ICMAI
The Institute of
Cost Accountants of India
(Statutory Body under an Act of Parliament)
www.icmai.in

62ND NCMAC 2025

iCMA

KNOWLEDGE PACK

दिव्य दृष्टि

Corporate Excellence - CMA Vision

62nd National Cost and Management Accountants' Convention (NCMAC) - 2025

23rd - 25th MAY 2025 (FRIDAY TO SUNDAY)

Convention Centre, Campus - 2, SOA University, Bhubaneswar - 751030, Odisha

ncmac2025@icmai.in

Behind Every Successful Business Decision, there is always a CMA

About the Institute

The Institute of Cost Accountants of India (ICMAI) 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, enrols students for its courses, provides coaching facilities to the students, organizes 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 increasingly contributing towards the management of scarce resources like funds, land and apply strategic decisions. This has opened up further scope and tremendous opportunities for cost accountants in India and abroad.

The Institute is having four Regional Councils at Kolkata, Delhi, Mumbai and Chennai, 117 Chapters in India and 11 Overseas Centres. The Institute is the largest Cost & Management Accounting body in the world with about 1,00,000 qualified CMAs and over 6,00,000 students pursuing the CMA Course. The Institute is a founder member of International Federation of Accountants (IFAC), Confederation of Asian and Pacific Accountants (CAPA) and South Asian Federation of Accountants (SAFA). The Institute is also an Associate Member of ASEAN Federation of Accountants (AFA) and member in the Council of International Integrated Reporting Council (IIRC), UK.

Vision Statement

"The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally."

Mission Statement

"The CMA Professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting."

Institute Motto

असतोमा सद्गमय	From ignorance, lead me to truth
तमसोमा ज्योतिर् गमय	From darkness, lead me to light
मृत्योर्मामृतं गमय	From death, lead me to immortality
ॐ शान्ति शान्ति शान्तिः	Peace, Peace, Peace

62ND NCMAC 2025

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Behind Every Successful Business Decision, there is always a CMA

MESSAGE

CMA Bibhuti Bhusan Nayak
President, ICMAI &
Chief Patron - 62nd NCMAC, 2025

I am immensely delighted to unveil this **Knowledge Pack** for the **62nd National Cost and Management Accountants' Convention (NCMAC) - 2025,** centered around the visionary theme, "दिव्य दृष्टि: Corporate Excellence – CMA Vision." This compelling theme encapsulates our collective aspiration to propel Indian corporates toward new pinnacles of performance, sustainability, and global competitiveness.

As India progresses steadily toward becoming a $5 trillion economy and beyond, Cost Accountants (CMAs) will continue to play a pivotal role in fortifying financial frameworks, enhancing operational productivity, and empowering data-driven decision-making. Their expertise is vital in building a transparent, resilient, and performance-oriented corporate ecosystem.

This Convention will serve as a vibrant platform where policymakers, industry stalwarts, academicians, and professionals will converge to exchange insights and engage in meaningful dialogues on emerging trends and challenges.

I extend a warm welcome to all participants and eagerly look forward to the rich perspectives and experiences that will emerge from this significant gathering—perspectives that will no doubt help shape the future of corporate India.
My sincere appreciation goes to all the distinguished contributors and the dedicated team whose earnest efforts have made the timely publication of this Knowledge Pack possible.

CMA Bibhuti Bhusan Nayak

MESSAGE

It is a matter of immense pride to introduce the **Knowledge Pack** for our prestigious **62nd National Cost and Management Accountants' Convention (NCMAC)-2025,** themed **"दिव्य दृष्टि – Corporate Excellence – CMA Vision."** This theme reflects the strategic direction in which India's business ecosystem is evolving, where excellence is no longer defined solely by profitability, but by purpose, innovation, and sustainable impact.

India's economy is currently undergoing a monumental transformation, driven by rapid digitization, global integration, and far-reaching structural reforms. In this dynamic era, Cost Accountants (CMAs) are playing a pivotal role, as trusted partners in strategy, compliance, and value creation. With deep-rooted expertise in cost competitiveness, capital efficiency, and performance analytics, CMAs are uniquely equipped to guide enterprises toward sustained and inclusive growth.

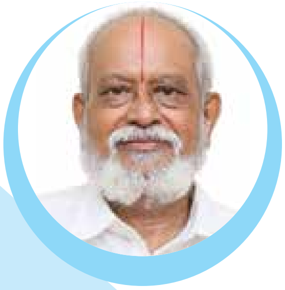
Let us reaffirm our shared vision, to position Indian Corporates not only as global competitors but also as torchbearers of ethical governance and corporate accountability.

We are also delighted to announce the formal release of the Knowledge Pack during the Convention. Commendable efforts have gone into making this publication informative, relevant, and valuable, particularly for CMA professionals and participating delegates.

We extend our heartfelt appreciation to all resource persons, delegates, and participants, sponsors and volunteers and look forward to engaging discussions and meaningful insights that will shape the future of our profession and our economy.

Jai Hind!

CMA TCA Srinivasa Prasad



CMA TCA Srinivasa Prasad
Vice President, ICMAI &
Chairman - 62nd NCMAC, 2025

Behind Every Successful Business Decision, there is always a CMA

CMA Manoj Kumar Anand
Council Member, ICMAI &
Convener - 62nd NCMAC, 2025

MESSAGE

As we convene for the **62nd NCMAC 2025** on the forward-looking theme, **"दिव्य दृष्टि - Corporate Excellence - CMA Vision."** I am indeed very happy to bring forth the Knowledge Pack in our 62nd National Cost and Management Accountants' Convention. I feel a profound sense of optimism and responsibility. This theme resonates with the changing aspirations of a new India—where corporate entities are seen not just as economic engines, but as ethical leaders and innovation hubs.

In this journey, our young CMAs and aspiring professionals will be the torchbearers of change. A skilled, agile, and visionary workforce is central to realizing our national goals, and CMAs, with their holistic business perspective, are poised to drive a cultural shift in how Indian businesses define and pursue excellence.

The NCMAC 2025 is more than just a gathering—it is a convergence of visionaries, policymakers, professionals, and scholars, united in their quest to reimagine corporate performance and value creation. We will explore how CMAs can further contribute to India's transformation into a knowledge-based, innovation-driven economy.

I extend a heartfelt welcome to all participants, and I am confident that this event will foster deep learning, inspire bold ideas, and empower professionals to lead with purpose. Let this Convention be a landmark in our shared journey toward sustainable corporate success.

CMA Manoj Kumar Anand

MESSAGE

CMA Subhasish Chakraborty
Chairman, ICMAI-EIRC &
Co-Chairman - 62nd NCMAC, 2025

With immense pride, I present the Knowledge Pack for the 62nd **National Cost and Management Accountants' Convention (62 NCMAC),** which revolves around the powerful theme, **"दिव्य दृष्टि - Corporate Excellence - CMA Vision".** This theme is especially relevant at a time when India is making its mark on the global economic map, and the need for resilient, responsible, and innovative enterprises has never been greater.

Corporate excellence today demands agility, ethical leadership, digital acumen, and strategic resource management. CMAs possess the ideal combination of technical knowledge, ethical grounding, and strategic insight to become key players in driving these imperatives. From MSMEs to multinational corporations, CMAs are guiding businesses toward long-term value creation and risk-aware decision-making.

This Convention brings together leaders from diverse domains—government, industry, academia, and professional practice—to deliberate on topics that are central to India's future growth story.

I am confident that the ideas exchanged and relationships built during this Convention will help shape a corporate India that is globally admired and locally impactful.

I extend a warm welcome to all distinguished guests and participants and wish the Convention great success in advancing our collective vision.

CMA Subhasish Chakraborty

Behind Every Successful Business Decision, there is always a CMA

CMA Ramesh Chandra Patra
Chairman, ICMAI-Bhubaneswar Chapter &
Co-Convener - 62nd NCMAC, 2025

MESSAGE

It gives me great pleasure to share the **Knowledge Pack** for the 62nd National Cost and Management Accountants' Convention (62 NCMAC) of the Institute of Cost Accountants of India, built on the timely and transformative theme "दिव्य दृष्टि - Corporate Excellence – CMA Vision". As India progresses on its journey of becoming a global economic superpower, it is critical to embed excellence, accountability, and innovation at the heart of our corporate institutions.

CMAs have always been instrumental in building organizations that are lean, efficient, and future-ready. Their expertise in cost control, financial modeling, and business analytics makes them key contributors to strategic decisions across sectors. The theme of this Convention highlights not only the importance of achieving excellence but also the strategic role of CMAs in enabling it.

I extend my sincere welcome to all the delegates. Let us use this opportunity to celebrate our profession, reinforce our commitment to national development, and elevate the standards of corporate practice across the country.

CMA Ramesh Chandra Patra

EDITORIAL

Divya-Drishti - Corporate Excellence

"Divya-Drishti: Corporate Excellence" is a comprehensive guide that integrates the visionary principles of Cost Management Accountancy (CMA) with contemporary financial strategies to drive organizational success. The Knowledge Pack explores critical domains of corporate finance and governance, offering actionable insights for professionals navigating the complexities of modern business landscapes.

Key Themes and Insights

Total Cost Management (TCM) & Perpetual Cost Management

The Knowledge Pack emphasizes TCM as a strategic framework for optimizing costs across the value chain, fostering efficiency, and enhancing profitability. It introduces Perpetual Cost Management, an innovative approach that ensures continuous cost optimization through real-time monitoring and data-driven decision-making. Practical tools and case studies illustrate how organizations can embed cost consciousness into their culture.

Navigating the Direct and Indirect Tax Landscape

With an ever-evolving tax regime, the Knowledge Pack provides a roadmap for mastering compliance and leveraging tax strategies. It covers direct taxes (e.g., corporate income tax) and indirect taxes (e.g., GST), offering clarity on compliance, planning, and risk mitigation. The text highlights best practices for aligning tax strategies with business objectives.

Financial Shenanigans & AI in Accounting

The Knowledge Pack delves into the detection and prevention of financial malpractices, equipping readers with techniques to identify red flags in financial statements. It also explores the transformative role of Artificial Intelligence in accounting, from automating routine tasks to enhancing predictive analytics, ensuring accuracy and efficiency in financial operations.

Recipe for Financial Reporting: Ind AS, BRSR & ESG

The Knowledge Pack outlines a robust framework for financial reporting under Indian Accounting Standards (Ind AS), emphasizing transparency and stakeholder trust. It also addresses the growing importance of Business Responsibility and Sustainability Reporting (BRSR) and Environmental, Social, and Governance (ESG) metrics, guiding organizations to integrate sustainability into their reporting practices.

Value Proposition

"Divya-Drishti" bridges traditional CMA expertise with cutting-edge financial paradigms, offering a holistic vision for corporate excellence. It is an essential resource for finance professionals, business leaders, and policymakers seeking to drive sustainable growth, ensure regulatory compliance, and leverage technology in an increasingly dynamic global economy.

EXECUTIVE SUMMARY

दिव्य-दृष्टि - Corporate Excellence

Achieving Holistic Corporate Success Through Strategic Financial Leadership and Sustainable Practices

This knowledge pack, "दिव्य-दृष्टि - Corporate Excellence," offers a panoramic view of the critical financial and strategic pillars essential for sustained corporate success in today's dynamic global landscape. It champions the "CMA Vision," positioning Cost and Management Accountants (CMAs) as pivotal strategic partners who provide exceptional insights – the "दिव्य-दृष्टि" or divine vision – necessary to navigate complexity and drive organizational prosperity.

The publication delves into the core tenets of Total Cost Management (TCM) and Perpetual Cost Management, moving beyond traditional cost-cutting to embed a culture of continuous, value-driven cost optimization. It underscores how these strategic approaches to cost management are integral to enhancing efficiency, improving profitability, and securing a long-term competitive advantage.

Navigating the intricate Direct and Indirect Tax Landscape is another critical focus. The knowledge pack provides a comprehensive guide to understanding and strategically managing the complexities of India's evolving tax regime, including Goods and Services Tax (GST), corporate income tax, and other statutory obligations. Effective tax planning and compliance are presented as crucial elements for financial health and risk mitigation.

In an era of increasing scrutiny, the knowledge pack tackles the challenging issue of Financial Shenanigans, exploring how unethical accounting practices can erode stakeholder trust and corporate value. Concurrently, it highlights the transformative potential of Artificial Intelligence (AI) in Accounting. AI is presented not only as a tool for enhancing efficiency and accuracy in routine tasks but also as a powerful ally in fraud detection, risk management, and providing deeper analytical insights for informed decision-making.

Finally, "दिव्य-दृष्टि" provides a clear "Recipe for Financial Reporting," demystifying the latest standards and frameworks. This includes a thorough examination of Indian Accounting Standards (Ind AS), emphasizing convergence with global best practices. Furthermore, it addresses the growing importance of non-financial disclosures through the Business Responsibility and Sustainability Report (BRSR) and comprehensive Environmental, Social, and Governance (ESG) reporting. These elements are crucial for building transparency, enhancing corporate reputation, and meeting the expectations of socially conscious investors and stakeholders.

