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CMA

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e-Bulletin

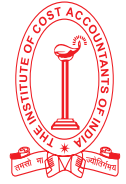
Vol. I, January 2018



DIRECTORATE OF ADVANCED STUDIES

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

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The Institute of Cost Accountants of India is a statutory body set up under an Act of Parliament in the year 1959. The Institute as a part of its obligation, regulates the profession of Cost and Management Accountancy, enrolls students for its courses, provides coaching facilities to the students, organises professional development programmes for the members and undertakes research programmes in the field of Cost and Management Accountancy. The Institute pursues the vision of cost competitiveness, cost management, efficient use of resources and structured approach to cost accounting as the key drivers of the profession. In today's world, the profession of conventional accounting and auditing has taken a back seat and cost and management accountants are increasingly contributing toward the management of scarce resources and apply strategic decisions. This has opened up further scope and tremendous opportunities for cost accountants in India and abroad.

After an amendment passed by Parliament of India, the Institute is now renamed as "The Institute of Cost Accountants of India" from "The Institute of Cost and Works Accountants of India". This step is aimed towards synergising with the global management accounting bodies, sharing the best practices which will be useful to large number of trans-national Indian companies operating from India and abroad to remain competitive. With the current emphasis on management of resources, the specialized knowledge of evaluating operating efficiency and strategic management the professionals are known as "Cost and Management Accountants (CMAs)". The Institute is the 2nd largest Cost & Management Accounting body in the world and the largest in Asia, having approximately 5,00,000 students and 70,000 members all over the globe. The Institution headquartered at Kolkata operates through four regional councils at Kolkata, Delhi, Mumbai and Chennai and 95 Chapters situated at important cities in the country as well as 9 Overseas Centres. It is under the administrative control of Ministry of Corporate Affairs, Government of India.

The Institute apart from being a member of International Federation of Accountants (IFAC), South-Asian Federation of Accountants (SAFA), Confederation of Asian & Pacific Accountants (CAPA), National Advisory Committee on Accounting Standards (NACAS), and National Foundation for Corporate Governance (NFCG) is also a member of Government Accounting Standards Advisory Board (GASAB).

Behind every successful business decision,
there is always a CMA

THE DIRECTORATE OF ADVANCED STUDIES

The Directorate of Advanced Studies has been constituted by the Institute in order to provide advanced knowledge and specialized training on various areas of Cost & Management Accountancy, including finance and other allied subjects.

The Directorate shall design, develop and deliver advanced courses that are of interest to Management Accountants and other professionals. It will also take up research in the area of Management Accounting and allied field of study.

Advanced courses will be designed for up-gradation of existing knowledge and skills and for acquiring new knowledge and skills. The courses shall aim to prepare practicing members and professionals to take up new areas of practice and consultancy and for members/professionals in industry to shoulder higher responsibilities.

OBJECTIVES

- 1 The Directorate shall offer advanced studies courses in the areas of interest to the Management Accountants and other professionals and shall offer courses at the Proficiency level.
- 2 The Directorate shall focus on contemporary application oriented courses and research, which will contribute and benefit the profession of management accountancy and allied field of study.
- 3 The Directorate shall identify the areas for theoretical researches which can be taken up further as research study followed by research publications.
- 4 The Directorate shall offer diploma/certificate/post-qualification courses. The certification shall be based on written/online test followed by viva-voce on the project.
- 5 The Directorate shall build capabilities in the areas other than the conventional areas in which the members of the Institute and other professionals operate.
- 6 The Directorate shall conduct Conference/Seminar/MDP/FDP programmes in various areas of Business Accounting, Finance, Law, Taxation and allied fields.
- 7 The Directorate shall enter into MOUs and Agreements with Institutes of National and International importance for fostering joint advanced academic programmes and collaborative research in emerging areas.
- 8 The Directorate shall endeavour to position itself as a centre of excellence by offering state-of-the-art facilities and latest knowledge base.



New Year Greetings!!!

