human resources including design and conduct of training programmes, work study, job-description, job evaluation and evaluation of work loads.
- (xviii) Systems analysis and design, and computer related services including selection of hardware and development of software in all areas of services which can otherwise be rendered by a Chartered Accountant in practice and also to carry out any other professional services relating to EDP.
- (xix) Acting as advisor or consultant to an issue, including such matters as: -
 - (a) Drafting of prospectus and memorandum containing salient features of prospectus. Drafting and filing of listing agreement and completing formalities with Stock Exchanges, Registrar of Companies and SEBI.
 - (b) Preparation of publicity budget, advice regarding arrangements for selection of (i) ad-media, (ii) centres for holding conferences of brokers, investors, etc., (iii) bankers to issue, (iv) collection centres, (v) brokers to issue, (vi) underwriters and the underwriting arrangement, distribution of publicity and issue material including application form, prospectus and brochure

and deciding on the quantum of issue material (In doing so, the relevant provisions of the Code of Ethics must be kept in mind).

(c) Advice regarding selection of various agencies connected with issue, namely Registrars to Issue, printers and advertising agencies.

(d) Advice on the post issue activities, e.g., follow up steps which include listing of instruments and despatch of certificates and refunds, with the various agencies connected with the work.

Explanation: For removal of doubts, it is hereby clarified that the activities of broking, underwriting and portfolio management are not permitted.

(xx) Investment counseling in respect of securities [as defined in the Securities Contracts (Regulation) Act, 1956 and other financial instruments.] (In doing so, the relevant provisions of the Code of Ethics must be kept in mind).

(xxi) Acting as registrar to an issue and for transfer of shares/other securities. (In doing so, the relevant provisions of the Code of Ethics must be kept in mind).

(xxii) Quality Audit.

(xxiii) Environment Audit.

(xxiv) Energy Audit.

(xxv) Acting as Recovery Consultant in the Banking Sector.

(xxvi) Insurance Financial Advisory Services under the Insurance Regulatory & Development Authority Act, 1999, including Insurance Brokerage.

(ix) Management Consultancy Company - Management Consultancy Company means a Company which complies with the Guidelines for Practice in Corporate Form issued by the Institute.

(x) Relative – Relative means "Relative" as defined in Appendix (9) of the Chartered Accountants Regulations, 1988, 2002 edition.

3. Name of the Management Consultancy Company:

(i) The Management Consultancy Company shall have a distinct name which shall be approved by the Institute. The prescribed format of application for approval of name for Management Consultancy Company is at **Form 'G'** (enclosed).

- (ii) Standards prescribed in Regulations 190 of the Chartered Accountants Regulations, 1988 shall be applicable to the name of the Management Consultancy Company. However, even if a name is provided and subsequently it is found that the same is undesirable then, the said name can be withdrawn at any time by the Institute. The provisions in respect of name of companies as prescribed in the Companies Act, 1956 shall be applicable in letter and spirit.
- (iii) The name of Management Consultancy Company may indicate the area of 'Management Consultancy & Other Services' permitted by the Council from time to time.
- (iv) The Management Consultancy Company shall neither be permitted to advertise nor to use logo.

4. Registration:

After approval of the name under Guideline 3 and incorporation under the Companies Act, 1956, the Management Consultancy Company is required to be registered with the Institute in a prescribed **Form 'H'** (enclosed).

5. Ethical Compliance:

- (i) Once the Management Consultancy Company is Registered with the Institute as per the Guidelines, it will be necessary for such a Company to comply with the following requirements: -
 - a) If the individual practitioner/sole-proprietorship firm/partnership firm is the statutory auditor of an entity then the Management Consultancy Company should not accept the internal audit or book-keeping or such other professional assignments which are prohibited for the statutory auditor firm.
 - b) The Notification No. 1-CA(7)/60/2002 dated 8th March, 2002 (enclosed) in respect of ceiling on Non-audit fees is applicable in relation to a Management Consultancy Company.
 - c) The Management Consultancy Company shall comply with clauses (6) & (7) of Part-I of the First Schedule to the Chartered Accountants Act, 1949 and such other directives as may be issued by the Institute from time to time.
- (ii) The Management Consultancy Company shall give an undertaking that it shall comply with clauses (6) & (7) of Part-I of the First Schedule to the

Chartered Accountants Act, 1949 and such other directives as may be issued by the Institute from time to time.

6. Object of Management Consultancy Company:

The Management Consultancy Company shall engage itself only in Management Consultancy & Other Services. The Management Consultancy Company shall give an undertaking that it shall render only Management Consultancy & Other Services prescribed by the Council pursuant to powers under section 2 (2)(iv) of the Chartered Accountants Act, 1949.

The Object Clause should restrict itself only to the Management Consultancy & Other Services permitted by the Council in pursuance to Section 2(2)(iv) of the Chartered Accountants Act, 1949.

7. Violation of Act:

In case of alleged violation of the provisions of the Act, Regulations framed thereunder, guidelines/directions laid down by the Council from time to time and Code of Ethics issued by the Council, the individual practitioner/sole-proprietorship firm/partnership firm in general and the Managing Director/Whole-time Director/Manager of such company in particular, would be answerable.