In essence, this knowledge pack equips finance professionals, business leaders, and aspiring CMAs with the foresight and knowledge to foster corporate excellence. By integrating robust cost management, astute tax navigation, ethical financial practices augmented by AI, and transparent, globally aligned reporting, organizations can achieve sustainable growth and a resilient future.

Contents

FINANCIAL SHENANIGANS & AI IN ACCOUNTING: NEW ERA FOR CMA's

Abstract

Financial shenanigans threaten transparency, but AI is revolutionizing detection, prevention, and prediction. CMAs can harness AI for anomaly detection, risk assessment, audits, and governance. While challenges like data quality and skill gaps exist, mastering AI empowers CMAs to uphold ethics, enhance compliance, and redefine corporate governance in the digital age.

CMA (Dr.) A. S. Gurudath
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In the dynamic world of business today, financial transparency has never been more crucial — or more vulnerable. Financial shenanigans, those deliberate acts of manipulating financial statements to mislead stakeholders, continue to evolve in sophistication. However, the advent of Artificial Intelligence (AI) is revolutionizing the accounting profession, offering powerful tools to detect, prevent, and even predict such deceptive practices. For Cost and Management Accountants (CMAs), this fusion of finance and technology offers not just new challenges, but immense opportunities.

Understanding Financial Shenanigans

Financial shenanigans range from subtle earnings manipulation to outright fraud. Techniques include:

- **Earnings smoothing** (deferring expenses or accelerating revenues)
- **Inflated asset valuations**
- **Premature revenue recognition**
- **Concealing liabilities**

History is replete with corporate scandals — Enron, WorldCom, Satyam — all of which involved creative accounting tricks that initially fooled even seasoned analysts.

For CMAs, who are stewards of cost optimization, financial prudence, and ethical compliance, understanding these tricks isn't optional — it's fundamental.

The Role of AI in Combating Financial Shenanigans

AI's relevance in accounting is no longer futuristic — it's here and rapidly reshaping corporate governance. Here's how AI strengthens financial discipline:

1. Anomaly Detection

AI-powered platforms can analyse millions of transactions in seconds to detect patterns that human auditors might miss.

- **Example**: A leading multinational FMCG company in India deployed machine learning models to flag unusual inventory valuations. This system detected a branch consistently reporting inventory turnover ratios that were statistically anomalous, prompting a deeper audit — and revealing inventory overstatement.

2. Predictive Risk Assessment

AI can evaluate historical data to forecast areas prone to manipulation. **Example**: In a large infrastructure company, AI models predicted project cost overruns based on historical cost behaviours, leading CMAs to recommend early corrective actions and prevent cost manipulations in Work-in-Progress (WIP) accounting.

3. Automated Reconciliations

Natural Language Processing (NLP) tools can read, match, and reconcile thousands of contracts, invoices, and bank statements.

- **Example**: A global IT company uses AI bots for 100% invoice matching against purchase orders. When vendors attempted to inflate invoice values subtly, AI raised red flags in real time — enabling the finance team to act swiftly.

4. Behavioural Analytics

AI not only reads numbers — it learns behaviour. Algorithms can flag employees or business units whose financial behaviours deviate from established norms.

- **Example**: In an Indian pharmaceutical giant, AI tools monitored employee expense claims. Significant deviation patterns triggered internal audits, uncovering a network of false expense reimbursements.

Practical Relevance to CMA Professionals

CMAs are uniquely positioned to integrate AI insights into strategic decision-making. Here's why:

- **Strategic Advisory**: CMAs can guide corporates in investing wisely in AI-driven governance systems.
- **Real-Time Cost Control**: With AI monitoring, CMAs can proactively manage project costs, overheads, and production variances.
- **Enhanced Compliance**: AI supports CMAs in ensuring companies adhere to regulatory standards like the Companies Act, SEBI Listing Obligations, and Internal Financial Controls (IFC) requirements.
- **Ethical Leadership**: CMAs become champions of ethical business practices by using AI to expose and prevent financial malpractices.

Role of AI in Detecting Financial Shenanigans

- **Automated Anomaly Detection**: AI can spot unusual transactions across millions of data points — far beyond human capabilities.
- **Predictive Analytics**: AI models can forecast financial manipulations before they occur based on historical patterns.
- **Continuous Monitoring**: AI enables real-time monitoring, making audits dynamic rather than periodic.
- **Behavioural Pattern Recognition**: Detects irregular financial behaviours by employees, suppliers, or departments.

Application of AI in Cost Audit

- **Cost Overstatement or Understatement**:
  - AI tools flag discrepancies between actual and standard costs, helping CMAs spot false reporting.
    - *Example*: During a cost audit of a manufacturing unit, AI detected that raw material consumption was consistently underreported compared to production data, hinting at stock manipulation.
- **Verification of Cost Allocation**:
  - AI automates the validation of overhead allocation across products and departments.
    - *Example*: AI analysis revealed that a company had been allocating administrative overheads disproportionately to low-margin products to inflate the profitability of flagship products.
- **Inventory Management Analysis**:
  - AI models track inventory aging and movement trends to identify fake purchases or sales.
    - *Example*: In a cost audit, AI spotted multiple inventory write-backs coinciding with financial year-ends, indicating window dressing.

Application of AI in Management Audit

- **Operational Efficiency Evaluation**:
  - AI benchmarks internal KPIs (like labour efficiency, machine utilization) against industry norms.
    - *Example*: AI analysis helped CMAs uncover ghost employees in a large factory payroll during a management audit.
- **Risk Identification**:
  - AI tools predict high-risk vendors, customers, or business units prone to non-compliance or financial manipulation.
    - *Example*: Management audit at a construction firm flagged contractors with abnormally high advance payments without work progress — a red flag for misappropriation.
- **Ethics and Corporate Governance Monitoring**:
  - AI sentiment analysis tools review internal communications and whistle-blower reports.
    - *Example*: Management audit at a pharmaceutical company used AI to scan emails and discovered early warnings of marketing budget misallocation.

Application of AI in Tax Audit

- **Data Reconciliation Across GST, TDS, Income Tax Filings**:
  - AI automatically cross-verifies turnovers, input credits, deductions across different tax systems.
    - *Example*: AI flagged differences between GST turnover and income tax reported turnover, leading to discovery of unaccounted sales.
- **Detection of Artificial Expense Inflation**:
  - AI identifies duplicate, fictitious, or inflated expense entries.
    - *Example*: In a tax audit, AI spotted repeated expense claims from vendors showing identical invoice numbers with slight value changes — indicating potential collusion.
- **Pattern Recognition for Aggressive Tax Planning**:
  - AI predicts transactions structured to avoid taxes (e.g., repeated related-party transactions at off-market prices).
    - *Example*: A mining company's tax audit using AI revealed multiple inter-company transactions where transfer pricing was manipulated to shift profits to a lower-tax subsidiary.

Practical Advantages for CMA Professionals

- **Higher Audit Assurance**:
  - AI-assisted audits ensure broader, deeper sampling and faster risk identification.
- **Proactive Advisory Role**:
  - CMAs can advise clients on system improvements based on AI findings.
- **Efficient Fraud Investigation**:
  - Early detection of manipulation reduces investigation costs and recovery time.
- **Regulatory Compliance**:
  - Assures compliance with Companies Act, SEBI regulations, GST laws, and tax norms.

Challenges and Future Directions

- **Data Quality Issues**: Poor-quality data can lead to misleading AI outcomes.
- **Need for Tech-Savvy CMAs**: CMAs must enhance their data analytics and AI interpretation skills.
- **Ethical AI Governance**: CMAs must ensure AI models are transparent, fair, and unbiased.

Challenges and the Way Ahead

While AI brings phenomenal potential, it is not without challenges:

- **Data Privacy**: Financial data must be protected even as it is analysed.
- **Bias in AI Models**: Poorly trained models can produce misleading results.
- **Skill Gaps**: CMAs must upskill to understand and supervise AI applications.

To remain relevant, CMAs must embrace continuous learning in AI, data analytics, and forensic accounting.

Conclusion

Financial shenanigans erode investor trust and damage economic ecosystems. AI, wielded wisely, offers CMAs the arsenal to detect, deter, and defeat these threats. The modern CMA is not just a cost manager or accountant — but a digital-age sentinel, ensuring ethical financial conduct and sustainable corporate growth.

As we move forward, the synergy between AI and CMAs will not just transform accounting practices — it will redefine corporate governance itself.

Quick Tips for CMAs to Leverage AI

- Learn basics of machine learning and anomaly detection.
- Collaborate with data science teams in your organization.
- Advocate for ethical AI practices.
- Participate in AI-ethics governance committees.
- Use AI tools as an aid, not a replacement for professional scepticism.

CHANGING LANDSCAPE OF FINANCIAL REPORTING IN THE NON-CORPORATE WORLD

Abstract

Corporate entities must publish their financial statements quarterly as per the Ind AS -34(Interim Financial Reporting) if they are listed on any stock exchanges in India. As per SEBI regulations, it is mandatory. Even though Non-Corporate entities in India are relaxed to that extent, they have to follow the rules and regulations of the Institute of Chartered Accountants of India unless they are exempted by the institute or the relevant government. Besides environmental reporting takes the shape of Business Responsibility and Sustainability reporting in India .It is not mandatory for the Non-Corporate entities in India. The researcher has collected the secondary data and carried out a critical review of existing literature to get a conclusion about the format of the financial statements of Non-Corporate entities of India with effect from the financial year 2024-2025.It is concluded that those entities will prepare their financial statements as per the new format prescribed by the ICAI through a guidance note published in August, 2023.

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Introduction

Companies Act 2023 does not applicable to the financial reporting concerning Non-Corporate Entities, Financials of Limited Liability Partnership Firm, and Financials of Non-Profit Organizations .Does the guidelines of the Institute of Chartered Accountants of India is recommendatory or mandatory ? What are the features of new formats of the financial statements of that kind of entity? .Therefore there is a need to conduct a study to answer those questions.

ESG reporting (Environmental, Social, and Governance Reporting) concerning Non-Corporate Entities in India.

Environmental, Social, and Governance reporting is mandatory in certain countries (Countries affected by mandatory ESG reporting – here's the list., n.d.)[1] But it is not mandatory in India even in the case of public Companies. ESG reporting considers certain environmental factors like air and water pollution, deforestation and natural resource depletion etc. In India, ESG reporting is known as Business Responsibility and Sustainability reporting and it is mandatory for top 1000 listed companies w.e.f F.Y 2022-2023.It should include various details like gross wages paid to female workers, its percentage of total wages, etc, details of posh complaints, etc. Reporting on people, planet and profit is essential in the changing global circumstances.

Financial statements of Non-Corporate Entities

As per section 133 of the Indian Companies Act 2013, all listed companies and certain other types of companies have to report their financial performance, revenue earning capacity, and financial position with the help of Indian Accounting Standards prescribed by the Institute of Chartered Accountants of India and notified by the Ministry of Corporate Affairs (MCA) after getting inputs from the National Financial Reporting Authority of India. IndAS Applicable companies should prepare the following financial statements:

1. Statement of profit or loss
2. Statement of Changes in Equity
3. Balance sheet
4. Cash Flow Statement
5. Notes.

(Figure: 1. Website of Ministry of Corporate Affairs)

(Source: https://www.mca.gov.in/content/mca/global/en/home.html)[2]

Figure 1 shows the website of the ministry of corporate affairs, the authority in India to publish Indian Accounting Standards in India.

(Figure: 2.Website of National Financial Reporting Authority)

(Source: https://nfra.gov.in/)[3]

Figure 2 shows the website of National Financial Reporting Authority of India, the authority in India to address the issues related with Indian Accounting Standards in India.

Entities must adhere to the 24 Cost Accounting Standards set by the Institute of Cost Accountants of India. The Twenty-Fifth Cost Accounting Standard will be implemented soon. The maintenance of cost reports, cost audits, and the mandatory application of Cost Accounting Standards depend on the entity's turnover in the relevant financial year.

Figure.3: Website of Cost Accounting Standards Board of India

(Source: https://icmai.in/CASB/index.php)[4]

Figure 3 shows the website of the Cost Accounting Standards Board of India. The Cost Accounting Standards Board of India is responsible for the formulation of Cost Accounting Standards in India.

At this juncture, the Institute of Chartered Accountants of India has recommended formats of financial statements through two guidelines issued in August 2023. The Guidance Note was published on August 2023 and it is effective for Financial Statements covering on or after 01.04.2024. Before the issuance of the Guidance Note, ICAI published a Technical Guide on this matter in June 2022. The Technical Guide stands superseded by this Guidance Note. (CA. SivaramanA.R.2025)[5].

