

The Institute of Chartered Accountants of India

(Set up by an Act of parliament)



TUTICORIN BRANCH OF SIRC

NEWS LETTER

FEBRUARY 2010

Thoughts of the Chairman...

Dear Colleagues,

Season's Greetings and Best Wishes for a Prosperous New Financial year 2010-11.

At the outset let me thank each one of you for elevating me to this position. Through these columns, I also express my sincere thanks to my colleagues in the Managing Committee for reposing confidence in me to steer the Branch for 2010-11. By this, I am consciously aware of my increased responsibility and assure you that I will discharge my duties to the best of my abilities. In this direction, I look forward for your valuable guidance, help and feed back which will enable me to serve the profession better.

I would like to place on record my sincere appreciation to the meticulous, untiring, and dynamic outgoing Chairman CA.F.Amal George and the past Chairmen, Seniors and Members in profession and Industry for taking the Branch to newer heights. I would certainly benefit from the wisdom, rich experience and valuable guidance of the past Chairmen of Branch, and other senior members of the profession. As Chairman of Branch for the year 2010-11, I now stand in shoes of the great men who had led us in the past in education, professional practice, ethical behavior and above all, humanness. It is indeed very gratifying that Shri. T.N.Manoharan has been awarded the Padma Shri by the Government of India, who is not only a great academician par excellence but also a great leader admired by members and students at large.

The rapid development and progress in information, science and computer technology has produced radical and fundamental changes and has revolutionalised not only the way we live but also our professional practice. The profession of accountancy and finance can not be an exception.

Software applications and other systems used in the business have opened up new trends, challenges and opportunities.

During next twelve months, I would be in touch with you and would need your support, guidance and needless to say your contribution of expertise and time for the benefit and glory of our profession.

Isay it is a Team Work

The Branch will focus on the following areas during the current year:

- Identifying new professional opportunities for members.
- Infrastructure development at the Branch.
- Popularising the Post Qualification Course on ISA, Insurance and Risk Management and WTO.
- Popularising IFRS Convergence Standards, Forensic Accounting, XBRL to Financial Reporting, Direct Taxes Code etc.,
- Conducting CPE Seminars.
- Popularising the CA profession and the CA Course.
- Providing Hands on Training in ERP, Audit tools for DISA qualified members.
- Conducting Public Awareness Programmes thus reaching out to the society.
- Professionally train our Faculty through Residential Programmes
- Involve Industry members as Resource Person & facilitators.
- To conduct Continuous Knowledge Enhancement programmes for the benefit of members and students on topics of varied interests.
- Encouraging members to contribute liberally to the CABENEVOLENT FUND.

I plan to work closely with all of you and I am exited to think of what we will be able to accomplish and achieve together and I conclude with an Mantra which reads as under:

"Live to Give and Serve"

Yours ever loving,
CA.H.Raman, Chairman



Why is it important for managers to know about motivation theories?

Introduction : The key function of managers is 'getting things done' through employees. The following assignment looks at the role of motivation and why it is essential for managers to be aware of the various motivational theories and how the motivational theories could be implemented in a professional context to achieve organisation's goals and objectives.

Motivation has been defined as: the psychological process that gives behaviour purpose and direction (Kreitner, 1995); a predisposition to behave in a purposive manner to achieve specific, unmet needs (Buford, Bedeian, & Lindner, 1995); an internal drive to satisfy an unsatisfied need (Higgins, 1994); and the will to achieve (Bedeian, 1993).

Organisations exist to achieve corporate objectives and employees working in those organisations aide in achieving those objectives by working towards their individual goals and targets. In an ideal world, if every individual was providing his best performance then organisational goals would be met sooner too; however in the real world it is often not the case. Organisations lag behind and more often than not the reason is a demotivated staff. An understanding of the basic human nature is important for effective employee motivation in the workplace and also for effective management and leadership.

In today's business world with rapid changes happening all around, it has become even more important for managers to motivate their staff and help their staff in optimising their performance. Besides, research and observation proves that motivated employees are more creative and productive in the work place.

Several theories of motivation have been presented amongst which Maslow's theory states the purpose of human existence is 'Self-actualisation' and the only way that state can be attained is when the basic human needs are met. Thus according to Maslow, human needs can be represented in the form of a pyramid.

According to Maslow, the basic human needs are: Physiological needs, Safety needs, Love needs, Esteem needs, Self-actualisation.

Whilst Herzberg theory states that in a work environment context there are mainly two factors which determine the motivation levels of employees. The first set of factors which he termed as the hygiene factors do not lead to positive motivation, however a lack of those hygiene factors could lead to de-motivation. Herzberg's theory is particularly useful as it discussed the importance of providing a good working environment and to a certain degree highlighted the importance of a good working environment in achieving a better performance from employees. Herzberg's work categorized motivation into two factors: motivators and hygienes (Herzberg, Mausner, & Snyderman, 1959).

Motivator or intrinsic factors, such as achievement and recognition, produce job satisfaction. Hygiene or extrinsic factors, such as pay and job security, produce job dissatisfaction. McGregor's theory stated that staff would contribute more to the organisation if they were treated as responsible and valued employees. Likert (1967) suggested

that for an organisation to perform better, managers must adopt a participative-group system, whereby, leadership is by the superiors who have complete confidence in their employees and motivation takes the form of economic rewards which is further based on goals set by participation.

Various other theories presented by Vroom, equity theory etc all discuss how employees can be motivated and should be motivated to enhance performance. As stated above individual performance taken collectively determines organisational performance and when organisational performance is not up to the required level, the organisation would not be able to sustain itself and might loose out in competition.