8. Applicability of Companies Act, 1956 and other laws:

All the provisions of the Companies Act, 1956 and other laws that are applicable to a Company formed under the Companies Act, 1956 shall be applicable to the Management Consultancy Company. The Guidelines are in addition to the provisions contained in the Companies Act, 1956.

9. Benefits available to members if the Guidelines framed are complied with:

- i) The member can retain full time Certificate of Practice besides being the Managing Director/Whole-time Director/Manager of Management Consultancy Company.
- ii) The member will be entitled to train articled/audit assistant(s).
- iii) There will be no restrictions on the quantum of the equity holding of the member, either individually and/or along with his relatives, in such a company.

10. Transitory Provisions:

- i) Any member who wishes to become Managing Director/Whole-time Director/Manager of an existing Company, which is rendering Management Consultancy & Other Services, and wishes to take other benefit contained in the Guidelines, shall comply with the Guidelines for Practice in Corporate Form.
- ii) The Company is required to take approval of name and then apply for registration with the Institute.
- iii) If the Institute has reservation over the name of an existing Company that wishes to come under the provisions of this Guidelines, the Company shall be required to apply for change in name.
- iv) The Company is also required to change its object clause, if the same contains objects other than those provided in the Guidelines.

**APPLICATION FOR APPROVAL OF NAME FOR
PROPOSED MANAGEMENT CONSULTANCY COMPANY**

**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
[See Guideline 3 of Guidelines for Practice in Corporate Form]**

1. Proposed name of the Company (in order of preference)
- | | |
|----|-------|
| 1. | _____ |
| 2. | _____ |
| 3. | _____ |

2. Name of the Members/firm along with name of partners forming proposed Management Consultancy Company

Firm Name/Member Name	Firm Regn. No./M.No.
-----------------------	----------------------

3. Address of the Registered Office of the proposed Management Consultancy Company

_____ Pin _____
Tel. No. _____
Fax No. _____
E-mail _____
Website Address _____

4. Ownership pattern of the Company

5. Name of the member proposing to become Managing Director/Whole-time Director/Manager

Name of the Member	Membership No.
1. _____	_____
2. _____	_____
3. _____	_____

Place :

Date :

Name(s) with Membership No(s).
and signature(s) of duly authorized
Partner(s)/Proprietor(s) of the firms

Notification No.1-CA(7)/60/2002**8thMarch, 2002**

1-CA(7)/60/2002: In exercise of the powers conferred by clause (ii) of Part II of the Second Schedule to the Chartered Accountants Act, 1949, the Council of the Institute of Chartered Accountants of India hereby specifies that a member of the Institute in practice shall be deemed to be guilty of professional misconduct, if he accepts the appointment as statutory auditor of Public Sector Undertaking(s)/ Government Company(ies)/Listed Company(ies) and other Public Company(ies) having turnover of Rs. 50 crores or more in a year and accepts any other work(s) or assignment(s) or service(s) in regard to the same Undertaking(s)/ Company(ies) on a remuneration which in total exceeds the fee payable for carrying out the statutory audit of the same Undertaking/company.

Provided that in case appointing authority(ies)/regulatory body(ies) specify(ies) more stringent condition(s)/restriction(s), the same shall apply instead of the conditions/restrictions specified in this Notification.

Explanation:

1. The above restrictions shall apply in respect of fees for other work(s) or service(s) or assignment(s) payable to the statutory auditors and their associate concern(s) put together;

2. For the above purpose,

(i) the term "other work(s)" or "service(s)" or "assignment(s)" shall include Management Consultancy and all other professional services permitted by the Council pursuant to Section 2(2)(iv) of the Chartered Accountants Act, 1949 but shall not include: -

(iv) audit under any other statute;

(v) certification work required to be done by the statutory auditors; and

(vi) any representation before an authority;

(ii) the term "associate concern" means any corporate body or partnership firm which renders the Management Consultancy and all other professional services permitted by the Council wherein the proprietor and/or partner(s) of the statutory auditor firm and/or their "relative(s)" is/are Director/s or partner/s and/or jointly or severally hold "substantial interest" in the said corporate body or partnership;

(iii) the terms "relative" and "substantial interest" shall have the same meaning as are assigned under Appendix (10) [now Appendix (9)] to the Chartered Accountants Regulations, 1988.

3. In regard to taking up other work(s) or service(s) or assignment(s) of the undertaking/company referred to above, it shall be open to such associate concern or corporate body to render such work(s) or service(s) or assignment(s) so long as aggregate remuneration for such other work(s) or service(s) or assignment(s) payable to the statutory auditor/s together with fees payable to its associate concern(s) or corporate body(ies) do/does not exceed the aggregate of fee payable for carrying out the statutory audit.

4. This notification is applicable for any appointment(s) on or after 1st April, 2002.

FAQs on Guidelines of Network

Q. No. 1: Whether the Institute has prescribed any Rules/Guidelines for Network?

Yes, the Institute has prescribed Rules for Network known as "Rules of Network amongst the firms Registered with The Institute of Chartered Accountants of India" and the same was published in the February 2005 issue of the Journal 'The Chartered Accountant' and hosted in the website of the Institute. The effective date of these Rules was 6th January, 2005.

Recently, these Rules have been revised and renamed as "Guidelines of Network" w.e.f. May 1st, 2009.

