

DIRECTORS' REPORT

TO THE MEMBERS OF ICAI ACCOUNTING RESEARCH FOUNDATION

The Directors have pleasure in presenting the Nineteenth Annual Report of the ICAI Accounting Research Foundation (ICAI ARF), together with the Audited Balance-Sheet, Statement of Profit and Loss Account and Cash Flow Statement for the Financial Year ended 31st March 2018.

ICAI ARF was established in January, 1999 by the Institute of Chartered Accountants of India, as a Section 25 company (now section 8 Company) and a core research body to promote research in the areas of accounting, auditing, capital markets, fiscal policies, monetary policies and other related disciplines. ICAI ARF believes that proper research inputs are necessary condition for raising the level of corporate governance, management, accounting and financial reporting. High quality research projects based on practical experience with theoretical extrapolations would also provide valuable inputs in formulation of policies and implementation thereof at macro and micro levels.

PERFORMANCE HIGHLIGHTS:

ICAI ARF has completed another successful year, 2017-18, in establishing it as a core research body in the areas of Accounting, Auditing, Fiscal Laws and Policy, Corporate and Economic Laws and Policies, Economics, Financial Management, Financial Services, Capital and Money Markets and other related disciplines.

Recognizing the impetus required for promoting quality research in the country, the Board has adopted and pursued a multi-pronged action plan to support research projects of contemporary national and international significance in the areas related to accountancy profession. ICAI ARF has extended an open invitation to undertake research to various institutions, research bodies, research scholars and the practitioners.

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

RESEARCH PROJECTS:

The main objective of the establishment of ICAI ARF is to undertake, conduct, foster, promote and provide aid and facilities for prosecuting core, fundamental, empirical, applied and other kinds of research work, projects and studies. The research work undertaken by ICAI ARF has been divided amongst two branches of research, viz., (1) Basic Research, and (2) Applied Research.

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

1. BASIC RESEARCH:

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

1.1 Analysis of issues on Mandatory Reporting under IFRS in India by Dr. Shigufta Uzma, Associate Professor, NIT, Rourkela

The researcher aims to carry out the analysis on the aspects related to Mandatory Reporting under IFRS in India.

2. APPLIED RESEARCH:

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

In view of the above, ICAI ARF has, in past, undertaken research projects related to conversion of accounts from cash basis to accrual system of Accounting of Municipal Corporation of Delhi (MCD), Kolkata Municipal Corporation (KMC), Controller General of Accounts (CGA) and Department of Posts (DoP), All India Institute of Medical Sciences (AIIMS), Kerala State Insurance Department (KSID), Employees' Provident Fund Organisation (EPFO), etc. involving conceptualizing a new accounting system including the incorporation of methodologies and procedures not common in India. The Foundation had also undertaken DFID Project relating to Strengthening Rural Decentralization (SRD) suggesting a detailed methodology and road map for underpinning the issue on a logical framework. In continuation to above, the following projects have been undertaken by ICAI ARF:

2.1 ONGOING PROJECTS DURING THE YEAR

- 2.1.1** Indian Railways - Work of Rolling Out Accrual Accounting in all the Zonal Railways and Production Units across the country.

2.2 NEW PROJECT PROPOSALS RECEIVED DURING THE YEAR:

- 2.2.1 Municipal Corporation of Greater Mumbai (MCGM) - Pilot Study Project on Review and Strengthening of Accrual Accounting System and Designing of a Sustainable Audit Management Framework**

ICAI ARF has received the Letter of Assignment. The terms of the MoU are still under discussion and the project work will commence after signing up of the MoU.

- 2.2.2 Tamil Nadu Civil Supplies Corporation Limited - To Develop Integrated Accounting System including a complete IT enabled Management Information System**

ICAI ARF has received the Letter of Assignment. The project work has begun in July, 2018.