Motivation theories provide an insight into what makes an employee perform better. It provides managers with a tool to motivate employees and helps them in understanding how the staff can be managed better. It is therefore no surprise that the area of human resource management and organisational behaviour is looking into how important it has become for organisations to focus on retaining 'employees'. Recent literature has emphasised the importance of knowledge management. It is a known fact that high labour turnover, costs the company which results in lowering the level of profits. Profit maximisation is the ultimate corporate objective, it would be fair to say that is the sole reason why companies exist to maximise profit, generate revenue and anything that can result in increasing profit levels will be looked upon favourably.

Lack of knowledge about motivation theories might lead the managers to believe that monetary incentives are the only way of motivating staff, however, the theories has helped the managers in understanding that individuals have different needs. It might be that employee A prefers to have more responsibility as compared to employee B. Hence increasing A's responsibility and appreciating A motivates him more than B who would be satisfied with getting a monetary incentive. Similarly, employee C might be a single mother who would prefer to have more flexibility in the job and would be able to perform better if the work that she is doing enables her to look after her child and work. The above examples prove that in a professional environment for a manager it has become even more important to understand the needs of his 'internal' customers.

A concept which can be borrowed from marketing is if the customers' needs are met the organisation's objectives can be achieved. The argument can be extended in this context as well where it can be said that when internal customers are kept happy, external customers will automatically be happy. The above is an example to explain Vroom's theory, according to which rewards and incentives should be based on what the employee perceives to be important rather than what the managers perceives to be important. Thus he aimed to explain employee motivation by explaining the link between how individual goals influence individual performance. Thus the knowledge of motivational theories provides a deeper insight into the psychology of employees and staff.

The importance of organisational performance cannot be highlighted enough. Research and surveys are being conducted to understand what can improve the organisational performance and the obvious link is individual performance. Performance more generally is defined as a function of ability and motivation. However, in order to motivate staff it is important to have an effective performance management system. In order to provide rewards to the staff it is imperative to have appropriate benchmarks to measure the performance. Literature in this area has highlighted the importance of having formal appraisal systems which can either be in the form of self-evaluation or 360 degree appraisal, top-down, bottom up etc. The above mechanism enables managers to scientifically assess and then provide appropriate rewards and incentives to the staff, whether monetary or non-monetary in nature. In addition to the performance levels, retaining staff by continuously striving to motivate them helps managers to retain knowledge which the employees have acquired over the period, it helps the employees to complete tasks faster as they are already aware of how 'things are done around here' and more importantly it helps the systems to be developed so that work can be done quickly. It helps in achieving specialisation and employees acquiring key skills.

Thus the main tools a manager must have to motivate his/her staff are :

Approval, praise and recognition
Trust, respect and high expectations
Loyalty
Removing organisational barriers which might stand in the way
Individual performance
Job enrichment
Providing Financial incentives
Good communication. Even though there is not a perfect formula for motivation in the workplace however, an understanding of how the human nature works can help managers to perform better and keeping the end goal (corporate objective) in mind the challenge for every leader and manager to reach a balance where organisational and individual performance can be maximised to reach the same goal.

Conclusion : From the preceding paragraphs it can be concluded that it is imperative for managers' to have a thorough understanding of the motivation theories. However, it is easier said than done. There is no simple answer of how to motivate people, though an understanding of the theories does help. It enables the managers in enhancing not only the individual but also the organisational performance. The primary objective of organisations' is to survive, sustain and grow and the objective can be met when the employees and staff are happy.

This can be achieved by understanding the motivation theories and implementing them effectively to achieve optimal results for the organisation. Thus it can be said that effective implementation of the motivation theories can help the organisations' to have a competitive edge and it can serve to be a source of sustainable competitive advantage which would ensure its growth, survival and maximised revenue generation in the long run. Thus, it can be concluded for managers' to perform efficiently it is imperative for them to have knowledge of the motivation theories.

Compiled by

- CA.G. Manoj Rodrigo

Comparison of

IFRS &

U.S GAAP in relation to intangible assets.

Introduction

Businesses have never been as globalised as they are today. Numerous corporations from developed, newly industrialised and developing countries operate on a global basis and need to create financial statements using the accounting practices of their home country, as well as those existing in their areas of operations. The divergence in accounting practices of different countries creates the need for the preparation of separate financial and accounting statements and subsequent reconciliation of differences. The international accounting fraternity is now steadily moving towards global commonality in accounting practices and procedural reporting. The International Accounting Standards Board (IASB) has been working towards convergence of global accounting standards. Its mission is to develop and enforce a single set of global accounting standards, based on preparation of high quality, transparent and comparable financial statements for local and global users.

The IASB has been working on compiling a stable set of International Financial Reporting Standards (IFRS) for first time users. The IFRS was mandated for all publicly listed companies in the European Union in 2005 and has also been adopted by other countries like Australia. The IASB has also been working very closely with the US Financial Accounting Standards Board (FASB), since 2002, to bring about convergence between US GAAP and the IFRS. However, while significant work has been done on harmonising IFRS with US GAAP and many pending issues are being currently addressed, a number of accounting topics are still treated differently by these two systems.

A number of differences continue to remain in the accounting treatment of intangible assets. Intangibles have been defined in various ways. Essentially they comprise of assets that do not have physical presence and are represented by items like goodwill, brands and patents. These assets do not have shape but do have values; which again are sometimes indeterminate but often capable of estimation. They need to be under the direct control of the organization and capable of yielding future financial gain to be termed as intangible assets belonging to the company. A strong legal right that can lead to future financial gain is a good example of an intangible asset whose valuation is quite indeterminate but nevertheless provides security and the potential for financial gain to an organisation.

The treatment of intangible assets has always been contentious and open to different interpretations. Even today, while IFRS and US GAAP have moved towards convergence in a number of accounting areas, significant differences still remain in their