Q. No. 2: What is a Network?

Network amongst two or more firms means an arrangement to facilitate the better functioning of the affiliate member firms in the interest of the profession and not for acquisition of any gain. Such Network shall include the formal Network to use the collective resources such as turnover, infrastructures, manpower, location for execution of professional services of one or more type.

[Explanation –

1. **An affiliation as referred to above shall also include: -**
 - (i) **having an association with an accounting entity within or outside India such that it results directly or indirectly in a common professional economic or beneficial interest.**
 - (ii) **one or more of the entities holding out that it is so affiliated or networked.**
2. **An entity shall not be treated as an affiliate of another merely for the reason that they**
 - (a) **share professional knowledge and data base;**
 - (b) **refer certain professional assignments or authorize the other to represent certain specific matters.**

- 3. If different Indian firms are networked with a common Multi National Accounting Firm (MAF) then irrespective of the presence/absence of any `affiliate' relationship between the Indian firms inter-se, they shall be considered as part of a network.] [Guideline 2 (i) of Guidelines of Network].**

Q. No. 3: What is a Formal Network?

Formal network means a network amongst two or more firms registered with The Institute of Chartered Accountants of India (ICAI), where the object of network is to use the collective resources of the affiliates for execution of professional services of one or more types at one and/or at multi-locational points. The resources would include financial, technical and other logistic support required to execute the professional assignments. In such type of network, the common resources may be pooled and exhibited together before the service user as those belonging to one particular set of professionals. **[Guideline 2 (ii) of Guidelines of Network].**

Q. No. 4: What is Referral Practice?

Referral Practice means a practice to refer professional work by a firm to one of its associate/affiliate either situated at a different place or rendering professional services not provided by it, to the user of the services. The pre-dominant objective of such a network is not to pool in their collective resources and exhibit them as those belonging to one particular set of professionals. **[Guideline 2 (iii) of Guidelines of Network].**

Q. No. 5: Whether a Network can have a distinct name?

Yes. The Network may have distinct name which should be approved by the Institute. To distinguish a "Network" from a "firm" of Chartered Accountants, the words "& Affiliates" should be used after the name of the network and the words "& Co."/"& Associates" should not be used. The prescribed format of application for approval of Name for Network in **Form `A'.** **[Guideline 3 (i) of Guidelines of Network].**

Q. No. 6: Whether the standards prescribed in Regulations 190 of the Chartered Accountants Regulations, 1988 will be applicable to the name of Network?

Yes, the standards prescribed in Regulations 190 of the Chartered Accountants Regulations, 1988 shall be applicable to the name of Network. However, even if a name is provided and subsequently it is found that the same is undesirable then, the said name can be withdrawn at any time by the Institute. The Institute shall reject any

undesirable name and the provisions in respect of names of companies as prescribed in the Companies Act, 1956 shall be applicable in spirit. **[Guideline 3 (ii) of Guidelines of Network].**

Q. No. 7: Whether the Network is permitted to advertise or to use a Logo?

No, the network is neither permitted to advertise nor to use logo. The firms constituting the network are permitted to use the words "Affiliates/Members of" (a network of Indian CA firms) on their professional stationery. **[Guideline 3 (iii) of Guidelines of Network].**

Q. No. 8: Whether a Network may work without a Name?

Yes, a Network may work without a Name also. **[Guideline 3 (iv) of Guidelines of Network].**

Q. No. 9: Whether all Networks are required to be registered?

A Formal Network is required to be registered with the Institute in a prescribed Form 'B'. However, referral Practice requires no registration. **[Guideline 4 (i & ii) of Guidelines of Network].**

Q. No. 10: Who will decide whether the affairs and relations amongst the firms result in creation of a Formal Network?

It is for each firm to decide whether its affairs and relations with another firm results in creation of a Formal Network. Network shall evaluate for itself whether or not it is a formal network requiring registration with the Institute. **[Guideline 4 (iii) of Guidelines of Network].**

Q. No. 11: What will be the status of the Indian Firms networked with a common Multinational Accounting Firm (MAF)?

If different Indian firms are networked with a common Multinational Accounting Firm (MAF) then irrespective of the presence/absence of any 'affiliate' relationship between the Indian firms inter-se, they shall be considered as part of a network. **[Guideline 4 (iv) of Guidelines of Network].**

Q. No. 12: Whether registration is mandatory for the firms networked with a common Multinational Accounting Firm (MAF)?

As such, the registration with the Institute is not mandatory for these firms. It is only if these Indian firms decide to constitute a Formal Network, then the registration with the Institute is mandatory. **[Guideline 4 (iv) of Guidelines of Network]**.

Q. No. 13: Whether it will be necessary for a Network not registered with the Institute to comply with any ethical requirements prescribed by the Institute? What are those ethical requirements?