I am pleased to announce the launch of a bouquet of new courses under Advanced Studies Directorate of the Institute and the new Web Portal. It is heartening to know that the Directorate is also releasing its first Volume of CMA Advanced Studies e-Bulletin that the readers will definitely find very useful.

All the new Courses are very much relevant in today's context. The Institute has now decided to spread over its professional wisdom among the non-members also. All these Courses have been designed in such a way that members of the Institute as well as the non-members also can pursue it.

The Directorate of Advanced Studies has been constituted by the Institute in order to provide advanced knowledge and specialized training on various areas of Cost & Management Accountancy, including finance and other allied subjects. I am really thankful to all of my Council Colleagues, Members of Board of Advanced Studies and the Officials of the Institute to present these innovative Courses before all. I urge the members as well as the non-members to pursue these Courses that will definitely give huge impetus and boost up in their professional career.

Wish a grand success of this endeavor.

Warm regards

CMA Sanjay Gupta

President

The Institute of Cost Accountants of India

MESSAGES



Happy New Year!!!

I am extremely happy that Advanced Studies Directorate of the Institute has launched four new Courses for the members of the Institute as well as non-members too along with the new Web Portal. It is really praiseworthy that the Directorate is also releasing its first Volume of CMA Advanced Studies e-Bulletin.

Advanced Studies Courses are designed for up-gradation of existing knowledge and skills and for acquiring new knowledge and skills. The courses aim to train practicing members and professionals to take up new areas of practice and consultancy and for members/professionals in industry to shoulder higher responsibilities.

I would like to offer my heart-felt thanks to all the Members of Board of Advanced Studies and its Officials and especially to the Chairman, BoAS for presenting these most practical and need-based Courses before us.

I hope the members of the Institute will find these Courses extremely helpful to shape up their professional careers in a right direction and enhance their knowledge base to a great extent. Non-members will also find these Courses exceedingly effective in their respective field of work.

I believe the takers of these Courses will consider this as New Year Gift from the Institute to boost up their career path.

I wish every success of this noble endeavor.

Warm regards

CMA H. Padmanabhan

Vice-President

The Institute of Cost Accountants of India



Greetings!!!

I am delighted to announce the launch of four of new Courses under Advanced Studies Directorate of the Institute viz. Executive Diploma in Business Valuation, Executive Diploma in Cost & Management Accounting for Engineers, Certificate Course in Arbitration and Certificate Course in GST. All the Courses are now open for members and non-members also.

I am also very happy to initiate the launch of new Web Portal of the Directorate of Advanced Studies. You will find all the necessary information about the Courses and the activities of the Directorate in this extremely user-friendly web portal in a cohesive manner.

It is my pleasure to announce that the Directorate is also releasing its first Volume of CMA Advanced Studies e-Bulletin where articles, case studies and updates on Advanced Studies Courses will be presented on regular basis.

I am very much thankful to my Council Colleagues to allow the Directorate to start these new Courses. I am grateful to all the esteemed Members of Board of Advanced Studies, Resource Persons who have contributed tremendously and the Officials who had worked relentlessly to make it happen. The Directorate of Advanced Studies is continuously designing, developing and delivering need-based advanced courses that are of interest to Management Accountants and other professionals.

I am sure that members of the Institute as well as the non-members from relevant disciplines will gain enormous value addition in their professional career while pursuing these Courses.

I wish all the success of this endeavor and a sparkling new year ahead.

Warm regards

CMA Manas Kumar Thakur

Immediate Past President &

Chairman, Board of Advanced Studies

The Institute of Cost Accountants of India



ADVANCED STUDIES COURSES FOR THE PROFESSIONALS



STUDY CENTRES FOR CONTACT CLASSES*

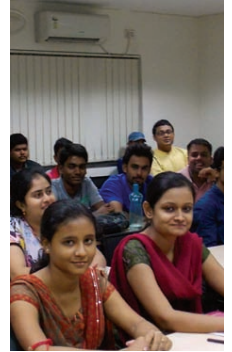
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*Study Centres may vary depending on batch size and number of candidates admitted