- 2.2.3 Employees' Provident Fund Organisation (EPFO) : Proposal for Implementation of Accrual Accounting in selected verticals of EPFO in Phase II and Roll Out across EPFO in Phase III**

- 2.2.4 Directorate of Printing, Ministry of Housing & Urban Affairs, Government of India : Consultancy Assignment for introduction of Commercial Accounting System**

- 2.2.5 Ministry of Rural Development, Government of India : Accounting & Auditing Reforms in Mahatma Gandhi National Rural Employment Guarantee Scheme**

FINANCIAL PERFORMANCE:

During the year, the receipt from research activities has been Rs. 0.43 lakh as against Rs. 172.39 lakh in the previous year. The deficit for the year under review amounted to Rs. 64.72 lakh as compared to a net surplus of Rs. 68.49 lakh in the previous year. Financial results for the year 2017-18 compared with those of previous year are summarized below:

Particulars	2017-18	2016-17
Revenue from Research Activities	43,364	1,72,38,800
Subscription from Members	1,45,000	1,20,000
Interest from Bank	5,70,600	1,05,561
Interest from Income Tax Refund	2,99,016	8,934
Grant		69,70,000
Miscellaneous Income	54,295	1,99,560
Total Income (A)	11,12,275	2,46,42,855

Total Expenditure (B)	75,84,464	1,65,92,177
Surplus/ (Deficit) Before Taxation (C) - (A-B)	(64,72,189)	80,50,678
Less (D) : Current Tax Deferred Tax Provision for Taxation Prior Period Item		12,01,200
Surplus/ (Deficit) After Taxation (C-D)	(64,72,189)	68,49,478

The Directors propose to appropriate this amount as under:

Amount transferred to General Reserve	(64,72,189)	68,49,478
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Summarized Cash Flow Statement:	2017-18	2016-17
Inflow/(outflow) from operations	80,77,626	28,69,728
(Inflow)/outflow from investing activities	5,70,600	1,05,561
(Inflow)/outflow from financing activities	3,72,016	3,54,298
Net increase/(decrease) in cash & bank balance	90,20,242	33,29,587

STRENGTHENING OF INFRASTRUCTURAL BASE:

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

THE WAY FORWARD:

Recognising the fact that considerable efforts are required not only to promote research in the field of accounting in India but also to show and prove its applicability and benefits in the real world, ICAI ARF propose to take a number of proactive measures for undertaking applied research, and carrying out research studies. ICAI ARF further plans to intensify promotional campaign for establishing direct contact with the authorities/organisations/bodies working as extensions of the Government of India and operating on Cash Basis of Accounting to on the one hand, and reaching out to the potential researchers throughout the country, on the other.

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

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

MATERIAL CHANGES AND COMMITMENT IF ANY AFFECTING THE FINANCIAL POSITION OF THE COMPANY OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR TO WHICH THIS FINANCIAL STATEMENT RELATE AND THE DATE OF THE REPORT

No material changes and commitments affecting the financial position of the Company occurred between the ends of the financial year to which this financial statement relate on the date of this report.

DEPOSITS

The Company has not invited/accepted any deposits from the public during the year ended March 31, 2018. There were no unclaimed or unpaid deposits as on March 31, 2018.

DIVIDEND

The Company is restricted by its Memorandum of Association for distribution of dividend among its members.

CORPORATE SOCIAL RESPONSIBILITY

The Company is not required to constitute a Corporate Social Responsibility Committee as it does not fall within purview of section 135(1) of the Companies Act, 2013 and hence it is not required to formulate policy on corporate social responsibility.

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

Conservation of energy:	The Foundation deals in Basic and Applied research and does not require large quantities of energy. However, wherever possible energy saving efforts are made.
Technology absorption:	Being a research organization, all the functions and resources are devoted towards research purposes. The IR, EPFO, PFC, MCD, KMC, CGA and DoP projects have been instrumental in building expertise in conversion of accounts to accrual basis.
Foreign Exchange earnings & Outgo:	Foreign Exchange earnings : Nil Foreign Exchange Outgo : Nil

EXPLANATION OR COMMENTS ON QUALIFICATIONS, RESERVATIONS OR ADVERSE REMARKS OR DISCLAIMERS MADE BY THE AUDITORS AND THE PRACTICING COMPANY SECRETARY IN THEIR REPORTS

There were no qualifications, reservations or adverse remarks made by the Auditors in their report. The provisions relating to submission of Secretarial Audit Report are not applicable to the Company.

COMPANY'S POLICY RELATING TO DIRECTORS APPOINTMENT, PAYMENT OF REMUNERATION AND DISCHARGE OF THEIR DUTIES

The provisions of Section 178(1) relating to constitution of Nomination and Remuneration Committee are not applicable to the Company and hence the Company has not devised any policy relating to appointment of Directors, payment of Managerial remuneration, Directors qualifications, positive attributes, independence of Directors and other related matters as provided under Section 178(3) of the Companies Act, 2013.