Yes, once the relationship of network arises, whether registered or not with the Institute, it will be necessary for such a network to comply with all applicable ethical requirements prescribed by the Institute from time to time in general and the following requirements in particular: -

- (a) If one firm of the network is the statutory auditor of an entity then the associate [including the networked firm(s)] or the said firm directly/indirectly should not accept the internal audit or book-keeping or such other professional assignments which are prohibited for the statutory auditor firm.
- (b) The Notification No. 1-CA(7)/60/2002 dated 8th March, 2002 in respect of ceiling on Non-audit fees is applicable in relation to a Network as follows:
 - i) For a constituent member of a Network who is doing statutory audit (including its associate concern and/or firm(s) having common partnership), it shall be the same as mentioned in the said notification; and
 - ii) For other constituent member(s) of the same Network collectively, it shall be 3 times of the fee payable for carrying out the statutory audit of the same undertaking/company.
- (c) In those cases where rotation of firms is prescribed by any regulatory authority, no member firm of the network can accept appointment as an auditor in place of any member firm of the network which is retiring. However, this restriction shall not apply in case of appointment as Statutory Central Auditor of Government agencies/Undertakings such as Public Sector Undertakings (PSUs), Public Sector Banks and Financial Institutions etc.
- (d) The Constituent member firms of a Network & the Network shall comply with all the Ethical Standards prescribed by the Council from time to time. **[Guideline 5 of Guidelines of Network]**.

Q. No. 14: Whether a member firm of a Network can accept the assignment of Internal Audit or Book-keeping of a Company, if another

member firm of the same Network is the statutory auditor firm of the same Company?

If one firm of the network is the statutory auditor of an entity then the associate [including the networked firm(s)] or the said firm directly/indirectly should not accept the internal audit or book-keeping or such other professional assignments which are prohibited for the statutory auditor firm. **[Guideline 5 (a) of Guidelines of Network]**.

Q. No. 15: Whether the Notification No. 1-CA(7)/60/2002 dated 8th March, 2002 in respect of ceiling on Non-audit fees is applicable in relation to a Network?

The Notification No. 1-CA(7)/60/2002 dated 8th March, 2002 in respect of ceiling on Non-audit fees is applicable in relation to a Network as follows:

- i) For a constituent member of a Network who is doing statutory audit (including its associate concern and/or firm(s) having common partnership), it shall be the same as mentioned in the said notification; and
- (ii) For other constituent member(s) of the same Network collectively, it shall be 3 times of the fee payable for carrying out the statutory audit of the same undertaking/company. **[Guideline 5 (b) of Guidelines of Network]**.

Q. No. 16: Whether a member firm of the network can accept appointment as an auditor in place of any member firm of the network which is retiring where rotation of firms is prescribed by any regulatory authority?

In those cases where rotation of firms is prescribed by any regulatory authority, no member firm of the network can accept appointment as an auditor in place of any member firm of the network which is retiring. However, this restriction shall not apply in case of appointment as Statutory Central Auditor of Government agencies/Undertakings such as Public Sector Undertakings (PSUs), Public Sector Banks and Financial Institutions etc. **[Guideline 5 (c) of Guidelines of Network]**

Q. No. 17: Whether a Network is required to obtain the consent of the client to engage an affiliate in discharging the professional assignments?

Yes, a Network shall obtain consent of the client to engage an affiliate in discharging the professional assignments. **[Guideline 6 of Guidelines of Network]**

Q. No. 18: Who are eligible to form a Network? Whether a company can form part of Network?

Proprietary/Partnership firm(s) as well as individual member(s) are permitted to form a Network. A Company is not permitted to form part of Network. **[Guideline 7 (i) of Guidelines of Network]**

Q.No. 19: Whether an individual member is permitted to form a Network?

Yes, a proprietary/partnership firm(s) as well as individual member(s) is permitted to form a Network. **[Guideline 7 (i) of Guidelines of Network]**

Q. No. 20: Whether there is any ceiling on the number of Network that a firm is allowed to join?

Yes, a proprietary/partnership firm as well as individual Member is allowed to join only one Formal network. **[Guideline 7 (ii) of Guidelines of Network]**

Q. No. 21: Whether the firms having common partners can join different Networks?

No, the firms having common partners shall join only one network. **[Guideline 7 (iii) of Guidelines of Network]**

Q. No. 22: Whether a Network is allowed to carry on any business?

No, a Network itself will not carry on any business for acquisition of gain for itself and only act as a facilitator for its members/constituent Member firms to pursue their professional jobs. **[Guideline 8 of Guidelines of Network]**

Q. No. 23: While responding to any enquiry, whether all the member firms of a Network are permitted to apply?

No, only one firm/Member can apply on behalf of the network showing the collective strength of all the constituent firms of the network, when responding to any enquiry. **[Guideline 9 of Guidelines of Network]**

Q. No. 24: Whether a Network is eligible to issue/sign/ attest any certificate/Report/professional document/assignment?

No, only the firm(s)/Member(s) forming Network are eligible to issue/sign/ attest any certificate/Report/professional document/assignment. **[Guideline 10 of Guidelines of Network]**

Q. No. 25: Who will be responsible for the alleged violation of the Chartered Accountants Act, 1949, Regulations framed thereunder, guidelines/directions laid down by the Council from time to time and Code of Ethics?

In case of alleged violation of the provisions of the Act, Regulations framed thereunder, guidelines/directions laid down by the Council from time to time and Code of Ethics by the Network firm, the proprietary/partnership firm(s)/individual Member constituting the Network will be answerable. **[Guideline 11 of Guidelines of Network]**

Q. No. 26: Whether a constituent member firm/member of a Network can exit from the Network? If so, whether any concurrence of the other firms/Member forming Network is required?