****20%** discount for the **LIVE**
Members of the Institute



1 EXECUTIVE DIPLOMA IN BUSINESS VALUATION

Course Code	- EDBV
Eligibility	- CMA/CA/CS/Engineering Graduate/MBA/ M.Com or Equivalent Qualifications
Duration	- 6 Months
Online Admission	- January 01 - March 31, 2018
Course Fee**	- ₹30,000/- + Applicable GST

Valuation, particularly financial valuation, is emerging as an important profession, with the growth in the profession of financial analysts due to various factors like increased interest in mergers, acquisitions, demerger and divestiture, increased interest of PE firms in Indian business and implementation of IndAS. The valuation profession is expected to get a boost with the introduction of the concept of Registered Valuers in the Companies Act 2013. Registered Valuers will provide valuation in respect of property, stocks, shares, debentures, securities, goodwill or any other assets or net worth of a company or its assets or liabilities.

This diploma course aims to develop proficiency in Valuing assets and liabilities through a learning process that blends concepts with applications. The course is an advanced knowledge module that presupposes understanding of management accounting and corporate finance. The participants will get extensive exposure through project work on Valuation and by analyzing case studies.

3 CERTIFICATE COURSE IN ARBITRATION

Course Code	- CCA
Eligibility	- CMA/CA/CS/LAWYERS/Graduates from any discipline
Duration	- 3 Months
Online Admission	- January 01 - February 28, 2018
Course Fee**	- ₹20,000/- + Applicable GST

Arbitration is a form of alternative dispute resolution (ADR), is a technique for the resolution of disputes outside the courts, the parties to a dispute refer it to Arbitration by one or more persons (the arbitrators awards or arbitral Tribunal), and agree to be bound by the arbitration decision (the award). A third party reviews the evidences in the case and imposes a decision that is legally binding on both sides and enforceable in the courts. In fact Arbitration is a process in which disputants can resolve dispute amicably. This method can bring solutions to disputes as well as among disputants.

The objective of this course is to familiarize the participants with legal framework of arbitration, arbitration procedures, and arbitration practice. It is also designed to cover practical aspects covering case analysis and mock arbitral proceedings.

2 EXECUTIVE DIPLOMA IN COST & MANAGEMENT ACCOUNTING FOR ENGINEERS

Course Code	- EDCME
Eligibility	- Engineering Graduates of any discipline / Final Year Engineering students (Executive Diploma will be awarded only after obtaining Engineering Degree)
Duration	- 6 Months
Online Admission	- January 01 - March 31, 2018
Course Fee**	- ₹50,000/- + Applicable GST

In modern competitive business environment, suitable business decision making is very crucial. All professionals irrespective of their domain expertise need to understand the commercial aspects of the business, contribute effectively and efficiently to the strategic business decisions making.

Engineers being the frontline technocrats, are part of the team for taking various commercial decisions in the interest of the organization, which requires adequate expertise to understand the various facets of the Cost, Finance, Taxation, Laws and other such aspects. This course has been specifically designed for Engineers to synergies their domain expertise with the commercial link in a most practical oriented manner.

ADVANCED STUDIES COURSES FOR THE PROFESSIONALS



4 CERTIFICATE COURSE IN GOODS AND SERVICES TAX (GST)

Course Code	- CCGST
Eligibility	- CMA/Other Professionals/Executives from Industries/GST Practitioners
Duration	- 3 Months
Online Admission	- January 01 - January 31, 2018
Course Fee**	- ₹10,000/- + Applicable GST

Goods & Services Tax (GST) is a major tax reform in the Country and is a game changer. There has been a paradigm shift in the Indirect Tax structure with the GST rollout w.e.f 01st July 2017. As a professional, it is imperative to understand and assimilate the new taxation structure, associated compliances and the changes in business processes emanating there from.

In the above backdrop, a course module on GST has been planned so as to upgrade the knowledge level of our members & professionals in a structured and practical oriented manner. Institute has twin expectations from this course, first the GST concepts and implementation has to be understood in a simple way by our professional colleagues, and second the same can be percolated to the business houses, traders and other such concerns having GST impact in their respective locations. This course is being launched in association with Tax Research Department of the Institute.