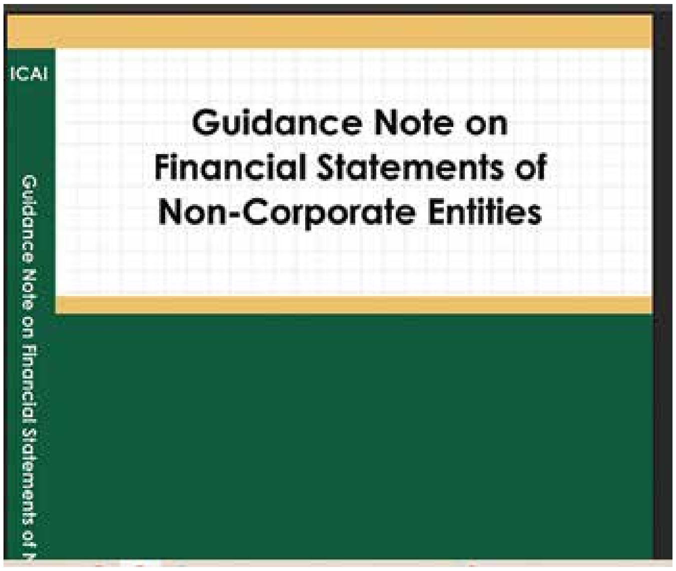

Figure.4.Guiadnce Note on Financial statements of Non-Corporate Entities

(Source: https://resource.cdn.icai.org/75516asb61093-a.pdf)[6]

Figure 4 is related with guidance Note on Financial statements of Non-Corporate Entities.

Implications of New formats

1. Every Commerce professional should understand the new formats applicable to Non-Corporate Entities, as the new formats are applicable rom April 1, 2025.
2. Entities must comply with relevant Accounting Standards (AS) issued by ICAI based on their classification (Level I–IV). The compliance of the relevant Accounting Standards are very crucial in the preparation of the financial statements as per the new format of the Institute of Chartered Accountants of India.
3. Standard formats very helpful to the relevant entities. From cost reduction to uniform costing is possible with the help of those formats.
4. Corporate Governance is the key n every success as per many research reports.
5. If any particular entity hesitates to follow the new format, then they have to face the penalties for non-implementation.
6. Ease of doing business and viksit need development in every field, especially in the communication process. The new formats are positive developments in that area.

Features of new formats applicable to the Non-Corporate Entities.

1.Non-Corporate Entities means all commercial or professional entities other than companies incorporated as per the Indian Companies Act 2013 and Limited Liability Partnership Firms incorporated as per Limited Liability Partnership Firms Act 2008 namely Sole proprietorship firms , Hindu Undivided Family , Partnership Firms as per the Indian Partnership Act 1932,Societies , trusts ,Statutory corporations etc.

2. The following are the financial statements prescribed:

A. Statement of profit or loss.

B. Balance sheet

C. Cash Flow Statement

D. Notes.

3. Features of the Statement of Profit and Loss prescribed through the guidelines.

i. It should be prepared in Vertical format.

ii All figures related to the Statement of profit and loss should be placed in comparative form.

4. The Following are the Major headings of Statement of Profit and Loss like the Statement of Profit and Loss of companies.

i. Revenue from operations.

ii. Other Income.

iii.Total income.

iv. Expenses.

v. Total Expenses.

vi. Exceptional items.

vii. Extraordinary items.

viii. Partners’ remuneration.

ix. Profit before tax.

x. Tax expenses.
Current Tax and deferred tax.
xi. Profit /loss after considering profit /loss from the discontinued operations.

5. No statement of changes in equity is to be prepared by the entity.

6. The following are the features of the Balance sheet.
The following are the major headings of the balance sheet.
i.Owners's funds and liabilities
ii. Owners funds
(a) Owners Capital Account (i) Owners'/Partners' Capital Account2 (ii) Owners'/Partners' Current Account2
iii. Non-Current Liabilities
iv. Current Liabilities
v. Total
vi. Assets
vii. Non-Current Assets like property , plant and equipment
viii. Current Assets
ix. Total

7.The following are the Features of the Cash Flow Statement.
Operating Activities.
Investing Activities.
Financing Activities.

Non Profit Organizations.

Statement of Profit and Loss and Balance sheet are the two financial statements to be prepared by the Non Profit Organizations.

Statement of Profit and Loss.

The following are the major headings of the Statement of Profit and Loss to be prepared by the non profit organizations.
i. Income
ii. Donations and Grants
iii. Fees from rendering of services
iv. Sale of goods
v. Other income
vi. Total Income
vii. Expenses
viii. Total Expenses
ix. Excess of Income over Expenditure for the year before exceptional and extraordinary items
x. Exceptional items (specify nature & provide note/delete if none

Balance sheet

The Following are the major headings of the Balance sheet.

Sources of Funds.

i.NPO Funds
ii. Unrestricted Funds
iii. Restricted Funds
iv. Non-current liabilities
v. Long-term borrowings
vi.Other long-term liabilities
vii.Long-term provisions
viii.Current Liabilities
ix.Short-term borrowings
x.Payables
xi.Other current liabilities
xii.Short-term provisions
Total

Application of Funds

i.Non-current assets
ii.Property, Plant and Equipment and intangible assets
iii.Non-Current Investments
iv.Long-term Loans and advances
v.Other Non-Current assets
vi.Current Assets
Total

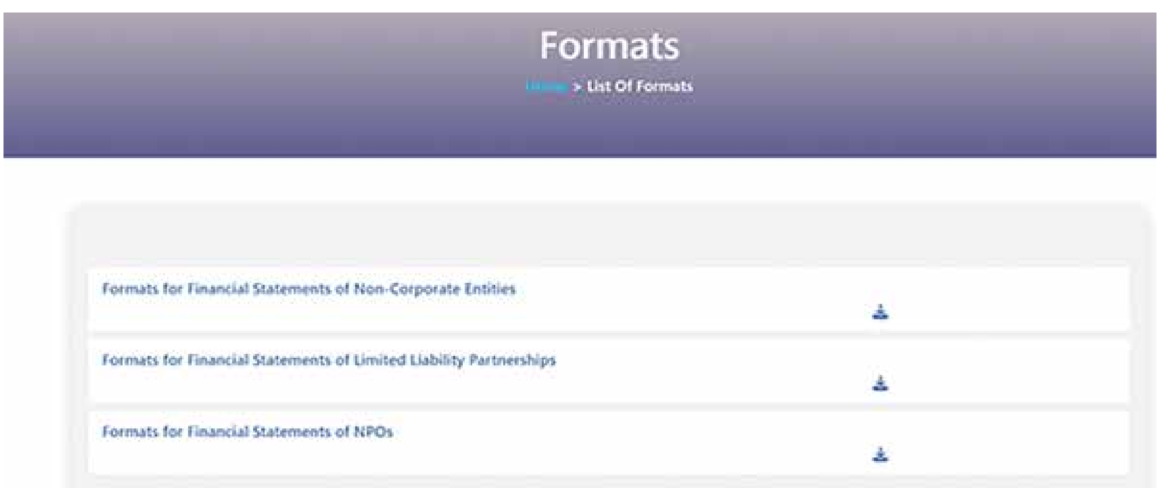

Figure.5. Formats of Financial statements.
(Source: https://asb.icai.org/index.php/web/home/checklist_and_format/formats)[7]

Limited Liability partnerships

1.The institute of Chartered Accountants of India has also prescribed the formats concerning the Limited Liability Partnership firms established as per the Limited Liability Partnership Act. Those new formats are applicable from April 1, 2024.

2. The following are the financial statements prescribed:

A. Statement of profit or loss.

B. Balance sheet

C. Cash Flow Statement

D. Notes.

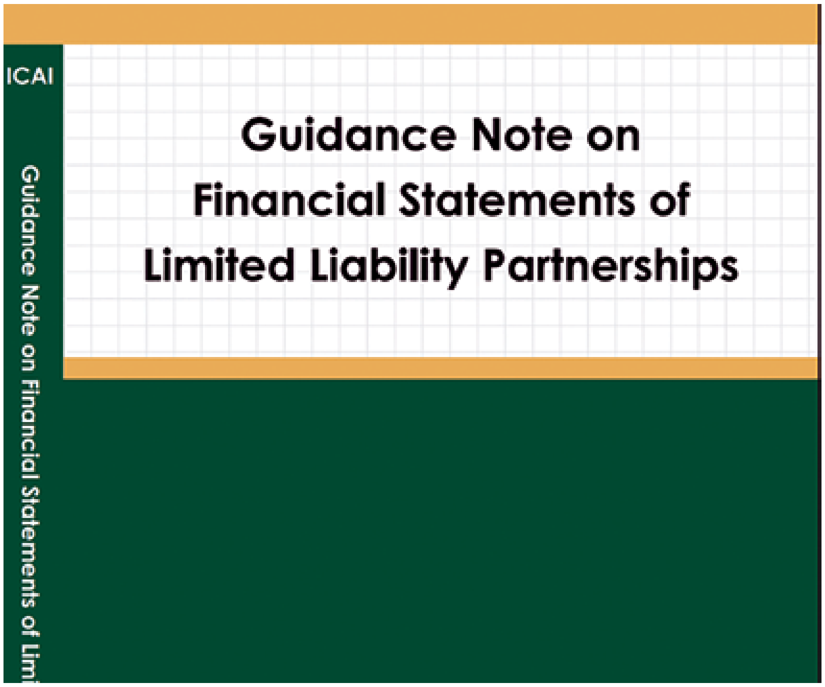

Figure.6. Guidance Note on Financial Statements of Limited Liability Partnership firms (Source: https://resource.cdn.icai.org/75517asb61093-b.pdf)[8]

Figure number 6 deals with the Guidance Note on Financial Statements of Limited Liability Partnership firms.

Conclusion

The researcher has concluded that the guidance notes published by the Institute of Chartered Accountants of India are mandatory with effect from April 1, 2024 and therefore non-corporate entities, limited liability partnership firms and non-profit organizations should prepare the financial statements as per the new formats.

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CMA VISION 2025: EMPOWERING ENTERPRISES THROUGH TCM & PCM

TCM & PCM: TWO PILLARS OF SUSTAINABLE VALUE CREATION

Abstract

In today's fast-paced global business environment, organizations are challenged to achieve sustainable growth while maintaining cost-efficiency and resilience. Corporate excellence is no longer defined merely by profitability but by strategic cost leadership and operational efficiency. This article explores the dual frameworks of Total Cost Management (TCM) and Perpetual Cost Management (PCM), highlighting the role of Cost and Management Accountants (CMAs) in implementing these systems. Through real-world case studies, emerging trends, and forward-looking insights, the paper presents a comprehensive roadmap for businesses aiming to master cost and achieve long-term excellence.

Corporations face relentless pressure to deliver sustainable growth, innovation, and value to stakeholders. The hallmark of corporate excellence lies not only in generating profits but also in judicious resource management, strategic foresight, and resilient operations. In this quest, the strategic deployment of Total Cost Management (TCM) and Perpetual Cost Management (PCM) becomes pivotal.

The Cost and Management Accountant (CMA) community, equipped with technical acumen, analytical insight, and ethical rigor, stands at the forefront of guiding businesses through these complexities.

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Total Cost Management (TCM): A Strategic Framework

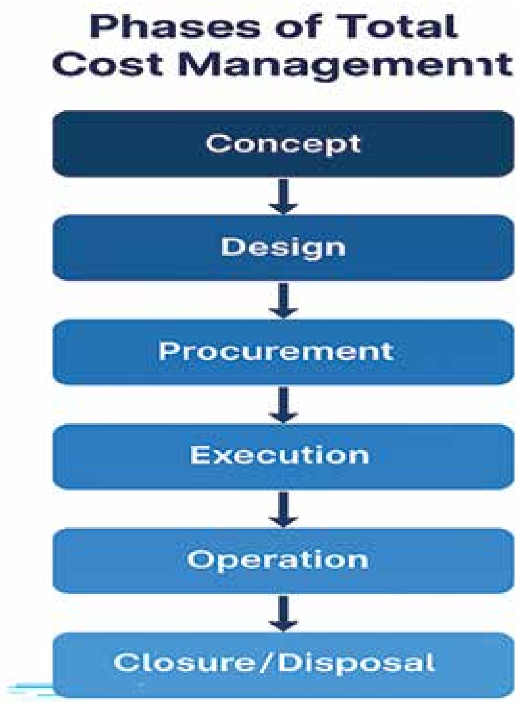
Definition

According to AACE International, Total Cost Management is "the effective application of professional and technical expertise to plan and control resources, costs, profitability, and risk." TCM spans the entire life cycle of a project, product, or enterprise.