Yes, a constituent Member firm/Member of a Network can exit from the network by sending the declaration in **Form 'C'** to the Institute and also to each and every constituent of the network. The concurrence/acceptance of the same by other firms forming part of the network firm shall not be required. **[Guideline 12 of Guidelines of Network]**

Q. No. 27: What will be the framework of Internal Byelaws of Network requiring Registration?

To streamline the networking, a network shall formulate operational byelaws. Byelaws may contain the following clauses on which the affiliates of the network may enter into a written agreement among themselves:

- (xv) Appointment of a Managing Committee, from among the managing partners of the member firms of the network and the terms and conditions under which it should function. The minimum and maximum number of members of the Managing Committee shall also be agreed upon
- (xvi) Administration of the network
- (xvii) Contribution of membership fees to meet the cost of the administration of the network.
- (xviii) Identifying a partner of any of the member firms of the network to be responsible for the assignment (engagement partner)
- (xix) Dispute settlement procedures through arbitration and conciliation
- (xx) Development of training materials for members of the network

- (xxi) Issue of News-letters for staff and clients
- (xxii) Development of softwares for different types of assignments
- (xxiii) Development and maintenance of data bases relevant for different types of assignments
- (xxiv) Library
- (xxv) Appointment of a technical director to whom references can be made
- (xxvi) Determining the methodology for drawing resources from each member firm
- (xxvii) Determining compensation to member firms for resources to be drawn from them
- (xxviii) Peer review of the member firms

These clauses are illustrative. [**Guideline 14 of Guidelines of Network**]

Q. No. 28: Whether the firms registered with ICAI can network with entities outside India? If yes, who may form such Network and what is the procedure for its formation?

Yes, the firms registered with ICAI can network with entities outside India and will be required to comply with the Guideline 13 of Guidelines of Network.

Proprietary/Partnership firms as well as individual members are permitted to join such Network with entities outside India. They are allowed to join only one formal network. Firms having common partners are allowed to join only one such network.

The duly authorized representative(s) of the Indian Member firm(s)/Member constituting the Network shall file a declaration with the Institute in **Form `D`** for registration.

Issue No.29: The restriction as contained in Guideline 5 (a) of Guidelines of Network should not be applicable in case of bank audit as the same will be deterrent to formation of Network?

Guideline 5 is applicable in case of Bank Audit also otherwise the very purpose of Ethical Compliance will be defeated.

Issue No.30: Whether each member of the network can use the word "XYZ affiliates" e.g. M/s X & Co. (XYZ AFFILIATES). If yes, then whether both the name can be used simultaneously in the professional documents of the firm?

Yes. The member firm can write both the name of the member firm and Network in the professional documents of the firm.

Issue No.31: For the purpose of signing of audit reports etc., which name should be written i.e. firm's name or network's name or both?

Guideline 10 provides that only the firms/members forming Network are eligible to issue/sign/attest any certificate/report/professional document/ assignment. Accordingly, for the purpose of signing of audit reports etc., the name of the firm in whose name the audit was allotted should be written.

Issue No.32: Whether a firm member of the network can sign other firm's client's certificate/audit reports. If yes, then under which name it should be signed?

No. The firm which is receiving the appointment can only sign the Certificate/Audit Report.

Issue No.33: Whether modus operandi of sharing of fees in the network is required to be registered with the Institute?

No. It should be part of internal byelaws of Network and the same need not be registered with the Institute.

Issue No.34: Whether a joint application of network members under the name of network for empanelment of banks, financial institutions or CAG will be considered or network firms have to also individually apply?

As per existing norm, only the individual firm can apply on behalf of the network where the firm can show the collective strength of the Network.

Issue No.35: What will be the status of a Network formed under Guidelines of Network? Is it an AOP?

The Network itself will not carry on any business for acquisition of gain for itself and only act as a facilitator for its members/constituent Member firms to pursue their professional jobs. Since the Network has no income, it is not an assessee under the Income Tax Act, 1961.

Issue No.36: If some work comes in the Network, TDS shall be deducted out of the fee. Whether PAN is to be applied for the Network? Whether it would also be registered under the service tax?

Since the Network is not an assessee under the Income Tax Act, 1961, the Network need not apply for PAN, TAN and Service Tax Registration.

Issue No.37: How the Network will apply for tender whether in its own name or in the name of one of the member firm? If the Network is not allowed to apply for tender and one of the member firm will have to apply how the member firm will show that it is applying in the name of network?

Guideline 9 provides that only one firm/member can apply on behalf of the Network showing the collective strength of the Network of all the constituent firms of the network, when responding to any enquiry. For example, if A & Co., B & Co. and C & Co. formed a Network ABC & Affiliates, then either A & Co. or B & Co. or C & Co. can apply for an assignment on behalf of ABC & Affiliates showing collective Strength of A & Co., B & Co. and C & Co. and the firm in whose favour appointment can only sign the Certificate/Audit Reports.

Issue No.39: One of the important parameters for determining whether a network is a formal network or not, is exhibition of pooling in resources as common resources before the service user. Since a practicing chartered accountant is prohibited from soliciting clients or professional work by way of circular, advertisement, personal communication or interview or by any other means, as laid down in the Clause (6) of Part I of the First Schedule to the Chartered Accountants Act, it is not clear as to the manner in which the member firm shall exhibit pooled resources as those belonging to one particular set of professionals?

The members are not permitted to solicit the work but the member firm can exhibit pool resource while responding to any tender/enquiry.

Issue No.40: Whether there could be Networking amongst the various Networks?

No.