STUDY CENTRES FOR CONTACT CLASSES FOR GST COURSE* (SATURDAY & SUNDAY)

Eastern Region: Kolkata | Durgapur | Asansol | Berhampur | Rourkela | Patna | Ranchi | Bhubaneswar | Agartala

Northern Region: Delhi | Faridabad | Gurgaon | Udaipur | Noida | Chandigarh | Jammu | Jaipur | Lucknow | Dehradun

Southern Region: Chennai | Cochin | Visakhapatnam | Vijayawada | Mysore | Bangalore | Thiruvananthapuram | Hyderabad

Western Region: Mumbai | Pune | Surat | Nagpur | Nasik | Raipur | Bhopal | Ahmedabad | Panaji

5 DIPLOMA IN MANAGEMENT ACCOUNTANCY (FOR MEMBERS ONLY)

About of the Course:

Management Accountancy is the study of managerial aspect of accounting. It is that system of accounting which helps the management in carrying out its function more efficiently and effectively. The complexities of business environment have necessitated the use of management accounting for proper planning, coordinating, decision making and controlling functions of management. Management accountancy is the process of identification, measurement, accumulation, analysis, preparation, interpretation and communications of financial information used by management to plan, evaluate, and exercise control within an organisation and to assure the appropriate use of and accountability for its resources.

This diploma course is an advanced knowledge module that aims to develop further proficiency in various facets of management accounting activities of CMAs in various organisations.

Learning Outcomes:

- On successful completion of the course, the CMAs will become proficient and experts in their role as Management Accountants in their respective organisations in the following manner:
- Assisting management in planning and forecasting by way of furnishing proper information to the management.
- Modifying accounting information as per requirement of the management.
- Analysing and interpreting financial data and providing guidance to the management about alternative courses of action.
- Assessing the performance of every department of the organisation by applying various techniques and reporting for the benefit of different levels of management.
- Acting as the coordinator among different departments through budgeting, budgetary control and variance reporting.
- Assisting management in taking strategic decisions by way of supplying analytical information on various alternative courses of management actions.
- Feeding information to the different levels of management in time for increasing efficiency of management and participating in the management process.

CASE STUDY

ON INTERNAL FINANCIAL CONTROL (IFC)

CMA P. K. Chakravarty
Management Consultant, Kolkata



1. Basic Considerations:-

- Industry/Line of Business: Project & Construction activities
- Size : Medium Size enterprise with construction / project sites spread mostly in eastern India.
- Corporate Status : Public Limited Company and Govt managed
- Management Style : Mostly centralized control

2. Executive Summary:

Pursuant to Section 134 of the Companies Act, 2013, Internal Financial Control (IFC) implies a set of Policies and Procedures adopted by a Company for ensuring:

- Orderly and efficient conduct of business of an entity by adherence to the overall corporate policies adopted by the Board of Directors.
- Safeguarding of assets, control revenue leakages and improve operational effectiveness.
- Prevention and detection of frauds, errors and material misstatements.
- Accuracy and completeness of the accounting records and financial documents.
- Timely preparation of reliable financial information and various financial statements as required under the provisions of the Companies Act and/or by the management.

3. Objectives of IFC:

Primary objective of IFC is to identify the areas for improvement and frame recommendations for good corporate practices that can be adopted to develop and strengthen the internal control systems of an entity so as to enhance the reliability of its financial statements. This in turn is expected to enhance the efficiency and effectiveness of the entity's business operations.

