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'Topline is vanity, mid line calamity, BOTTOM LINE HAS NO SANITY'

Accounting Expert Bala V Balachandran Says Curbs On Imports, Focus On Manufacturing Are Only Ways To Save ₹

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Renowned in the field of accounting, Bala V Balachandran is the founder and dean, Great Lakes Institute of Management, Chennai. Bala, as he is known, is also Kellogg distinguished professor of accounting, information and management and director, accounting research center, Kellogg School of Management. In an interview with TOI, he shares his views on the current economic logjam.



Bala V Balachandran, founder and dean, Great Lakes Institute of Management

What are the steps that can be undertaken to prevent the rupee from further fall?

The rupee fall is due to various parameters. The balance of payments is on the rise and with current assets being lower than current liabilities, the current account deficit is also a problem. While some of the problem is due to the rise in oil prices, but we have been importing a lot of luxury goods of late. This has increased our problems. Previously, our import list mostly comprised of oil and a few other essential commodities. We have to put a curb on unnecessary import of certain luxury goods. Even if it is imported, there has to be a heavy tax on it. We have to focus on becoming a product and export-oriented econ-

omy and import lesser goods.

Simultaneously, how can investor confidence be restored?

The signal to the outside world is that it is not business as usual here. The time has come to tighten our belts and Indian manufacturing has to move forward and has to go up.

A couple of years ago, there was lot of talk on IFRS (International Financial Reporting Standards) implementation in India in a graded manner and certain timelines were also set. But not much is happening on

that front. Do you think a fast-track IFRS can also help boost investor confidence to some extent as we are talking of globally comparable balance sheets in the first place?

Almost 95% of balance sheets in India have overstated assets, understated liabilities, overstated revenues and understated costs. Moreover, economies are more prone to accounting frauds during a downturn. After incidents like WorldCom, Enron, Satyam and similar incidents, it just goes to show how lot of things are added up, that is, revenues and assets are overstated. But, forensic

auditing and IFRS can help reduce fudging. More so in the current context where foreign investors and FIIs (foreign institutional investors) aren't too happy with the economic environment and the falling rupee. In such a scenario, creating credible information becomes very important. By implementing IFRS, we have an opportunity to just demonstrate that and it would also help in establishing credibility.

With the swinging rupee and rising costs, what are the possible impacts in the books of accounts?

In the current business scenario, cash flow from operating activities is the only credible number. Topline has become vanity now, middle line (costs) is calamity and bottom line has no sanity. The only reality is cash flow now.

What are the implications of CSR reporting?

Corporate social responsibility (CSR) would ensure that the customer would have confidence and would come back to the company. But there should be fine-tuning in terms of catching the fish. There should be greater stress on education and healthcare as these are two vital parameters for a knowledge society.