Issue No.41: It has not been provided in the Guidelines of Network where majority of firms forming part of network want one of the firm to quit for any reason. The probable answer that all the other four firms should quit by filing form C respectively and form a new network should not be acceptable, as the four firms would like to retain the name of the network made available to them?

The internal byelaws may provide for arbitration and conciliation for settling any dispute amongst the members of the Network.

Issue No.42: What shall be the modalities/Guidelines to be complied with if a new firm wishes to join existing network?

The internal byelaws should provide for admission of new member in the Network. The Institute has no role to play in such matter. However, in case of changes of member firm, either by joining or disassociation, all the member firms of the Network should file Form 'B' with the Institute signed by all the members of the Network.

Issue No.43: In networking if an affiliate is holding statutory audit of a concern the other firms in the network cannot hold any assignments forbidden for the statutory auditors. Will this apply to a case where a firm is holding say branch statutory audit of BOI-Nehru Place and another firm is holding concurrent audit of another Branch of BOI at say Andrews Ganj?

No. The same is not permissible.

Issue No.44: Whether two or more individual can form a network?

Yes, they can form a Network.

Issue No.45: Suppose a chartered accountant who is partner in any firm joins a Network as Individual. Will in that case exclusivity will hit while applying the audit for banks and CAG in the case, if he sign and not sign the application form?

Yes, if a member is practicing in individual capacity as well as partner in a firm, the exclusivity will apply.

Issue No.46: Whether a Network can apply or receive any professional work?

No. The object of network is to act as facilitator for its members/constituent Member firms to pursue their professional jobs and only the member firms can apply on behalf of the member.

Issue No.47: If a member is practicing in individual capacity as well as a partner in a firm. The firm is a statutory auditor of a bank. Whether this member in his individual capacity can do internal audit of the same bank?

No. The Ethical Compliance should extend to the member in his individual capacity also. Otherwise, the very purpose of ethical compliance will be defeated.

Issue No.48: Which type of network requires registration?

If the object of the Network is to use the collective strength of the member firms then Guideline 4 has to be complied with whether it is a Network amongst the firm registered with the ICAI or entities outside India.

FAQs on Rules of Merger & Demerger

Q. No. 49: Whether the Institute has prescribed Rules for Merger & Demerger?

Yes, the Institute has prescribed rules for Merger & Demerger known as "Rules of Merger & Demerger Amongst the Firms Registered with the Institute of Chartered Accountants of India and the same has been published in the February 2005 issue of the Journal 'The Chartered Accountant' and hosted in the website of the Institute. The effective date of these Rules is 6th January, 2005. **[Rule 1 of Rules of Merger & Demerger]**

Q. No. 50: Define Merger & Demerger of C.A. Firms?

The Partnership Act has not prescribed merger & demerger of partnerships. In the corporate world, merger and demerger have become universal practices for securing survival, growth, expansion and globalization of enterprise and achieving multitude of objectives. Merger is the fusion of two or more existing companies. On the other hand, demerger signifies a movement in the company just opposite to merger. 'Demerger' is also used to describe spinning off of an "undertaking" of a Corporate entity. The concept of 'Merger', 'Demerger' & 'Acquisition' are arising out of the 'Arrangement' under Sections 391-394 of the Companies Act, 1956. Merger and Demerger are natural corollary of globalization.

To incorporate the spirit of Corporate World and to imbibe the consolidation creed, the Council used the term 'merger' and 'amalgamation' of CA firms. The Council in its 198th Meeting held from 25th to 27th February, 1999 and in 223rd Meeting held from 2nd to 5th February, 2002 considered the Seniority and Mergers of the firm and implications of the decisions, are enclosed in **Tabular form**.

In order to have an orderly and sustainable growth of the CA firms, it is desirable that the coming together of the firms begins with networking and then matures to mergers. Networking will enable the firms to develop working relationships with each other. However, it is not to suggest that there cannot be mergers without networking.

The 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. **[Rule 2 of Rules of Merger & Demerger]**

Q. No. 51: How the Merger will be effectuated?

- (i) To effectuate merger, a merger agreement in **Form 'E'** is to be filed with the Institute within 30 days from the date of the agreement. The re-constitution agreement/partnership deed shall be filed with the Registrar of Firms.
- (ii) Upon the merger of the firms, the Institute will freeze the names of the merging firms and shall not allot the same names to any other firm. **[Rule 3 of Rules of Merger & Demerger]**

Q. No. 52: What are the requirements for Demerger?

The merger agreement itself shall contain the terms and conditions for demerger. Therefore no concurrence/acceptance is required from the continuing partners. The merger agreement shall stipulate that in case 75% or more of the continuing partners of one of the erstwhile firm(s) are willing to demerge then they can do so after giving due notice in **Form 'F'** to the other partners and to the Institute. **[Rule 4 (i) of Rules of Merger & Demerger]**

Q. No. 53: Whether the Merger Agreement will remain in force after the Demerger takes place?

No, in case 75% or more of the continuing partners of one of the erstwhile merging firm have demerged after giving due notice to the other partners, then in such case, the merger shall come to an end and if the remaining erstwhile merging firms/partners of the erstwhile merged firm decided to continue, then they should enter into a fresh Merger/Partnership Agreement. **[Rule 4(ii) of Rules of Merger & Demerger]**

Q. No. 54: Whether the Demerged Firm will be entitled to practice in its old trade name, which existed at the time of merger?