Premises critically observed by us for the purpose of Reporting about the effectiveness of IFC System in the entity under reference are:

- Whether the accounting process adopted in the entity is designed to provide reasonable assurance regarding the reliability for the preparation of financial statements following Generally Accepted Accounting Principles (GAAP).
- Whether the various Accounting records maintained reflect fairly and in reasonable detail the financial transactions carried out by the entity during the period under consideration so that there are no material overstatement / understatement of income and / or expenses.
- Whether reasonable assurance is obtained from the observation of the entity's recording & documentation of various accounting transactions that conform to the requirements of various Accounting Standards, as applicable to the entity's business.
- Whether reasonable assurance is obtained about the internal control system in use so as to enable timely detection of fraud and prevent of unauthorized acquisition / use / disposal of the assets of the entity or prevention of any unauthorized financial transactions.
- Whether the internal financial control system is dependable, robust and can reasonably withstand the risk of fraud, misstatements and material errors in the preparation of financial statements.
- Whether necessary compliance has been made by the entity with regard to various statutory requirements, as applicable, and whether the existing accounting records & their documentation and related accounting statements facilitates generation of reliable and accurate disclosures of the required financial information.
- Whether there is any material weakness in the entity's internal control system so as to diminish the reliability of accounting information being generated and financial reports being prepared.

4. Observations:

In the aforesaid background, following **observations** are made in the context of our review and understanding of the entity's internal financial control system:-

- In some cases, **accounting documentation may be improved** to facilitate the process of authorization by providing necessary material evidence/supporting papers and in some cases; there are inadequate segregation of duties resulting in overlap of control.
- There are scope for **improving delegation, awareness and accountability** amongst the staff in the finance and other operational departments in order to improve the control culture in the entity's day to day activities. Further, in certain cases, the **competency of employees** may be improved by adequate training for specific skill sets.
- The functioning of certain **Board Committees**, namely, Audit Committee, CSR Committee, etc may be **made more focused** to

- enhance the entity's compliance requirements under the Companies Act and promote the ethos of Corporate Governance.
- The area of **safety & safety procedures** needed special mention for improvement, especially, in the context of activities in the various construction sites of the entity, where physical risks of employees deployed are very high. A **safety committee** has been advised to be formed with centralized authority representing at least two directors and other senior officers (both technical and non-technical) to formulate safety policies and monitor the adherence of safety rules / requirements on a regular basis.
 - The **scope of Internal Audit** be further enlarged to cover mandatory site visits and reporting on financial discipline, operational progress and commenting on the adequacy of generation & preparation of accounting information / financial reports on a quarterly basis in such a manner that at least 75% of the total number of operational sites are covered during every year.
 - Suitable **Budgetary Control** may be developed for the Company as a whole by **preparing operating budgets for every operational sites** every year and comparing on a continuous basis the actual with the budgets to detect variances and / or to provide for any revision in the budget, if required. Budgets may be prepared **considering both financial as well as non financial elements** for every operating site so as to monitor financial prudence and physical progress of projects over time.
 - The entity does not have any **risk assessment system** and, thus, possible, probable and potential risks that are inherent in the entity's line of business remains unassessed resulting in cost overrun and financial loss in various projects.
 - **Periodic review** of empanelled suppliers for material supplies/other services is not done resulting in outdated supply source and diminished competitiveness in this area.
 - There are **no specific yardstick to evaluate/assess/certify the value of work completed** at the end of a Reporting period based on which revenue from various projects are booked. Since this is mostly done by mere judgement of the concerned responsible official(s), overstatement of income in certain cases may result which may have material impact on the financial statements.
 - The entity does not have any standard **Accounting Manual**. Further, **no specific guidelines in respect of leave rules** for availing LTA/LTC, **medical leave**, etc were available. These shows weak administrative control for the entity.

Based on the above observation, a summarized control matrix is prepared below in a tabular form for the **objective control elements**. The **subjective control elements**, which complements the objective control elements, are not included in this below matrix and are covered by way of narratives under the head: *Suggestions for Improvement*, which appears as Exhibit 2.