ANNUAL RETURN

The extracts of Annual Return pursuant to the provisions of Section 92 read with Rule 12 of the Companies (Management and administration) Rules, 2014 is annexed herewith as **Annexure A** to this Report.

NUMBER OF BOARD MEETINGS CONDUCTED DURING THE YEAR UNDER REVIEW

Three Meetings of the Board of Directors were held during the year.

DIRECTORS' RESPONSIBILITY STATEMENT

As required by section 134(5) of the Companies Act, 2013 the Board hereby submit its Responsibility Statement:-

1. In the preparation of annual accounts, applicable accounting standards have been followed with no material departure;
2. The selected accounting policies had been applied consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Foundation as at 31st March 2018 and of the excess of Expenditure and over income of the Foundation for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the company and for detecting and prevention of fraud and other irregularities; and
4. We have prepared the annual accounts on a 'going concern' basis.
5. The directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

STATEMENT CONCERNING DEVELOPMENT AND IMPLEMENTATION OF RISK MANAGEMENT POLICY OF THE COMPANY

The Company does not have written Risk Management Policy however closely monitors the threat to the Company's existence to the minimal.

CHANGE IN NATURE OF BUSINESS

There is no change in the nature of the business of the company.

DETAILS OF DIRECTOR OR KEY MANAGERIAL PERSONNEL

As on the date of this report the composition of Board of Directors of the Company is as follows:

1. CA. Naveen N D Gupta (President, ICAI)
2. CA. Prafulla P Chhajer* (Vice-President, ICAI)
3. CA. M. Devaraja Reddy
4. CA. Tarun Jamnadas Ghia
5. CA. Babu Abraham Kallivayalil
6. CA. Atul Gupta
7. CA. Ranjeet Agarwal
8. CA. K Sripriya
9. Sh. V Sagar (Secretary, ICAI)
10. CA. K Rahman Khan
11. CA. Amarjit Chopra
12. CA. Bhavna G Doshi**
13. CA. Deepak Kumar Gupta**
14. CA. (Dr.) Sunil Gulati**

* Appointed as director on 12th February, 2018

** Appointed as director on 28th March, 2018

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENT UNDER SECTION 186

During the year under review, the Company has not advanced any loans/given guarantees/made investments.

BOARD OF DIRECTORS

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

DECLARATION OF INDEPENDENT DIRECTORS

The Provision of Section 149 pertaining to the appointment of Independent Directors does not apply to the Company.

STATUTORY AUDITORS

M/s. Gupta Nayar & Co. (Chartered Accountants) will retire as Auditors at the conclusion of this Annual General Meeting. The Board at its 75th Meeting held on 13th September, 2018 has recommended re-appointment of M/s. Gupta Nayar & Co. (Chartered Accountants) as Statutory Auditors of the Company for the F.Y. 2018-19 and they have confirmed their eligibility in accordance with the provision of the Companies Act, 2013.

DISCLOSURE OF COMPOSITION OF AUDIT COMMITTEE

During the year under review, the Audit Committee comprised of following Directors:

1. CA. Amarjit Chopra, Chairman
2. CA. Tarun Jamnadas Ghia, Member
3. CA. Atul Gupta, Member
4. CA. Sripiya K., Member
5. CA. Babu Abraham Kallivayalil, Member

INDUSTRIAL RELATIONS

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

ADEQUACY OF INTERNAL FINANCIAL CONTROLS

The internal financial controls are adequate with reference to the financial statements.

PARTICULARS OF EMPLOYEES

The activities of the company are being pursued through a team of staff from ICAI. Since the company does not have employees, the provision of Rule 5(2) of the Companies (Management and Administration) Rules, 2014 are not applicable and hence details have not been given.

DISCLOSURES AS PER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Company has zero tolerance for sexual harassment at workplace and has adopted a Policy on prevention, prohibition and redressal of sexual harassment at workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules thereunder for prevention and redressal of complaints of sexual harassment at workplace.

The Company has not received any complaint on sexual harassment during the current financial year.

ACKNOWLEDGEMENT

The Board takes this opportunity to place on record its appreciation for the continued assistance, support and co-operation received from Indian Railways (IR), M/s. Infosys Technologies Ltd, Guru Gobind Singh Indraprastha University, Bank of India and other authorities, experts, research scholars and individuals during the course of execution of the research projects and in other disciplines.