Yes, the Demerged Firm is entitled to practice in its old trade name, which existed at the time of merger if the conditions prescribed in the Rules of Merger & Demerger are fulfilled. The Constitution Certificate issued by the Institute to the demerged firm shall state the original date of establishment, the date of its merger and the date of the demerger. **[Rule 4 (iii) of Rules of Merger & Demerger]**

Q. No. 55: How the seniority of the Demerged firm will be computed?

For the purpose of computing the seniority of the firm, the total period will be reckoned from the original date of establishment. **[Rule 4 (iv) of Rules of Merger & Demerger]**

Q. No. 56: Whether there is any time limit for demanding Demerger?

The demerger can be demanded within a period of 5 years from the date of merger. **[Rule 4 (v) of Rules of Merger & Demerger]**

Q.No. 57: Whether the Rule is prohibiting any Demerger after 5 years?

No, but in such demerger, the benefits prescribed in the Rules will not be available and that will not be treated as demerger under these Rules. **[Rule 4 (v) of Rules of Merger & Demerger]**

FAQs on Guidelines for Practice in Corporate Form

Q. No. 58: Whether a Chartered Accountant in practice can practice in Corporate Form?

Yes, the Council at its 261st meeting held in August 2006 permitted the Chartered Accountant in practice to practice in Corporate Form subject to compliance of Guidelines for Practice in Corporate Form.

Q. No. 59: What are Management Consultancy and Other Services?

Management Consultancy & Other Services or MCS means `Management Consultancy & Other Services permitted by the Council in pursuance to Section 2(2)(iv) of the Chartered Accountants Act, 1949. The definition of the expression "Management Consultancy and other Services" as appearing at pages 8-10 of Code of Ethics, 2005 edition, is as under:

The expression "Management Consultancy and other Services" shall not include the function of statutory or periodical audit, tax (both direct taxes and indirect taxes) representation or advice concerning tax matters or acting as liquidator, trustee, executor, administrator, arbitrator or receiver, but shall include the following:

- (i) Financial management planning and financial policy determination.
- (ii) Capital structure planning and advice regarding raising finance.
- (iii) Working capital management.
- (iv) Preparing project reports and feasibility studies.
- (v) Preparing cash budget, cash flow statements, profitability statements, statements of sources and application of funds etc.
- (vi) Budgeting including capital budgets and revenue budgets.
- (vii) Inventory management, material handling and storage.
- (viii) Market research and demand studies.
- (ix) Price-fixation and other management decision making.
- (x) Management accounting systems, cost control and value analysis.
- (xi) Control methods and management information and reporting.
- (xii) Personnel recruitment and selection.
- (xiii) Setting up executive incentive plans, wage incentive plans etc.
- (xiv) Management and operational audits.
- (xv) Valuation of shares and business and advice regarding amalgamation, merger and acquisition.

- (xvi) Business Policy, corporate planning, organisation development, growth and diversification.
- (xvii) Organisation structure and behaviour, development of human resources including design and conduct of training programmes, work study, job-description, job evaluation and evaluation of work loads.
- (xviii) Systems analysis and design, and computer related services including selection of hardware and development of software in all areas of services which can otherwise be rendered by a Chartered Accountant in practice and also to carry out any other professional services relating to EDP.
- (xix) Acting as advisor or consultant to an issue, including such matters as: -
 - (a) Drafting of prospectus and memorandum containing salient features of prospectus. Drafting and filing of listing agreement and completing formalities with Stock Exchanges, Registrar of Companies and SEBI.
 - (b) Preparation of publicity budget, advice regarding arrangements for selection of (i) ad-media, (ii) centres for holding conferences of brokers, investors, etc., (iii) bankers to issue, (iv) collection centres, (v) brokers to issue, (vi) underwriters and the underwriting arrangement, distribution of publicity and issue material including application form, prospectus and brochure and deciding on the quantum of issue material (In doing so, the relevant provisions of the Code of Ethics must be kept in mind).
 - (c) Advice regarding selection of various agencies connected with issue, namely Registrars to Issue, printers and advertising agencies.
 - (d) Advice on the post issue activities, e.g., follow up steps which include listing of instruments and despatch of certificates and refunds, with the various agencies connected with the work.

Explanation: For removal of doubts, it is hereby clarified that the activities of broking, underwriting and portfolio management are not permitted.
- (xx) Investment counseling in respect of securities [as defined in the Securities Contracts (Regulation) Act, 1956 and other financial instruments.] (In doing so, the relevant provisions of the Code of Ethics must be kept in mind).
- (xxi) Acting as registrar to an issue and for transfer of shares/other securities. (In doing so, the relevant provisions of the Code of Ethics must be kept in mind).
- (xxii) Quality Audit.
- (xxiii) Environment Audit.
- (xxiv) Energy Audit.
- (xxv) Acting as Recovery Consultant in the Banking Sector.
- (xxvi) Insurance Financial Advisory Services under the Insurance Regulatory & Development Authority Act, 1999, including Insurance Brokerage.

Q. No. 60: What is Management Consultancy Company?

Management Consultancy Company means a Company which complies with the Guidelines for Practice in Corporate Form issued by the Institute.