Exhibit 1 Control Matrix:

Broad Classification	Perceived control	Risk potential	Outcome	Decision
1. Accounting Process	Corrective	Moderate	Under Control	Keep watch
2. Financial Statements	Corrective	Moderate	Under Control	Keep watch
3. Accounting/Financial Documentation(s)	Preventive/Corrective	High	Not Under Control	To initiate corrective action
4. IT related Controls	Corrective	Low	Under Control	Keep watch
5. Authorization Process	Corrective	Moderate	Under Control	Keep watch
6. Compliance Status	Corrective	Moderate	Under Control	Keep watch
7. Fraud, Error, Misstatements	Detective, Preventive, Corrective	High	Possible Control Lapse may take place	Keep Strict watch
8. Review/Approval Process	Corrective	Low	Under Control	Keep watch
9. Material Weakness	Preventive/Corrective	Low	Under Control	Keep watch
10. Legal Matters	Preventive	Low	Under Control	Keep watch

Exhibit 2 Suggestion for improvement:

1. In the first place, the entity should initiate efforts towards preparing a suitable **budgetary control system having unit wise budgets for every operating sites** and monitor the system with due care and diligence. This budget will cover details of manpower requirements, material requirements along with requirement of funds and **target completion milestones**. This will help the entity to control time and cost overrun of a project and, thus, reduce the probability of incurring loss under inflationary conditions.

2. A suitable **Safety Process** must be initiated and implemented at various operating sites at the earliest. This is a statutory requirement and is expected in the interest of the employees deployed in the sites which are prone to accidents. A **safety committee** comprising directors / senior officials of the Company along with technical and administrative personnel will make the ideal composition of the Committee.

3. A **Risk Assessment team** may be developed to assess and foresee probable / possible / potential risks which the entity may likely to encounter in its line of business in the foreseeable future so that necessary preparedness may be made by the entity to mitigate any

adverse impact of such risks, thus, safeguarding its assets, income and business competitiveness.

4. The **Board committees** may be made more focused at the earliest for upholding the spirit of Corporate Governance and complying with provisions of the Companies Act.

5. Suitable **Accounting Manual** to be prepared at the earliest to streamline accounting process , improve documentation, facilitate correct recording of accounting transactions and adequately prepare Financial Statements & Reports in a systematic manner. If the Accounting Manual is prepared with due care and diligence, the **uniform way of ascertaining percentage completion of various running jobs at different sites** will become easier and systematic resulting in **uniform and consistent manner of revenue booking in the financial statements** of the entity at the end of each Reporting period.

6. As a matter of administrative prudence, the entity must have proper **guidelines for Leave Rules, Medical Leaves and Travelling Rules**. Lack of such guidelines diminishes administrative efficiency and reflects existence of weak internal control system.

7. In certain operational areas, the **competency of people** needs improvement in order to enhance performance of those functions. Necessary **training** of such employees may be arranged after proper identification of the skill sets to be improved.

8. The **scope of Internal Audit** function must be enlarged to ensure mandatory site visits. Visit of at least 75% of the total operating sites during a year will be insisted upon. Based on their Reports, the management should be in a position to monitor/ assess both the **financial and operational control requirements** of the sites visited by the Internal Auditor.

Exhibit 3 Critical Appreciation of the Company's IFC:

A. Subjective Critique:

Premises for observation:

- Nature of Industry / line of Business
- Corporate Structure / Governance Module
- Management Structure
- Policy making practices / Extent of Autonomy & Administrative constraints

Based on the aforesaid premises , our observation on the Company's overall efficacy of IFC is that **due to the inherent nature of the Company's line of business** (Construction & Project Execution) **and existing Corporate structure & Governance module** (State Govt. administered Enterprise) which greatly influences the Company's policy making process and impacts its day to day operational and financial administration process, **the Company's operational functioning is considerably guided by the Govt.'s administrative machinery**. This has, by and large, diminished the Company's freedom to execute certain administrative policies and management decisions speedily resulting in delay and consequent impact on the time line of executing some major projects. **This has also resulted in adverse impact on costs in project execution and has lead to diminished profitability and inefficient management of projects.**

Since the Company's inherent administrative machinery and existing policy executing constraints are fundamental adjuncts to its day to day functioning, the material aspects of the IFC that we have observed, has to be conditioned in a way that we give due credence to such constraining factors in the first place and then draw our inference of the efficacy of the IFC, as practiced by the Company. Accordingly, we accepted that even though there are scope for improvement in the existing IFC procedures of the Company, the present control practices of the Company are, by and large, satisfactory in the present administrative context.