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

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

Place: New Delhi

Date: 13th September, 2018

(CA. NAVEEN N D GUPTA)

CHAIRMAN

Form No. MGT-9

EXTRACT OF ANNUAL RETURNS FOR THE FINANCIAL YEAR ENDED ON 31ST MARCH 2018

[Pursuant to section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

i.	CIN	U73200DL1999NPL097935
ii.	Registration Date	14/01/1999
iii.	Name of the Company	ICAI ACCOUNTING RESEARCH FOUNDATION
iv.	Category/Sub-Category of the Company	COMPANY LICENSED UNDER SECTION 8 (EARLIER SECTION 25)
v.	Address of the Registered office and contact details	ICAI BHAWAN, INDRAPRASTHA MARG, NEW DELHI; arf@icai.in
vi.	Whether listed company	No
vii.	Name, Address and Contact details of Registrar and Transfer Agent, if any	NA

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company shall be stated:-

Sr. No.	Name and Description of main products/ services	NIC Code of the Product/ service	% to total turnover of the company
1	NA		
2			
3			

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1.	NA				
2.					
3.					
4.					

a) Bodies Corp. (i) Indian (ii) Overseas									
b) Individuals (i) Individual shareholders holding nominal share capital upto Rs. 1 lakh (ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh									
c) Others(Specify)									
Sub-total(B)(2)									
Total Public Shareholding (B)=(B)(1)+(B)(2)									
C. Shares held by Custodian for GDRs & ADRs									
GrandTotal (A+B+C)									

Shareholding of Promoters

Sr. No	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbered to total shares	
1.		NA						
2.								
3.								
	Total							

ii. Change in Promoters' Shareholding (please specify, if there is no change)

Sr. No		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	NA			
	Date wise Increase/Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):				
	At the End of the year				

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year	NA			
i) Principal Amount				
ii) Interest due but not paid				
iii) Interest accrued but not due				
Total (i+ii+iii)				
Change in Indebtedness during the financial year				
- Addition				
- Reduction				
Net Change				
Indebtedness at the end of the financial year				
i) Principal Amount				
ii) Interest due but not paid				
iii) Interest accrued but not due				
Total (i+ii+iii)				

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/ or Manager

Sl. No.	Particulars of Remuneration	Name of MD/WTD/Manager				Total Amount
1.	Gross salary (a) Salary as per section 17(1) of the Income-tax Act,1961 (b) Value of perquisites u/s 17(2) of the Income-tax Act,1961 (c) Profits in lieu of salary under section17(3) Income- tax Act,1961	NA				NIL
2.	Stock Option					
3.	Sweat Equity					
4.	Commission - as% of profit - Others, specify					
5.	Others, please specify					
6.	Total (A)					
	Ceiling as per the Act					

B. Remuneration to other directors:

Sl. No.	Particulars of Remuneration	Name of MD/WTD/Manager				Total Amount
	<u>Independent Directors</u> ·Fee for attending board committee meetings ·Commission ·Others, please specify	NA				NIL
	Total(1)					
	<u>Other Non-Executive Directors</u> ·Fee for attending board committee meetings ·Commission ·Others, please specify					
	Total(2)					
	Total(B) = (1+2)					
	Total Managerial Remuneration					
	Overall Ceiling as per the Act					

C. Remuneration to Key Managerial Personnel Other Than MD/Manager/WTD

Sl. no.	Particulars of Remuneration	Key Managerial Personnel			
		CEO	Company Secretary	CFO	Total
1.	Gross salary (a) Salary as per section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act,1961 (c) Profits in lieu of salary under section 17(3) Income-tax Act,1961	NA	NA	NA	NIL
2.	Stock Option				
3.	Sweat Equity				
4.	Commission - as % of profit -Others, specify...				
5.	Others, please specify				
6.	Total				

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority [RD/NCLT/ Court]	Appeal made, If any (give details)
A. Company					
Penalty	NA				
Punishment					
Compounding					
B. Directors					
Penalty					
Punishment					
Compounding					
C. Other Officers In Default					
Penalty					
Punishment					
Compounding					

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

Place: New Delhi
Date: 13th September, 2018

(CA. NAVEEN N D GUPTA)
CHAIRMAN