Key Components of TCM

Phase	TCM Activities	CMA's Role
Concept	Feasibility studies, cost estimation	Feasibility reporting, business case evaluation

Design	Target costing, value engineering	Early cost reduction, design-to-cost practices
Procurement	Supplier evaluation, contracting strategies	Negotiations, make-or-buy decisions
Execution	Cost control, Earned Value Management (EVM)	Monitoring KPIs, project audits
Operation	Life cycle costing, performance benchmarking	Resource optimization, continuous improvement
Closure/Disposal	Salvage value optimization	Decommissioning and closure costing



Methodologies

- Life Cycle Costing (LCC): Analyzing total ownership costs.
- Target Costing: Setting product costs based on market conditions.
- Value Engineering (VE): Improving functions at minimum costs.

A wonderful example of Target Costing in Practice is Tata Motors' Nano Project for manufacturing the world's most affordable car "Tata Nano". In 2003, Tata Group Chairman Ratan Tata envisioned a car priced at INR 1 lakh (approx. USD 2,000), to provide safe, affordable mobility for the Indian middle class. The challenge wasn't just to reduce cost—it was to engineer a vehicle from scratch to meet a price.

Target Costing in Action:

1. Price-Driven Design:

The team began with the target price of INR 1 lakh and worked backward, defining allowable costs across all subsystems—engine, chassis, interior, and assembly.

2. Supplier Collaboration:

Tata Motors involved suppliers early, engaging them in **cost innovation**—offering them design responsibility and profit-sharing to encourage cost-effective solutions.

3. Material & Feature Optimization:

- Eliminated non-essential features (e.g., power steering, airbags, passenger side mirror in base model).

- Used lighter materials and a **rear-engine design** to reduce component costs.

4. Frugal Engineering:

Innovative solutions like a **single wiper**, **simplified transmission**, and **adhesive bonding** instead of welds helped meet cost goals without compromising safety norms.

Perpetual Cost Management (PCM): Real-Time Vigilance

Perpetual Cost Management focuses on continuous, real-time monitoring, reporting, and controlling of operational costs. It ensures alignment between ongoing activities and strategic cost objectives.

Key Characteristics

Aspect	PCM Activities	CMA's Role
Budgetary Control	Variance analysis, rolling forecasts	Alerting deviations, dynamic re-budgeting
Procurement Control	Real-time P2P tracking	Cost-benefit analysis, supplier audits
Labour Cost Monitoring	Overtime, productivity measurement	Efficiency improvements
Material Management	Wastage, pilferage control	Inventory optimization

Tata group of companies also set good examples of PCM. Tata Steel deployed a SAP-based PCM system to monitor shop-floor expenses daily. Through real-time material loss tracking, they reduced annual wastage costs by 15% (INR 480 crores) between FY2020-2022 (Source: Tata Sustainability Report, 2023).

Tata Motors also implemented real-time cost tracking systems across its manufacturing units using **IoT sensors and SAP ERP platforms**. This allows the company to monitor **machine efficiency, energy consumption, and inventory movement** on a real-time basis.

For example, at the Pune plant, real-time data from machines is used to detect energy overuse or maintenance needs, allowing Tata Motors to reduce wastage and optimize machine utilization. This data feeds into their cost systems to update cost structures dynamically (Tata Motors Sustainability Report 2022-23)

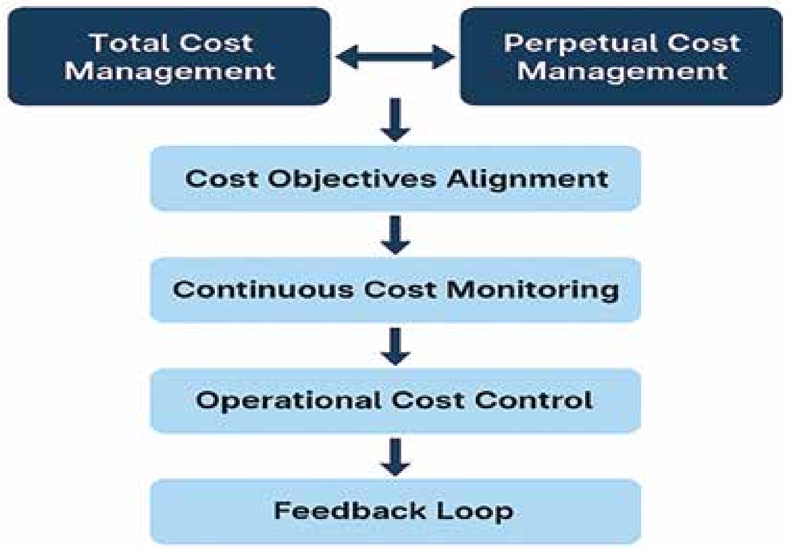
Impact:

Reduced operating costs by identifying inefficiencies immediately.

Enhanced resource utilization and preventive maintenance.

Synergy: TCM vs PCM

Dimension	Total Cost Management	Perpetual Cost Management
Focus	Strategic, Lifecycle	Tactical, Real-time
Objective	Optimize total ownership cost	Control operational cost instantly
Time Horizon	Long-term	Short-term to immediate
Tools	LCC Models, Value Engineering	ERP Systems, BI Dashboards
CMA's Role	Strategic Advisor	Tactical Controller



Real-World Applications: Case Studies

Infosys Ltd.

TCM Practice: Adopted Life Cycle Costing for IT infrastructure projects, achieving a 20% cost saving.

PCM Practice: Implemented AI-driven cost anomaly detection, resulting in real-time fraud prevention worth INR 70 crores annually.

Hindustan Unilever (HUL)

Through TCM, HUL focused on 'design for value' strategies, cutting packaging costs by 18% without compromising quality (Source: HUL Annual Report 2022).

With PCM, HUL's daily sales monitoring system adjusted discounts dynamically, increasing sales efficiency by 12%.

Digital Tools Powering TCM–PCM Integration

In the era of digital transformation, the integration of **Total Cost Management (TCM)** and **Perpetual Cost Management (PCM)** is no longer aspirational—it is essential. Digital tools are the backbone of this integration, enabling organizations to move from traditional, periodic cost analysis to **real-time, data-driven decision-making**.

Enterprise Resource Planning (ERP) systems such as SAP, Oracle, and Microsoft Dynamics form the foundational layer for TCM by consolidating financial, operational, and inventory data across departments. These platforms support lifecycle cost tracking, budget control, and variance analysis—all core components of strategic cost management.

Complementing this, **IoT (Internet of Things)** devices, **AI-based analytics**, and **cloud-based dashboards** empower Perpetual Cost Management. These tools facilitate **real-time monitoring** of cost drivers like energy consumption, machine uptime, labor deployment, and logistics efficiency. AI and machine learning algorithms can detect cost anomalies, forecast trends, and recommend corrective actions proactively—enhancing the agility and responsiveness of cost controls.

Further, **Business Intelligence (BI) tools** such as Power BI and Tableau allow CMAs to visualize and communicate cost insights dynamically, helping management take informed decisions instantly.

The convergence of TCM and PCM through digital tools thus enables a **closed-loop cost control system**—where strategy, execution, and continuous improvement are all interconnected through technology. This integration not only optimizes operational efficiency but also aligns with the **CMA vision of cost leadership, transparency, and corporate excellence.**

Role of CMAs in Corporate Excellence

Activity	Impact Created
Strategic Cost Planning	Aligning corporate strategy with financial prudence
Business Intelligence	Deploying data-driven dashboards for real-time insights
Risk Management	Anticipating cost-related risks early
Sustainability Accounting	Integrating ESG parameters into costing models
Innovation Leadership	Enabling cost-conscious product and process innovations

Future CMA Skillsets

Digital Cost Management Tools: SAP, Oracle, Power BI

AI and ML Integration: Predictive costing

Blockchain: Secure cost tracking

Sustainability Reporting: BRSR, ESG frameworks

Future Trends in Cost Management

Trend	Implication
AI-Driven Cost Optimization	Predictive cost anomalies, saving up to 25% (Deloitte Report 2024)
Green Costing	Incorporating carbon pricing into decision-making
Hyper-Automation	Robotic Process Automation (RPA) for cost reporting
ESG Cost Accounting	72% of investors now factor ESG into valuations (BlackRock Survey, 2023)

Conclusion

Corporate excellence today demands more than financial profits; it requires resilience, adaptability, transparency, and stewardship. TCM equips businesses to chart the most efficient path toward strategic goals, while PCM ensures the journey stays on course, day by day.

The CMA Vision is clear: To be the architects of corporate excellence through strategic foresight, real-time execution, and ethical leadership. The future belongs to enterprises that not only "manage" costs but "master" them to deliver sustained value.

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DECEPTION IN DISCLOSURE: UNDERSTANDING AND COMBATING FINANCIAL SHENANIGANS IN INDIA

Abstract

Financial Shenanigans involve deliberate manipulation or distortion of a company's financial statements. The main objective behind financial shenanigans is to mislead stakeholders about their actual financial performance or position. This study aims to give an overview of financial shenanigans in terms of their concept, warning signs, and ways to combat them. Additionally, the study highlighted six significant cases of financial shenanigans in India. The author collected information from different websites, magazines, articles, research papers, and blogs to build a comprehensive overview of financial shenanigans. The author ideated some suggestions to address the issue of financial shenanigans. The paper concludes that, like other countries, India is also facing the problem of financial shenanigans. In recent times, there have been several cases in India involving financial shenanigans. Therefore, it is essential to have stringent rules and regulations to combat financial shenanigans and build trust among different stakeholders.

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Introduction

Financial Shenanigans are the deliberate manipulation or distortion of a company's financial statements to mislead stakeholders about its actual financial performance or position. These deceptive practices may not always be illegal but are often unethical and designed to present a more favourable picture of a company's health than is warranted. Common tactics include inflating revenues, hiding expenses, misstating assets or liabilities, and using creative accounting techniques to obscure reality. Financial shenanigans undermine investor confidence, distort market decisions, and can ultimately lead to significant financial losses and reputational damage. Understanding these practices is crucial for investors, auditors, and regulators to detect and prevent financial fraud.

Objective of the Study

The present study aims to provide a comprehensive overview of financial shenanigans in terms of their concept, types, warnings, and measures to combat them. Additionally, the author discusses a few popular Indian financial shenanigans cases. The author collected information from different sources, including blogs, journals, magazines, and websites, to build a clear understanding of financial shenanigans.

Concept of Financial Shenanigans

Financial shenanigans involve dishonest actions aimed at hiding an organization's financial condition or performance. These acts of financial mismanagement can range from minor infractions to large-scale fraud carried out over a long duration. Such misconduct includes promoting Ponzi schemes, creating fake entities, and getting involved in fraudulent activities. Individuals or companies often use these deceptive practices to intentionally alter financial information. The objective of the deception is to engage in unethical conduct, with the goal of deceiving investors, regulators, or other key stakeholders. Chart 1 shows the ways to spot financial shenanigans. The typical indicators are lack of transparency, weak internal controls, conflict of interest, unusual accounting practices and inconsistent financial performance.

Chart 1: Indicator of Financial Shenanigans

Source: https://fastercapital.com

Review of Literature

Financial shenanigans are the ways to distort a company's financial performance and financial conditions. Today's tumultuous corporate and financial markets and rapidly advancing technologies combined make accounting fraud of high impact and difficult to detect on time. (**Mohammed, 2015**).

Deb (2013) acknowledged that modern organized Indian corporate fraud are highly organized and sophisticated. There is a need to address this threat. The accountant and legal expert are expected to be competent enough to combat financial shenanigans.

Rashid and Khan (2019, April) conducted a study in Pakistan regarding financial shenanigans. The authors employed a qualitative research method. The interview was conducted with 50 auditors. Findings show that the key reason behind financial shenanigans is to understate tax liabilities. In addition, researchers found that organizations having weak internal control systems are the main ones involved in financial shenanigans. Furthermore, the greed of showing high revenue and lower expenses is also a cause of financial shenanigans.

Salim et al. (2021) conducted a study of the companies in the manufacturing sector listed on the Indonesia Stock Exchange from 2017-2018. The total sample size is 78. The author employed a quantitative research method. Findings revealed that External Pressure, Financial Stability, and Monitoring Effectiveness have a significant influence on Financial Shenanigans. Additionally, the research showed that Financial Target and Change in Auditor have no effect on the tendency of Financial Shenanigans.

Adikin (2021) pointed out that in general investors detect financial manipulation less often due to the relationship between the independent auditor and the company.

Hindocha and Pandya (2024) acknowledged that it is a relatively easy thing as generally accepted accounting principles provide a significant amount of scope and interpretation in accounting provisions and methods. This allows wider flexibility and making possible for corporate management to draw an expected positive or negative picture of the financial condition of the company according to their Interest.

Dinata and Nurbaiti (2022) conducted a study on the financial shenanigans of start-up Indian business firms. The authors employed qualitative research methods for the study. A thick description technique was used to achieve the research objective. The results of this study show that shenanigans were essentially formed from a culture shock. This led to a fraud that harmed many parties, including investors.

