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Multi-Disciplinary Partnership & Limited Liability Partnership



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Multi-Disciplinary Partnerships



What is MDP?



>> Multi Disciplinary Partnerships

>> Multi Disciplinary Practice

- Provide services across multi disciplines - One stop shop
- CA + Lawyer= Corporate & Business planning and advisory for set up
- CA + CS= Consulting and Secretarial attest functions
- CA + Engineer= Process Reengineering in M & A
- CA + CWA: Redefine Management accounting
- CWA + CS ????

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Why MDP?

Market Requirement

- Varied Client Requirement
- Efficiency in Co-ordination
- Economic Benefits to client
- Introduction of Auditing & Assurance standards board
 - Assurance Engagement on Green Gas Statements
- Firm Requirement
 - Growth
 - Branding
 - Employee Retention



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Why MDP?

Market Requirement

- Varied Client Requirement
- Efficiency in Co-ordination
- Economic Benefits to client
- Introduction of Auditing & Assurance standards board – Assurance Engagement on Green Gas Statements
- IT Based Process Review
- M & A and Fund raising
- Advise on continuous basis as all facets known
- Complex Scenarios to be resolved
- Comment on MD & A

Firm Requirement

- Growth
- Branding
- Employee Retention
- Capacity Building
- Specialization
- Investment
- Global Presence
- Improve quality & product line
- IT requirements-CTO



Partnerships Vs Collaborations

Attributes of Partnership

- Joint Thinking
- Trust in Partners
- Respect for Partners
- Eliminating Boundaries
- Teamwork
- Shared Commitment
- Low Expectation of Reciprocation

Attributes of Collaboration

- Joint Working
- Joint Venture
- Joint Planning & Decision making
- Maintain Identities
- Division of Responsibilities
- Sharing of Expertise
- Connected Network
- High Expectation of Reciprocation

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MDP in India



MDP in India

- CA, CS and CMA institutes have approved the amendments to their respective Acts
- This is before Finance Committee of Central Govt.
- Once approved by Parliament – effective guidelines to be issued
- Post that possibility of creating MDPs
- Mutual Recognition Agreement with professional body outside India.

MDP in other countries

Germany

- Audit Firm ownership can be with non Public Auditors
- MDP is common - Lawyers can be part owners
- Public Accountants to hold controlling interest
- Non professional ownership not allowed



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MDP in other countries

Australia

- Audit Firm ownership can be with non CPA
- CPA to hold 50% or less and others by members of approved professional body (like lawyers)
- Non professional ownership not allowed
- Through Partnership or Incorporated entity
- Non CPA principals to have appropriate Quality Assurance Process
- Primary Contact to be CPA
- To hold Professional Indemnity Insurance
- To pay fees to CPA Australia for use of CPA Brand



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MDP in other countries

UK & other European countries

- Lawyers not part of MDP
- Accounting firm works through Collaborations with law firms

US District of Columbia

- Allows non lawyers to hold financial interest & managerial roles in law firms
- Non lawyers abide by professional conduct governing lawyers
- Lawyers accept responsibility of non lawyers



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MDP Structure

1. Existing regulations which support some type of MDP in practice today
 - Hiring of persons of various category
 - Retaining persons with various categories
 - Consultancy company as per ICAI



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MDP Structure contd.. ICAI Regulations pre-amendment

1st Schedule to CA Act 1949-Part I

2. Should not pay any share, commission or brokerage in fees or profits to a non CA or a partner or retired partner or legal rep. of deceased partner
3. Can not accept profits of a professional work of lawyer, auctioneer or other agent who is non CA
4. Prohibits partnership with any person other than a CA in practice
5. Prohibits securing of work through services of any person qualified to be his partner



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ICAI Regulations pending adoption

For purpose of

- sharing profits or fees, paying commission or brokerage, accepting profits from professional work , securing professional work
- Is possible from members of ICSI, ICWAI, Bar Council, Institute of Architects, Institute of Actuaries, B.Eng, B. Tech and MBA



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ICAI Regulations pending adoption

For purpose of entering into partnerships only member of ICSI, ICWAI, Bar Council, Institute of Architects, Institute of Actuaries

- That means B.Eng, B. Tech and MBA **cannot** be taken as Partners of MDP
Only members of those bodies **constituted under law**



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Current Practice as MDP

- Need for other professionals in consulting assignments than in audit and assurance
- Following options were being adopted:
 - employees or retainers
 - SPV in form of company or Firm



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Current Practice as MDP



- Employees or retainers :
 - Commonly practiced
 - did not facilitate wholesome involvement (subordinates or outsiders)
- SPV
 - CA can be only promoter or director simplicitor
 - To hold Whole time director post he had to obtain council approval

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Current Practice as MDP contd..



- **SPV (from 1-10-06)**
 - CA can hold Whole time director post in company –provided SPV is providing only management consultancy as permitted by ICAI
- **SPV as Firm**
 - CA can not be a partner with any other Non CA-thus was ruled out.

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Alternate business structure once MDP is feasible



Partnership Firms and LLPs

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Alternate Structures on MDP feasibility

Once MDP is effective, these issues **will go away**

- As a Firm (MDF)
- As a Company (subject to regulations) (Company can not do attest functions)
- As an LLP (subject to regulations)



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Pros & Cons of MDP as Partnership firm

| Pros | Cons |
|--|--|
| <ul style="list-style-type: none"> - Flexible - Easy maintenance - Tax efficient - Non Public Data | <ul style="list-style-type: none"> - Un limited liability - Loosely structured-no continuity - Interests of promoters not taken care of |



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Pros & Cons of MDP as LLP

| Pros | Cons |
|---|---|
| <ul style="list-style-type: none"> - Highly Flexible structure - Incorporated entity - Limited Liability - Tax efficient - Easy maintenance - Globally accepted structure | <ul style="list-style-type: none"> - P & L is public doc - New category –banks, vendors etc has issues - FDI issues? |



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How to build MDP?

- **Merger** – complimentary services, gain critical mass
- **Align** – strategically align with other professional service providers-
- **Retrain** - new areas of Investments services, Valuations, IT security
- **Hire** -industry specialists



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MANAGING CONFLICT OF INTEREST






MDP issues to be addressed

- **Conflict of interest** - Audit Vs Consulting
- **Confidentiality**- Chinese wall
- **Disciplinary jurisdiction** - Person or Firm
- **Tax mechanism**
- **Name & description**
- **Bar council to allow lawyers**

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Way Forward

- Global Threat and Opportunities
- Empower with manpower. Skill sets, data base and good infrastructure
- Development of systems and procedures
- Mergers and Collaborations-MDP
- One firm For exclusive CA functions and one for MDP

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Thank You

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