Q. No. 61: What is meant by Relative?

Relative means "Relative" as defined in Appendix (9) of the Chartered Accountants Regulations, 1988, 2002 edition.

Q. No. 62: What shall be the name of the Management Consultancy Company?

- (i) The Management Consultancy Company shall have a distinct name which shall be approved by the Institute. The prescribed format of application for approval of Name for Management Consultancy Company is at **Form 'G'** (enclosed).
- (ii) Standards prescribed in Regulations 190 of the Chartered Accountants Regulations, 1988 shall be applicable to the name of the Management Consultancy Company. However, even if a name is provided and subsequently it is found that the same is undesirable then, the said name can be withdrawn at any time by the Institute. The provisions in respect of name of companies as prescribed in the Companies Act, 1956 shall be applicable in letter and spirit.
- (iii) The name of Management Consultancy Company may indicate the area of 'Management Consultancy & Other Services' permitted by the Council from time to time.
- (iv) The Management Consultancy Company shall neither be permitted to advertise nor to use logo.

Q. No. 63: Whether a Management Consultancy Company be allowed to advertise or to use logo?

The Management Consultancy Company shall neither be permitted to advertise nor to use logo.

Q. No. 64: Whether it is mandatory for a Management Consultancy Company to register with the Institute?

After approval of the name under Guideline 3 and incorporation under the Companies Act, 1956, the Management Consultancy Company is required to be registered with the Institute in a prescribed **Form 'H'** (enclosed).

Q. No. 65: What are the requirements a Management Consultancy Company to required to comply with after registering with the Institute?

Once the Management Consultancy Company is Registered with the Institute as per the Guidelines, it will be necessary for such a Company to comply with the following requirements: -

- d) If the individual practitioner/sole-proprietorship firm/partnership firm is the statutory auditor of an entity then the Management Consultancy Company should not accept the internal audit or book-keeping or such other professional assignments which are prohibited for the statutory auditor firm.
- e) The Notification No. 1-CA(7)/60/2002 dated 8th March, 2002 (enclosed) in respect of ceiling on Non-audit fees is applicable in relation to a Management Consultancy Company.
- f) The Management Consultancy Company shall comply with clauses (6) & (7) of Part-I of the First Schedule to the Chartered Accountants Act, 1949 and such other directives as may be issued by the Institute from time to time.

Q. No. 66: Whether a Management Consultancy Company to required to give undertaking that it shall comply with clauses (6) & (7) of Part-I of the First Schedule to the Chartered Accountants Act, 1949 and such other directives as may be issued by the Institute from time to time?

Yes, the Management Consultancy Company shall give an undertaking that it shall comply with clauses (6) & (7) of Part-I of the First Schedule to the Chartered Accountants Act, 1949 and such other directives as may be issued by the Institute from time to time.

Q. No. 67: What shall be the object of a Management Consultancy Company?

The Management Consultancy Company shall engage itself only in Management Consultancy & Other Services. The Management Consultancy Company shall give an undertaking that it shall render only Management Consultancy & Other Services prescribed by the Council pursuant to powers under section 2 (2)(iv) of the Chartered Accountants Act, 1949.

The Object Clause should restrict itself only to the Management Consultancy & Other Services permitted by the Council in pursuance to Section 2(2)(iv) of the Chartered Accountants Act, 1949.

Q. No. 68: Who shall be answerable for any alleged violation of the provisions of the Act, Regulations framed thereunder, guidelines/direction laid down by the Council from time to time and Code of Ethics by the Management Consultancy Company?

In case of alleged violation of the provisions of the Act, Regulations framed thereunder, guidelines/direction laid down by the Council from time to time and Code of Ethics by the Management Consultancy Company, the individual practitioner/sole-proprietorship firm/partnership firm in general and the Managing Director/Whole-time Director/Manager in particular, would be answerable.

Q. No. 69: Whether the provisions of the Companies Act, 1956 and other laws that are applicable to a Company formed under the Companies Act, 1956 shall be applicable to the Management Consultancy Company?

All the provisions of the Companies Act, 1956 and other laws that are applicable to a Company formed under the Companies Act, 1956 shall be applicable to the Management Consultancy Company. The Guidelines are in addition to the provisions contained in the Companies Act, 1956.

Q. No. 70: What are the benefits that are available to members if the Guidelines framed are complied with?

- i) The member can retain full time Certificate of Practice besides being the Managing Director/Whole-time Director/Manager of Management Consultancy Company.
- ii) The member will be entitled to train articled/audit assistant(s).
- iii) There will be no restrictions on the quantum of the equity holding of the member, either individually and/or along with his relatives, in such a company.

Q. No. 71: Whether a member in practice who wishes to become Managing Director/Whole-time Director/Manager of an existing Company, which is rendering Management Consultancy & Other Services, can take the benefit contained in the Guidelines?

- i) Any member who wishes to become Managing Director/Whole-time Director/Manager of an existing Company, which is rendering Management Consultancy & Other Services, and wishes to take other benefit contained in the Guidelines, shall comply with the Guidelines for Practice in Corporate Form.
- ii) The Company is required to take approval of name and then apply for registration with the Institute.
- iii) If the Institute has reservation over the name of an existing Company that wishes to come under the provisions of this Guidelines, the Company shall be required to apply for change in name.
- iv) The Company is also required to change its object clause, if the same contains objects other than those provided in the Guidelines.