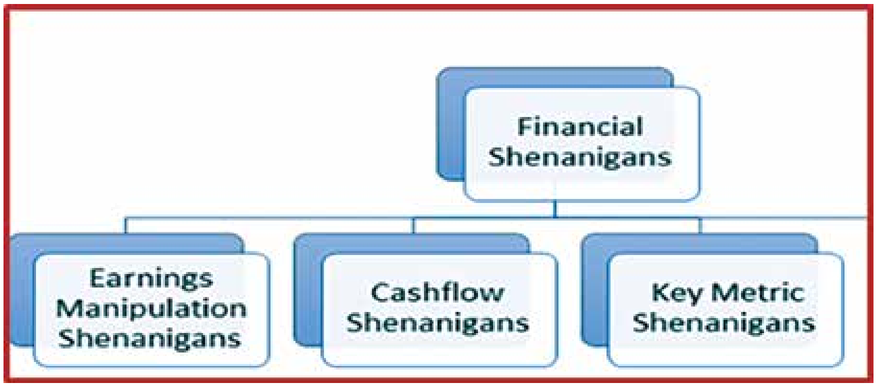
Putri et al. (2024) emphasized on the significance of education for combating financial shenanigans in India. The author stated that employees can be effective corporate watchdogs. The educated employees can easily fight against financial deception and unethical decisions.

Dhabaliya and Dhadhal (2025) asserted that corporate financial shenanigans in India are hidden in the shadows of creative accounting. Since additional evidence of misconduct may not be visible directly in the numbers, it is imperative to review what's written in footnotes, quarterly earnings releases, and other publicly accessible management statements. As a result, it is critical for all stakeholders, particularly the general public, to be aware of financial irregularities.

Types of Financial Shenanigans

The Chart 2 presents a classification of Financial Shenanigans, visually organizing them into three main categories.

Chart 2: Financial Shenanigans Classification



Source: https://curiousdalalstreet.wordpress.com/2020/07/19/summary-of-financial-shenanigans/

Table 1 shows the different ways to do financial shenanigans of some key indicators.

Table 1: Financial Shenanigans

Earnings Manipulation Shenanigans	**Cash flow Shenanigans**	**Key Metric Shenanigans**
Inflating sales	Misclassifying cash flows	Manipulation of important indicators like EBDITA, EPS, ROA
Deferring Expenses	Delaying Payments	
Aggressive accounting techniques	Accelerating receipts	

Source: Author Construct

Financial Shenanigans Warning Sign

A key warning sign of financial shenanigans is unusually complex financial reporting. Red flags may include sudden spikes in revenue, frequent changes in accounting methods and policies, or inadequate disclosures of information in financial statements. Other signs include unusual transactions with related parties or major changes in the reserve value. These indicators often point to attempts by management to manipulate financial results. The key reasons behind financial shenanigans are given below.

- Manipulation of inventory figures to hide profitability issues.
- Inappropriate or overly familiar relationships between board members and the company.
- Engagement of an unskilled or biased auditing firm or auditor.
- Misclassification of funds received from vendors, partners, or lenders as revenue.
- Appointment of unqualified individuals to the board of directors.
- Irregular changes in liability reserve accounts.
- Accumulation of reserves with the intent to later recognize them as revenue.
- Failure to scrutinize related-party transactions by management.
- Deliberate attempts by management to avoid regulatory or statutory audits.
- Incentive structures that encourage manipulation of financial reports.
- Providing less financial disclosure compared to previous reporting periods.
- Absence of proper oversight and internal control among top executives.
- Shifting inventory to different sections of the balance sheet distorts financial reality.

Ways to Combat Financial Shenanigans

Financial shenanigans are very common in most organizations. The total elimination of financial shenanigans depends upon the integrity of the staff. However, there are certain ways to address the widespread financial shenanigans. The common and effective ways to combat financial shenanigans are given here.

1. Strengthen Internal control
2. Establish a strong check and balance system
3. Appoint independent and qualified members of the board.
4. Appoint an independent auditor.
5. Establish a strong internal check system.
6. Develop clear policies for whistle-blowing.
7. Encourage a culture of ethical behavior.
8. Establish a strong financial reporting system

Some Popular Cases Relating to Financial Shenanigans in India

1. **Satyam Computers Scam (2009):** One of India's biggest corporate frauds, where the chairman, Ramalinga Raju, confessed to inflating the company's profits and assets by over ₹7,000 crore.
2. **IL&FS Crisis (2018)**: Infrastructure Leasing & Financial Services (IL&FS) defaulted on repayments due to financial misreporting, hiding bad loans, and poor governance, leading to a major liquidity crisis.
3. **Punjab National Bank (PNB) Scam (2018)**: Nirav Modi and Mehul Choksi allegedly conspired with PNB officials to fraudulently obtain letters of undertaking worth over ₹13,000 crore. Upon doing this fraud, both left the country.
4. **DHFL Scam (2020)**: Dewan Housing Finance Corporation Limited was accused of financial irregularities. DHFL siphoned off over ₹31,000 crore through shell companies and related-party transactions. The investors and debenture holders suffered huge losses because of the winding off of the business.
5. **Yes Bank Crisis (2020):** The bank faced allegations because of underreporting of non-performing assets (NPAs), risky lending practices, and improper disclosure of financial health, leading to regulatory intervention.

6. **SREI Group (2021):** The SREI group faced serious allegations of financial irregularities. The company was charged with diversion of funds, ever-greening of loans, and related-party transactions. The lenders suffered huge losses on account of these financial shenanigans.

Conclusion

The ongoing occurrence of financial misconduct threatens the integrity of financial reporting. It leads to eroding stakeholder trust. Despite having strict rules and regulations, many companies still engage in unethical practices. The companies are trying to distort financial outcomes and obscure vital information. Such manipulations can have widespread consequences. Financial shenanigans impact the trust of investors and the public. It leads to substantial financial losses. India also came across so many financial shenanigans. The recent cases of Punjab National Bank (2018) and SREI (2021) highlight the financial misconduct by the Indian corporate house. To safeguard investor's interests, it is essential to implement proactive measures. The proactive measure includes the implementation of an internal audit, enhancing financial literacy among users, and enforcing rigorous internal controls. Additionally, examining high-profile cases involving dubious accounting practices serves as a powerful reminder of the severe consequences corporate misconduct can bring. Ultimately, fostering a more transparent and trustworthy financial system requires a deeper understanding of financial shenanigans, their warning signs, and their broader impact.

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INTEGRATING AND ALIGNING COST MANAGEMENT

Abstract

Digital applications today have transformed information system to a new height. Today, all activities from designing to delivery can be tracked with defined attributes through digital technology supported ERP system and on real-time basis. In this backdrop, TCM is emerging as a valuable service to enterprise's management for early identification of financial weaknesses and thereby for mitigating business risks. The article narrates the need for integrated approach to cost management aligned to enterprise's strategic objectives and the processes involved in TCM with illustrations taken from various industries.

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Introduction

Today, we talk about Total Cost Management (TCM) for enhancing cost competitiveness. TCM is an integrated approach to cost management, aligned to balanced strategic objectives of an enterprise. It captures all costs whether for operations or for assets & projects, matches cost with revenue on both short run & long run perspectives and helps management in decision making.

Global competition and fast advancing technologies are changing business environment rapidly, forcing every enterprise to 'adapt or perish'. Every enterprise has to preview business scenarios that would confront it in the long run. Accordingly, appropriate strategies are adopted for mitigating risks and achieve enterprise's mission. Such strategies essentially circumscribe factors like enterprise's product, market, processes, technology, supply chain and human resources. A model is exhibited in appropriate place to illustrate the inter-relations among the different factors.

In the long run, an enterprise has to earn reasonable returns on its investments by strengthening its value chain (money-making chain) stretching from its suppliers to customers. TCM has become important in this context for matching cost-revenue and helping management in controlling costs on a perpetual (continuous) basis, taking inputs from all internal sources.

In this article, we will review the fundamental processes of TCM, keeping in mind that these vary with enterprise. We will also review at the outset the need for integrated and aligned approach to cost management and finally conclude the benefits that are expected. In this article, we refer to extended concept of 'product' as including goods, every other tangible properties and services that enter in business.

Need for integration & alignment

In the context of value-chain, it is said that an enterprise is as strong as its processes. The saying means a weak link makes the entire chain weak. An enterprise needs continuous evaluation of business results for improving competitiveness. But business results are reckoned at the tail end of supply. These may not be enough for early identification of weaknesses (inefficiencies and wastages). Therefore, results should be measured at every stage of the business processes right from suppliers' performances, productivity (output-input), work cycle time to customer satisfaction, using most appropriate Key Performance Indicators (KPIs). Usually, KPIs are used to quantify balanced strategic objectives and these are adapted from engineering standards, bench marks (best practices or industry averages), and management's expectations.

Referring to Diagram below, we can see the business processes in general on the supply side for fulfilling demands. Such processes are driven with plan justifying enterprise's envisioned mission on a given time horizon (long & short runs), improvements in a continuous cycle and above all, leadership building the team of human resources that control technology and supply process.

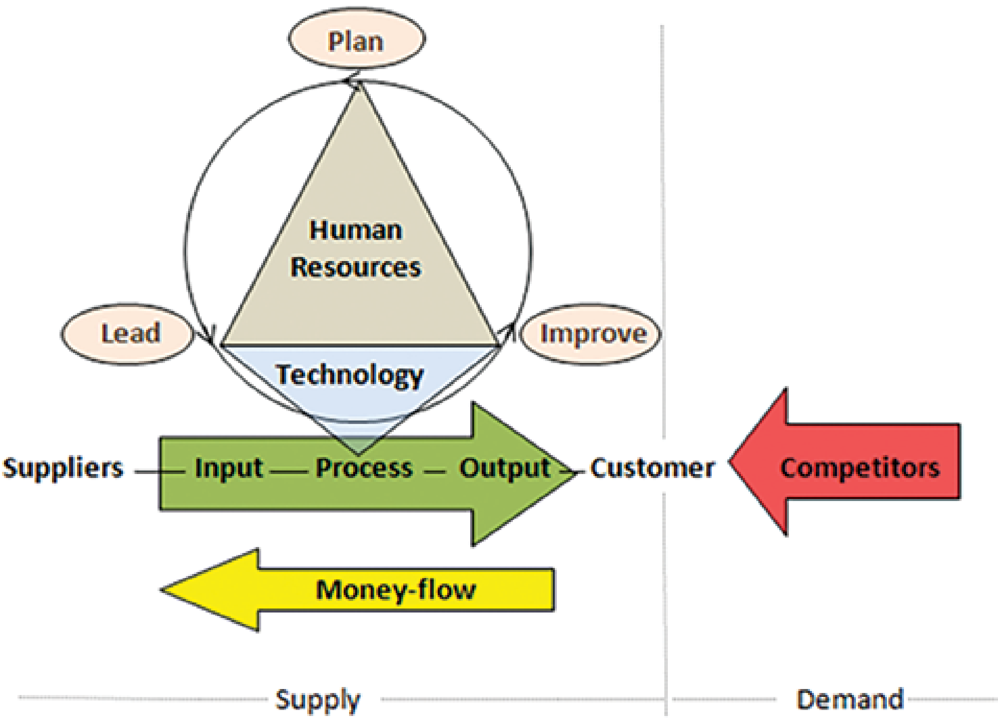


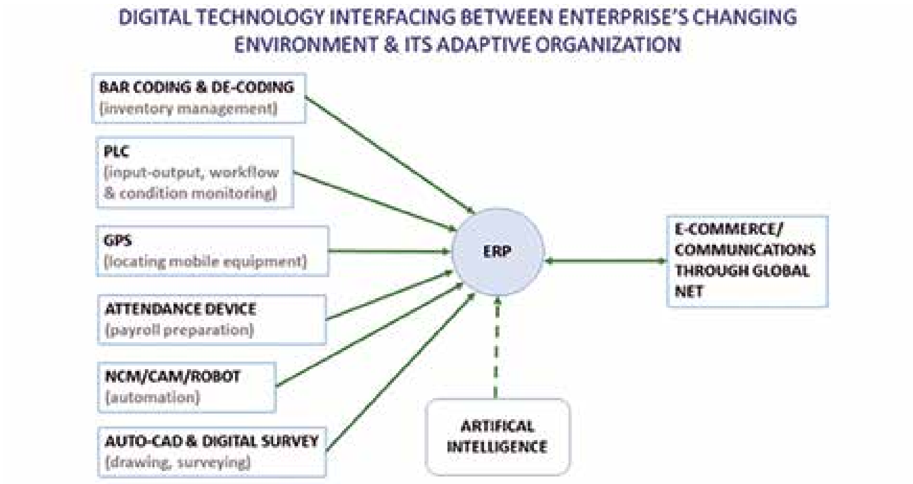
Diagram illustrating business excellence model (structure with elements)

Tracking of process results and analysis of Cost-Benefit call for unified information taking data from all sources like the following :

- Financial accounting
- Cost accounting
- Production
- Marketing
- Purchase & Stores
- Human Resource Management
- Management services (Engineering practices, Work Study, Operations Research, Statistical testing, estimation & forecasting, Techno-Commercial studies, etc)

Fundamental processes of TCM

Diagram below illustrates how digital technologies can be used for integrating information and e-Commerce.