A. Objective Critique:

Following set of observatory and control elements, which are material in the context of IFC Reporting vis-a- vis the Company's existing practices, are stated for the perusal of the Management:

Item Description	Existing Status	Risk Probability	Outcome Perceived	Management Actions Desired
1. Financial Documentation	Weak	High	Impact on Financial Statements	Strengthen Accounting Process
2. Control Consciousness	Low	Moderate	Effective Cost & Expense control system lacking	Cost control culture needs to be developed amongst the employees
3. IT Controls	Ok	Low	Process under control	To keep up status quo

4. Safeguards for funds and material Misstatements	Reasonable	Low	Process under control	To Keep watch
5. Risk Assessment Function	Not-existent	High	Performance failure	To initiate risk assessment activities
6. Regulatory Compliance	Reasonable	Moderate	Statutory default	To improve compliance in certain areas
7. Internal control functions	Weak	High	Diminished reliability of Financial	To improve & strengthen internal audit function
8. Authorization/Approval Process	Reasonable	Moderate	Unauthorized payments /financial indiscipline	To keep strict watch
9. Accounting for project expenses & mobilization advances, monitoring of project performance and cost over run	Weak	High	Missed project completion time line and frequent time & cost over run	To strengthen Project monitoring function by strict supervision and enforcing effective financial discipline

Concluding Observation:

The above covering Report on IFC in respect of the entity under reference critically appreciates the efficacy of the existing internal control process and its effectiveness in the context of the entity's present administrative set up (Govt. managed entity). Further, **the control matrix together with the objective critique matrix** gives a clear picture to the management of the entity the functional areas that need attention for improvement and to the entity's statutory Auditors as to what extent they would apply in depth checking of process, procedures, documents / records, relevant papers etc. In certain specified areas in order to obtain reasonable assurance for framing their audit opinion as to the fairness and reliability of the entity's financial statements.

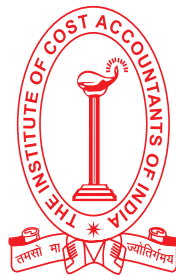
DETERMINANT FACTORS FOR ENGAGEMENT OF VALUATION EXPERTS

VALUATION

*CMA Dr. Subhash Chandra Das
Former Director (Finance), HPC Ltd, Kolkata*

Before we discuss engagement procedure for valuation assignment, let us examine what are the determinant factors that should be considered by an employing organisation for the purpose of engaging a valuation expert and thereafter.

- In hiring a business valuation expert, the employing organisation must determine if the expert is a member of one or more of the professional organizations. The employer is required to go the appropriate valuation firm's Web site; check the expert's claimed credentials, and download the current version of valuation standards.
- The employer shall inquire as to the "level of service" to be provided by the expert. Based on preliminary information shared with the expert, the employer is required to ask if there are any anticipated qualifications to the opinion.
- The employer shall clarify the desired reporting mode to the expert -- oral advisory, some form of written correspondence, and/or formal testimony.
- The employer has to ascertain if the expert has any hesitation of competence to undertake the assignment, and how he or she plans to overcome those issues.
- The employer must establish the professional standards under which the valuation assignment would be discharged. If the expert is a member of multiple organizations, multiple standards may apply. In such case, the expert will be bound by the highest or most accurate level of work or reporting.
- When two valuation firms are engaged for valuation purpose, the employing organisation should consider both the level of analysis undertaken and the reporting of the opinion with a view to taking final conclusion.
- The employer shall ask for clarification regarding any difference between the standards and the opposing expert's analysis with its own (or separately engaged) business valuation expert. Interpretations of minimum standards given materiality, financial comparison, and common valuation practice are necessary. Accordingly, the final conclusion and decision may be taken by the employing organisation.



DIRECTORATE OF ADVANCED STUDIES

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament

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CMA (Dr.) Debaprosanna Nandy

Director - Advanced Studies
Secretary - Board of Advanced Studies

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