Integration with banks as a part of e-Commerce, further facilitates auto-payments and auto-posting of receipts. This helps analysis of cash-flow for any period almost instantaneously.

ERP system with digital inputs can also be used to capture external data based on information needs of the enterprise e.g. market size of the product and supply chain (network) catering to the market including key suppliers or competitors, their market shares, etc.

We will review the traditional cost accounting processes in light of widened scope offered by digital technologies with few illustrations in the paragraphs following :

1) Cost ascertainment on perpetual basis –

Digital technologies with ERP can be used for much wider scope of cost ascertainment for any selected objects like –

- Products
- Production processes
- Sales order, customer group and market segment.
- Equipment
- Functional areas (Production, Marketing & Administration) and Cost-centre/ Profit-centre/ Investment-centre.
- Many other objects as may be programmed.

To illustrate the span of information that can be made available today in ERP system with digital applications, let us consider below input-output balance in a ferro-chrome plant using arc-furnace for a sample batch of input as per lab analysis (Symbols have usual meanings of Chemistry). This information can be used with advantage in process costing of ferro-chrome taking into account labour and overheads (Limestone used as flux for separating Si present in ore and Oxygen, other gunge substance like alumina, etc present in ore are ignored in this illustration). If flue gas is recovered for use in generating energy, that can be costed appropriately bringing down ferro-chrome cost.

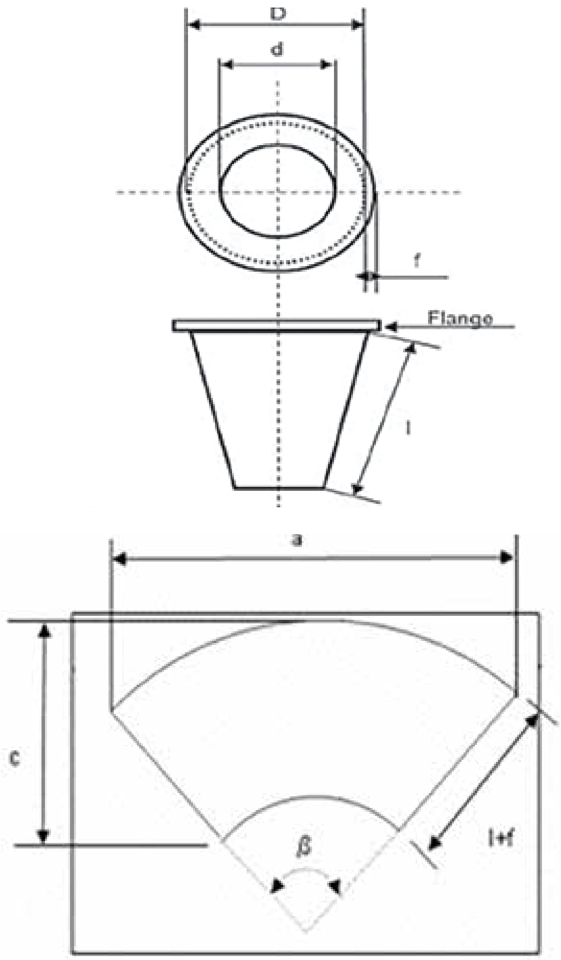
INPUT (DRY KGS.)						OUTPUT (DRY KGS.)					
	Total	Cr	Fe	Si	C		Total	Cr	Fe	Si	C
Lumpy Ore	200.00	69.79	25.20	7.00		Ferro-chrome	172.42	110.35	42.84	5.17	
Friable Ore	200.00	61.58	22.40	10.50		Spillage	9.78	2.63	0.95	0.35	1.55
Coke	88.87				77.32	Slag	206.90	18.39	3.81	11.98	
						Flue gas	99.77			0.00	75.77
TOTAL	488.87	131.37	47.60	17.50	77.32	TOTAL	488.87	131.37	47.60	17.50	77.32

Cost control –

Digital applications can be used with advantage for measuring and reporting deviations in cost parameters (input-output, cycle time, quality indicators of inputs, processes and output) from adopted standards as and when these occur while work progresses. Deviations from budgeted expenses can also be tracked easily and continuously for given output in each period selected. These are useful for further analysis and reporting. Cost control presupposes cost ascertainment as outlined in point (1) above.

In the illustration on ferro-chrome in the foregoing paragraph, standards can be used for measuring deviations. For example, Cr content in the sample ferro-chrome works out to 64%. If 85% Cr recovery is the standard, then there is a short production of 2.05 Kgs ferro-chrome [=171.42-(69.79+61.58)*0.85/0.64]. Such shortfall would call for review of furnace and operational efficiencies.

We will consider another example below from an engineering works fabricating conical flanged hoppers of different dimensions and mild steel sheet specifications according to customers' orders as one of their products. It can be seen that standards used for man-hours with given set of machineries, plant layout, ergonomic conditions, hopper dimensions and sheet thicknesses that are available in ERP system, can be used in determining standard costs for quotations and control.



Sheet layout for cutting hopper surface

Above diagrams show top and front views of flanged conical hopper (in first diagram) and the sheet layout for cutting hopper surface (in second diagram) all without dimensions. The fabrication processes are illustrated below (in top table) for given dimensions (D, d, l & f) which determine sheet size and scrap. Taking sheet thicknesses as 2 mm and 4 mm, surface area and weight of hopper can be calculated and standard times as per work study ascertained by Engineering Department as shown in the bottom table below. Accordingly, cost-sheet can be prepared with the standards as shown in the table. (Note the differences in operations as thickness varies as well cost per Kg comparable with standard cost rates; Data on costs of sheet, other materials, labour & overheads are not updated in this illustration).

MAN-MINUTES PER UNIT

Operation	Unit	2 mm	4 mm
Marking	In	0.17	0.17
Nibbling	In	0.90	
Gas cutting	In		0.35
Grinding	In	0.20	0.40
Rolling	In	0.04	0.05
Welding	In	6.94	8.50
Flanging	In	0.61	0.77
Painting	Sq In	0.06	0.06
Handling	Kg-ft	0.01	0.01

COST PER KG

Particulars	Unit	2 mm	4 mm
Standard Time	Man-Hours	35.56	41.33
Sheet Area	Sq In	4,805.01	4,805.01
Hopper Area	Sq In	1,233.00	1,233.00
Hopper Weight	Kg	12.49	24.98
Sheet Cost	Rs	827.47	1,654.94
Scrap Recovery	Rs	(90.46)	(180.92)
Net Sheet Cost	**Rs**	**737.01**	**1,474.02**
Welding Electrodes	Rs	24.00	30.00
Paints	Rs	30.00	30.00
Total Materials Cost	**Rs**	**791.01**	**1,534.02**
Labour & Overheads	Rs	4,267.53	4,959.32
Total Cost	**Rs**	**5,058.54**	**6,493.34**
Cost per Kg	**Rs**	**405.01**	**259.94**

The above concept can be extended to ABC conveniently with digital supports (ABC may become a challenging exercise in service sector as it may be difficult to measure services).

3) Cost reduction & value improvement –

Improving cost value of a product requires analysis and decision making, based on information gathered in point (2) above. Cost reduction results in improving the strategic standards or KPIs adopted for measuring costs as well as budgets for expenses.

Repeated adverse deviation of cost calls for review of product design, technology, plant layout & location, ergonomic conditions, human skills, organization structure and many other factors. Favourable deviations also point to opportunities for cost savings. Both adverse and favourable deviations need to be addressed through appropriate improvement projects like the following :

- Value Engineering (Simplification & standardization of products, processes, etc regard being had to use, esteem and cost of product).
- Outsourcing vis-à-vis Insourcing
- Human Resource Development (skill development, multi-skilling, etc)
- Organization re-structuring (including lean organization)
- Quantitative techniques like Operations Research, Network analysis for projects, Statistical techniques, etc.
- Other iterative improvement projects using methodologies like Six-Sigma, ISO system, TPM, TOC, etc.
- Business Process Re-engineering (BPR)
- Long-term projects like Technology upgradation, Plant relocation, Mergers & Acquisitions, etc.

Cost reduction need not be an exercise for achieving minimum cost. It is one of the techniques for achieving maximum value of the product under given circumstances. Following illustration adapted from an iron ore beneficiation plant explains the point :

Illustration : Iron-ore is crushed to desired sizes and screened for separating fines. Fines can be sold as it is or after re-screening and washing for removing dust and slime respectively. These processes improve iron (Fe) % in fines fetching higher selling price at each stage but lowers yield progressively and raise cost per ton. A graph below shows maximum profit at 62% Fe which is the optimum grade for a given quantity (Note: curves in this diagram are appropriately fitted instead of line drawings).

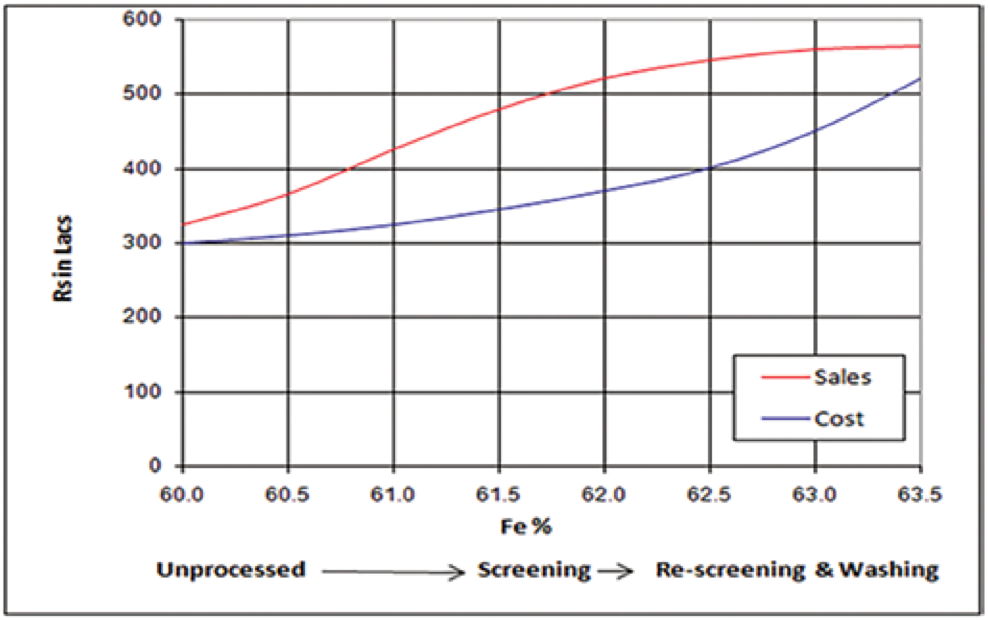


Diagram illustrating stage-wise costs and sales revenues of iron ore with quality measured in terms of iron (Fe) % : Profit is maximum at 62% Fe pointing to superfluity of processes after screening

4) Product Pricing –

Profit and even fixed cost in part or whole may not enter short-run prices in case of new price-sensitive product, product whose life is decaying, 'predatory pricing' in keen competition, loss-leader product, product made to order for utilizing surplus capacity and temporary trade depression. But reasonable profits must be earned in the long run to justify investment in business.

Sometimes super-profits are earned in the short run till competition sets in as in case of new 'image' product differentiated according to market segments with high prices ('market skimming' price)

In the context of short run, marginal costing is an important analysis for ascertaining variability of cost with respect to volume of production. Traditionally, cost-volume relationship is considered as linear in marginal cost analysis. In practice, it need not be so particularly where power or fuel is the major component of cost and for maintenance cost depending on the maintenance practice, age & usage of machineries and if such cost is significant. Time-rated direct labour is not a variable cost specially if lay-off is not possible for sudden fall in production and such cost is substantial (Note : Enterprises deploying manual systems, engage minimum workmen on fixed-pay basis but increase casual labour or work overtime when production increases. In such cases, wages remain fixed upto a point of production after which these increase in steps). It is noteworthy that automation substantially replaces direct labour cost with machine overheads. Outsourcing reduces fixed cost but increases variable cost making costs more controllable (Though quality fulfilment may become an issue). Marginal cost in non-linear cost behaviour may not be a constant.

Increasing use of quantitative techniques (like regression analysis) with the help of computer programs, is becoming a fascinating exercise for ascertaining approximate cost-volume relationship in short run. This is another area where TCM is expected provide requisite services to management.

In the context of long run, several techniques are available. Mention may be made of two techniques viz. Life-cycle costing of products & machineries and Internal Rate of Return (IRR) calculation, both using the technique of Discounted Cash Flow (DCF) over life of a product, machinery or project. As IRR is more comprehensive and extensively used for long-run pricing, we will elaborate it by an example below :

Let cash-flows over a period (T) is discounted at internal rate of return (R) taking net cash inflow (I) for any year (t). Assuming anticipated inflation from the second year and onwards, 'R' can be validated for different prices either by trial and error or on a computer following the condition that R below minimum expected rate of return (r) is rejected.

Usually, 'T' is taken as the life of investment (as plant & machinery wear) unless a shorter product life is expected (e.g. fixed term contract of service). The model can also be adopted for negotiating supplier's price on long-term contracts. The analysis is also helpful for developing project report for loans, share issue, etc.

The above model can be formulated as follows :

$$\sum_{t=1}^{T} \frac{I_t}{(1+R)^{t-1}} = 0 \quad (t = 1,2,3,.....,T, \quad r \le R < 1, \quad 0 < r < 1)$$

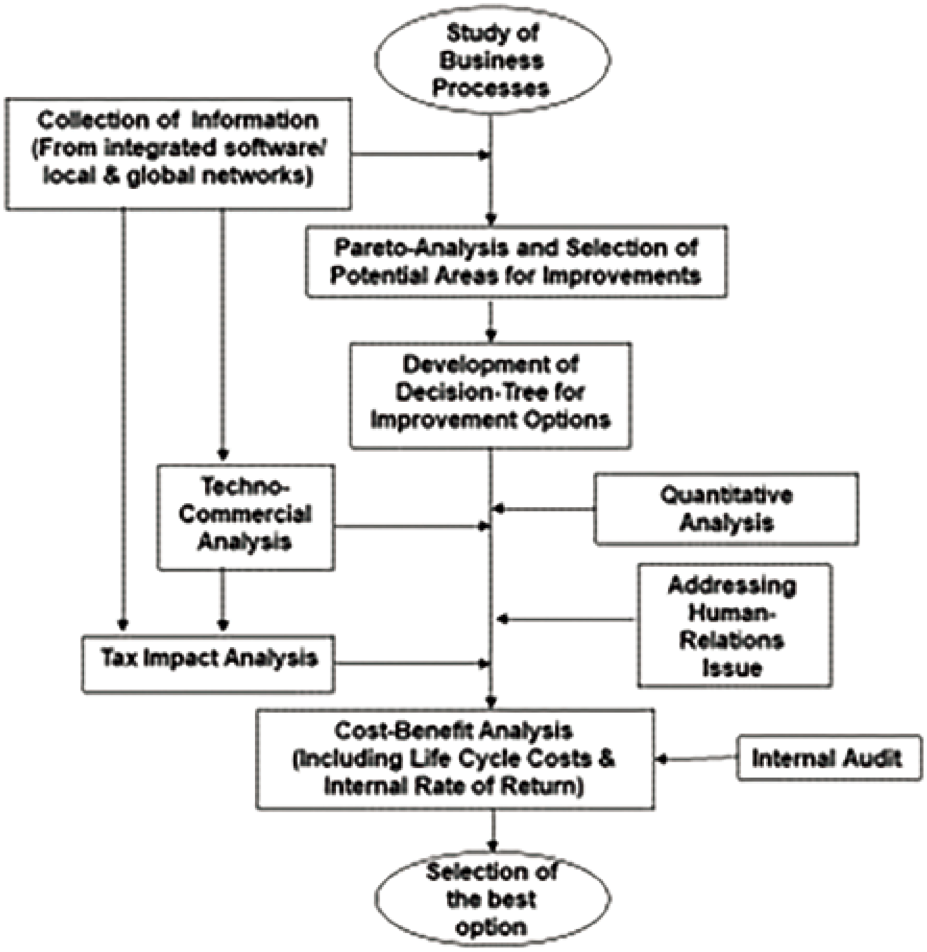
Illustration : Let long-term price = Rs 100 per unit with 5% inflation anticipated p.a. 90% of sales are realized every year and balance next year. Rest figures in the table below are self-explanatory. The table shows net inflow totalling Rs 352 lakhs over 10 years with investment of Rs 1,012 lakhs. The periodicities of these data make R = 16%. Thus, price can be manipulated for desired R. The calculations are shown in the table below :

Diagram 3 : Discounted Cash-Flow Model For Long-Run Pricing (Figures in lakhs)

Years	1	2	3	4	5	6	7	8	9	10	Total
OUTPUT (UNITS)		6	22	35	35	35	35	28	12	5	213
INFLOWS											
Receipts from trade debtors		540	2,139	3,711	4,059	4,280	4,496	3,877	1,950	882	25,933
Receipts from machinery scrapping										122	122
Total Inflow	-	**540**	**2,139**	**3,711**	**4,059**	**4,280**	**4,496**	**3,877**	**1,950**	**1,004**	**26,055**
OUTFLOWS											
Down payment to machinery supplier	150										150
Loan repayments		100	105	112	122	125	140	158			862
Payments to trade creditors		435	1,745	2,934	3,282	3,328	3,409	3,117	1,667	874	20,791
Interest payments		70	65	58	48	45	30	12			328
Other payments (including salaries and taxes)	12	85	295	497	558	576	613	523	266	147	3,572
Total Outflow	**162**	**690**	**2,210**	**3,601**	**4,010**	**4,074**	**4,192**	**3,810**	**1,933**	**1,021**	**25,703**
Net Inflow	**(162)**	**(150)**	**(71)**	**110**	**49**	**206**	**304**	**67**	**17**	**(17)**	**352**

Conclusion

We can see from the above that digital applications today have transformed information system to a new height. Today, all activities from designing to delivery can be tracked with defined attributes through digital technology supported ERP system and on real-time basis. Such information system provides a strong platform for Cost-Revenue matching with meaningful analysis for managerial decision-making and control. In this backdrop, TCM is emerging as a valuable service to enterprise's management for early identification of financial weaknesses and thereby for mitigating business risks. We end our discussion with a chart below that illustrates a process of integrated approach to cost-benefit analysis :



FLOW CHART FOR INTEGRATED COST-BENEFIT ANALYSIS & IMPROVEMENT

TOTAL COST MANAGEMENT (TCM) AND PERPETUAL COST MANAGEMENT: OPTIMIZING ORGANIZATIONAL COST EFFICIENCY

Abstract

Effective cost management is vital for today's business success. Two standout methodologies—Total Cost Management (TCM) and Perpetual Cost Management—provide distinct advantages. TCM employs a comprehensive, lifecycle-based strategy for planning, budgeting, and cost control, while Perpetual Cost Management ensures real-time tracking of expenses. Combined, they optimize resource allocation and drive superior financial performance.

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In today's fast-paced corporate environment, effective cost management is not merely about trimming expenditures—it's about strategically aligning every rupee with long-term business goals. Two recognized methodologies, Total Cost Management (TCM) and Perpetual Cost Management, meet varied organizational needs by ensuring robust resource utilization and tight expenditure control.

Total Cost Management (TCM): A Comprehensive Approach

TCM represents a holistic strategy designed to oversee costs across the entire life cycle of a project, product, or service. By integrating cost engineering with strategic financial planning, TCM aligns expenditure with organizational objectives, paving the way for enhanced value creation and sustainable growth.

Key Attributes of TCM:

- **Lifecycle Orientation:** TCM scrutinizes all phases—from the initial planning and design to execution, maintenance, and eventual disposal. This end-to-end focus ensures no phase is overlooked.
- **Integrated Planning:** By merging traditional cost engineering with proactive financial planning, organizations benefit from a unified strategy that comprehensively addresses every financial angle.
- **Informed Decision-Making:** Through detailed financial analyses that factor in both long-term value and inherent risks, TCM empowers executives to make sound investment decisions.

These features make TCM particularly appealing in fields such as project management, asset maintenance, and risk mitigation, where anticipating future costs and optimizing current investments can yield significant competitive advantages.

A Practical Illustration from the Manufacturing Sector

Consider AutoTech Motors, an innovative player in the automobile industry poised to launch its new electric vehicle (EV). By adopting TCM, the company meticulously controls costs throughout the product's journey—from the drawing board to the showroom, and even beyond.

Step 1: Planning and Initiation At the outset, AutoTech Motors defines its project scope and financial targets. Extensive feasibility studies and market research lay a strong foundation, culminating in an initial budget of ₹500 crore. This budget is allocated as follows:

- ₹200 crore directed to research and development
- ₹150 crore for production
- ₹150 crore earmarked for marketing and distribution

Step 2: Detailed Cost Estimation Leveraging historical data, the company dissects costs into granular components. For instance:

- The battery production cost is pegged at ₹50,000 per vehicle
- Labour represents an estimated ₹10,000 per vehicle
- Additional manufacturing expenses average ₹30,000 per vehicle

Step 3: Strategic Budgeting A comprehensive budget emerges, not only allocating funds to various departments but also establishing financial baselines to monitor expenses dynamically. Here, ₹300 crore is devoted to production, while ₹150 crore targets marketing efforts.

Step 4: Execution and Cost Control During production, advanced financial tools like Earned Value Management (EVM) come into play. These systems constantly compare actual spending against the planned budget, enabling quick adjustments. For example, if labour costs spike to ₹12,000 per vehicle, immediate corrective measures help prevent runaway expenditures.

Step 5: Post-Production Maintenance Even after the vehicles hit the market, TCM plays a vital role. Predictive maintenance strategies and detailed warranty analyses ensure that long-term costs—such as a 10% battery replacement rate—are managed proactively. Negotiations that reduce battery costs from ₹50,000 to ₹47,000 per vehicle further emphasize the importance of continuous cost control.

Step 6: Continuous Improvement Post-project evaluations revealed substantial avenues for refinement. At AutoTech Motors, these insights led to more effective supplier negotiations, driving a reduction in labor costs by ₹2,000 and battery production expenses by ₹3,000 per vehicle.

Leveraging Modern Tools for TCM Implementation

An effective TCM strategy is bolstered by cutting-edge tools that cover every phase of a project's lifecycle:

- **Project Planning & Scheduling:** Tools like Primavera P6 and Microsoft Project facilitate detailed scheduling and robust cost tracking.
- **Cost Estimation & Budgeting:** Solutions such as CostOS and RSMeans offer precise cost predictions informed by extensive historical data.
- **ERP Systems:** Platforms like SAP Project Systems and Oracle E-Business Suite ensure that financial data streams in real time, enhancing transparency.
- **Performance Monitoring:** Earned Value Management tools deliver critical insights, comparing planned and actual expenditures seamlessly.

- **Lifecycle Analysis & Risk Forecasting:** Tools designed for Lifecycle Cost Analysis (LCCA) and risk simulation pinpoint potential financial pitfalls before they escalate.
- **Dynamic Reporting:** Modern visualization tools like Power BI and Tableau transform complex data into actionable insights for decision-makers.

Together, these technologies create an integrated, end-to-end framework that not only streamlines cost planning and management but also drives operational excellence across industries.

In a business landscape where every rupee counts, methodologies like Total Cost Management empower companies to drive profitability and sustainability. As industries evolve, integrating holistic cost strategies with innovative tools remains key—ensuring that companies like AutoTech Motors continue to thrive amidst fierce competition.

Exploring these sophisticated cost management methods further might lead you into the emerging realm of Perpetual Cost Management, where continuous adjustment and real-time tracking redefine financial strategy in an ever-changing market environment.

Perpetual Cost Management: Harnessing Real-Time Insights for Agile Financial Control

In today's dynamic business environment, real-time financial accuracy is paramount. Perpetual Cost Management offers a modern solution by continuously updating inventory and work-in-progress (WIP) costs, thereby ensuring precise financial records and empowering proactive, data-driven decision-making.

Key Characteristics

- **Instantaneous Updates:** Unlike traditional accounting systems that update at the end of a period, perpetual cost management works in real time, providing an up-to-the-minute view of costs. This continuous tracking helps organizations respond swiftly to market changes.
- **Versatile Costing Methods:** Organizations can integrate multiple costing approaches—including FIFO, LIFO, standard costing, and average costing—into the system. This flexibility ensures that businesses can tailor cost management practices to their operational requirements.
- **Comprehensive Reporting:** With detailed variance analyses and production cost insights, managers gain deeper visibility into both material and labor costs. These insights streamline decision-making and support robust financial planning.

Practical Applications

- **Manufacturing:** Firms can dynamically monitor raw material, labor, and production expenses, ensuring that every step of the manufacturing process is accounted for accurately.
- **Retail:** Retailers benefit from precise inventory valuations and seamless cost reconciliation, which are essential for maintaining accurate profit margins.
- **Financial Reporting:** A perpetual system bolsters compliance by keeping financial records current, ultimately enhancing the transparency and reliability of cost data.

Key Benefits

- **Accurate Decision-Making:** Real-time cost data empowers leaders to make informed decisions quickly, minimizing the risk of cost overruns.
- **Enhanced Inventory Management:** Continuous tracking ensures that inventory valuations are current, helping businesses maintain optimal stock levels and reduce waste.
- **Streamlined Variance Analysis:** By automatically identifying discrepancies in cost components, the system allows for immediate corrective actions and better cost control strategies.

A Real-World Example: ABC Furniture Co.

Consider the case of ABC Furniture Co., a company specializing in the manufacture of chairs and tables. By leveraging a perpetual inventory system with the FIFO method, they exemplify the practical benefits of this approach.

1. **Initial Inventory Setup**
   - *Transaction:* On January 1, ABC Furniture Co. purchases 500 units of oak wood at ₹100 per unit.
   - *Outcome:* Establishes a baseline raw material inventory valued at ₹50,000.
2. **Ongoing Inventory Updates**
   - *Transaction:* On January 5, an additional 300 units are acquired at ₹110 per unit, contributing ₹33,000 to the inventory.
   - *Outcome:* The updated total stands at 800 units, with detailed cost tracking ensuring FIFO accuracy.
3. **Production Phase**
   - *Transaction:* On January 10, 400 units of oak wood are used to manufacture chairs.
   - *Cost Breakdown:*
     - Raw Material (FIFO): 400 units × ₹100 = ₹40,000
     - Labor: 400 units × ₹500 = ₹200,000
     - Overhead: 400 units × ₹100 = ₹40,000
   - *Outcome:* The total production cost of ₹280,000 is recorded in the Work-In-Progress account while the raw material inventory is adjusted accordingly.
4. **Transition and Sales**
   - *Production Completion:* On January 12, the manufactured chairs are transferred to the finished goods inventory, reflecting a total cost of ₹280,000.
   - *Sales Event:* By January 15, when 100 chairs are sold, the FIFO-based cost allocation of ₹700 per chair results in a COGS of ₹70,000, and the finished goods inventory is updated in real time.
5. **Continuous Monitoring**
   - The perpetual system provides ongoing insights into inventory valuation and cost variances. This real-time feedback loop enables timely adjustments in labor, raw material or overhead costs, keeping the financial strategy agile.

Essential Tools for Implementation

Modern ERP systems like SAP ERP, Oracle NetSuite, and Microsoft Dynamics 365 stand at the forefront of perpetual cost management, providing robust infrastructure for financial updates. Additionally, specialized accounting software such as QuickBooks, along with inventory solutions like Fishbowl Inventory and Zoho Inventory, ensure that every transaction is accurately recorded and analyzed.

Conclusion

While Total Cost Management takes a long-term, lifecycle approach to strategic planning, Perpetual Cost Management offers a cutting-edge, continuous mechanism to track and manage costs in real time. By integrating both methodologies, organizations can streamline operations, mitigate risks, and drive sustained profitability. As the business world continues to evolve, the adoption of real-time cost accounting isn't just an option—it's a competitive imperative.

Exploring further into how technological advancements and emerging ERP solutions are continually refining these systems can offer additional pathways for businesses to stay ahead in the rapidly shifting landscape of financial management.

THE INTERSECTION OF ARTIFICIAL INTELLIGENCE, EXTERNAL AND INTERNAL AUDITS, AND THE CRUCIAL ROLE OF COST ACCOUNTANTS IN CHANGING AUDIT PRACTICES

Abstract

This article explores the transformative impact of artificial intelligence (AI) on audit practices, encompassing external and internal audits. It emphasises the crucial role of Cost Accountants in navigating this evolving landscape. The discussion includes the definition of AI, its influence on audit processes, challenges in auditing AI systems, and the application of frameworks like COBIT® 2019. The article also provides insights into AI-based techniques, audit process checklists, and the ethical considerations and regulatory frameworks relevant to AI in auditing.

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Introduction:

Audit methods have improved, establishing honesty in firms worldwide. Audits ensure business transparency, compliance, and responsibility, reassuring stakeholders and investors of data veracity.

Current audit practices are changing due to AI. AI-powered data analysis, risk assessment, and fraud detection are changing internal auditing. Cost accountants excel in AI-enhanced audits and provide high-quality audit services.

The Significance of AI for Auditors:

AI, like other sophisticated new technologies, has several definitions. Russell and Norvig define AI as "intelligent agents" who comprehend their surroundings and act to maximise their goals.

Consider AI a giant circle with numerous smaller circles. AI refers to machines that use algorithms to act intelligently. The large circle represents AI, while the smaller circles represent machine learning. AI's machine learning branch focuses on automatic dataset learning. As they evaluate data, machines adjust their algorithms.

AI operates autonomously. Predetermined rules define traditional software engineering. Too many regulations hamper technology's adaptability and learning. So, AI doesn't always follow rules.

Auditor's Challenges:

Research predicts AI software revenue growth. The rise from $3.2 billion in 2016 to $89.9 billion in 2025 is notable. Cloud computing and storage have helped Al grow into a unique field. Despite the 2010 "AI Winter" attracting $40 billion in investment, only a few projects have seen implementation.

After AI, a delay is typical. There is no AI-specific auditing approach between the first acceptance phase and regulatory and compliance frameworks. No AI-specific legislation or subprocesses exist yet.

Additionally, AI audit standards are lacking, affecting the audit process. The IT industry occasionally debates the definition of AI, particularly among auditors.

There is currently no universal definition or classification system in place. The goal is to compile worldwide best practices. Furthermore, AI systems and solutions differ greatly. The variety of AI architectural technologies helps build complex systems. The complexity of AI in an organisation can create uncertainty about its reach.

Although the business's future is unknown, auditors are well-positioned to perform. Competent tech auditors are responsible for evaluating AI systems. You likely already have the expertise, but you must comprehend AI to appropriately evaluate it in business. The complexity and low accessibility of AI provides important concerns. Expert data scientists often manage AI development outsourcing. Enterprise AI knowledge will spread and maybe permeate AI suppliers. This will make Al Audit's job harder.

AI auditors will have issues, but their status changes as they prepare for their new roles. The condition is milder than expected. The "black box" aspect of machine learning typically causes audit concerns. It assumes typical technology auditors are responsible for algorithm audits. Most companies have yet to consider the benefits of AI. company owners are unlikely to be actively involved in their operations; thus, a formal plan to connect AI use cases with company objectives and evaluate AI investments is needed. If leaders employ AI, they'll need more clarity to create a successful strategy.

Auditors will focus on controls and governance effectiveness. Auditors can offer Focussing on business and IT governance can boost confidence.

Understanding External Audit:

Independent audits of a company's financial accounts assure accuracy, compliance, and transparency, ensuring accountability. Audits evaluate reporting fairness and reliability to reassure stakeholders and regulators.

Inspections and sampling are time-consuming and laborious in traditional external audits. AI-driven technologies automate and improve audit processes with powerful data analysis tools. AI algorithms can quickly examine large amounts of data, identifying dangers, abnormalities, and audit insights.

Case studies have highlighted the benefits of AI audits. For instance, AI-powered systems can discover transaction trends that traditional audit approaches miss. This technology does not speed up audits. Improve accuracy and decision-making, improving external audit efficiency and effectiveness. AI allows auditors to give value-added services and undertake extensive analysis for organisations, improving auditing practices.

Artificial Intelligence (AI) in External Audits:

AI improves risk assessment, fraud detection, and speeds up external audits. AI enhances risk and abnormality identification, thereby boosting auditor productivity and accuracy. Risk and fraud detection are crucial to external audits. The latest AI technologies can dramatically improve these processes. AI risk assessment with machine learning algorithms can help auditors prioritise regions, focus on red flags, and execute a more targeted and precise audit plan by identifying patterns and anomalies that may suggest fraud or high-risk transactions.

Automating audits with AI is beneficial. AI can automate data gathering, organisation, and analysis. Automation does not save auditor time. Human errors are reduced, boosting audit results. AI can quickly analyse massive data sets to find insights that would be difficult manually.

AI boosts audit efficiency and effectiveness. Auditors can understand financial transactions and internal control systems with real-time AI analysis. AI automates procedures so auditors can focus on subjective duties like accounting estimations and management representations.

AI enhances audit precision and uniformity, decreasing bias and supervision. Artificial intelligence can help auditors make choices, discover issues, and allocate resources. AI and human skills enable thorough financial data audits.

AI tools are revolutionising auditing by improving risk appraisal, speeding operations, and enhancing audit quality. AI technology helps auditors adapt to changing audit environments, boosts efficiency, and delivers insights to organisations seeking fair financial reporting.

Internal Audit Functions:

Governance is affected by internal auditors' impartial assessments of internal control systems, risk management, and legal and regulatory compliance. Audits initially improve an organisation's performance by finding areas for improvement, improving efficiency, and applying risk management to add value.

AI has transformed auditing. AI can automate operations, analyse vast volumes of data, and provide meaningful analysis that enhances audit efficiency.

AI improves risk assessments and audit data analyses by recognising trends and abnormalities. With artificial intelligence, internal auditors may better comprehend data, spot inefficiencies or dangers, and focus on key organisational areas.

Real-world case studies show AI's audit performance across sectors. For instance, a financial services company uses AI to detect client transaction fraud. AI technology helped auditors solve problems faster using temporal pattern recognition.

Another manufacturing company used AI and analytics to improve inventory control. Data and market movements help the AI algorithm anticipate demand.

ISACA COBIT® 2019 hierarchy for AI auditing and assurance:

The majority of firms have not yet initiated contemplation on the potential role of AI in their businesses, thus it is improbable for them to possess a formalised strategy to align AI use cases with their company objectives or to evaluate the returns on their AI investments.

Nevertheless, should they elect to embrace AI, executives will require a superior level of lucidity as they embark on their endeavours to formulate a successful AI plan. Given that the business case and strategy documents are common initial steps in the AI journey, auditors will face difficulties in transitioning from the strategic to the tactical aspects of the audit within the COBIT® 2019 hierarchy.

Ultimately, IT auditors should avoid excessively analysing the difficulties associated with auditing artificial intelligence. Considering their initial experience in auditing cloud computing or cybersecurity will give them a valuable point of comparison. It seems improbable that they thoroughly evaluated all the protocols and conducted tests to ensure that the Open Systems Interconnection (OSI) layer 5 implementations was working correctly.

With AI, auditors will shift their attention to the assessment of controls and governance structures, ensuring their efficient operation, much like they did with past emerging technologies. Auditors can offer a certain level of confidence by concentrating on the areas of business and IT governance.

The COBIT® 2019 framework from ISACA offers a method for auditing. Ensuring AI processes. In the realm of AI, this framework can be structured hierarchically to aid auditors in evaluating and managing AI systems. The proposed hierarchy for auditing is shown below. Ensuring AI is included in the COBIT® 2019 framework;

Governance of AI at the Enterprise Level:

- Upholding a governance structure for AI endeavours
- Defining objectives, policies, and risk tolerance related to AI governance.
- Aligning strategies for AI with business goals and regulatory mandates.

Strategy and Objectives for AI:

- Outlining strategy, goals, and objectives for AI in line with the organisation's vision.
- Crafting plans for implementing AI along with roadmaps and resource allocations.
- Setting up controls and metrics to track the performance and results of AI.

Risk Management for AI:

- Identifying, evaluating, and mitigating risks linked to the implementation of AI.
- Enforcing policies, procedures, and controls for managing risks associated with AI.
- Monitoring risks related to AI as vulnerabilities while ensuring compliance with regulations.

Lifecycle Management of AI:

- Overseeing the lifecycle of AI from development through deployment to maintenance phases.
- Ensuring data quality, security, and integrity throughout the lifespan of an intelligence system.
- Monitoring models and algorithms used in AIs along with their performance to facilitate enhancements.

AI Monitoring and Reporting:

- Set up metrics, benchmarks, and key indicators to track AI performance.
- Keep an eye on how AI's meeting the set standards and goals.
- Share updates on AI performance with stakeholders, management, and oversight groups.

AI Regulations and Ethics:

- Make sure that AI follows the rules set by regulations, data privacy laws, and ethical guidelines.
- Put in place measures to address bias, fairness, transparency, and accountability in AI systems.
- Conduct checks to address AI-related concerns.

AI Knowledge and Expertise:

- Enhance the organisation's understanding of AI through training programs.
- Offer training sessions, certifications, and awareness initiatives for professionals in the field of AI.
- Encourage a culture that values learning and innovation in AI technologies.

By incorporating the COBIT® 2019 framework into audits for assessing and overseeing AI processes systematically, auditors can evaluate, manage, and govern AI implementations effectively. This ensures that they align with goals while adhering to requirements and ethical principles.

Mapping COBIT to Strategy: An Illustrated Guide to Using COBIT® 2019 in AI Auditing:

AI is in the early stages of adoption in business, and effective evaluation of an organization's AI program is essential. The COBIT® 2019 framework from ISACA provides auditors with necessary tools, including process descriptions, desired results, and practices across IT areas.

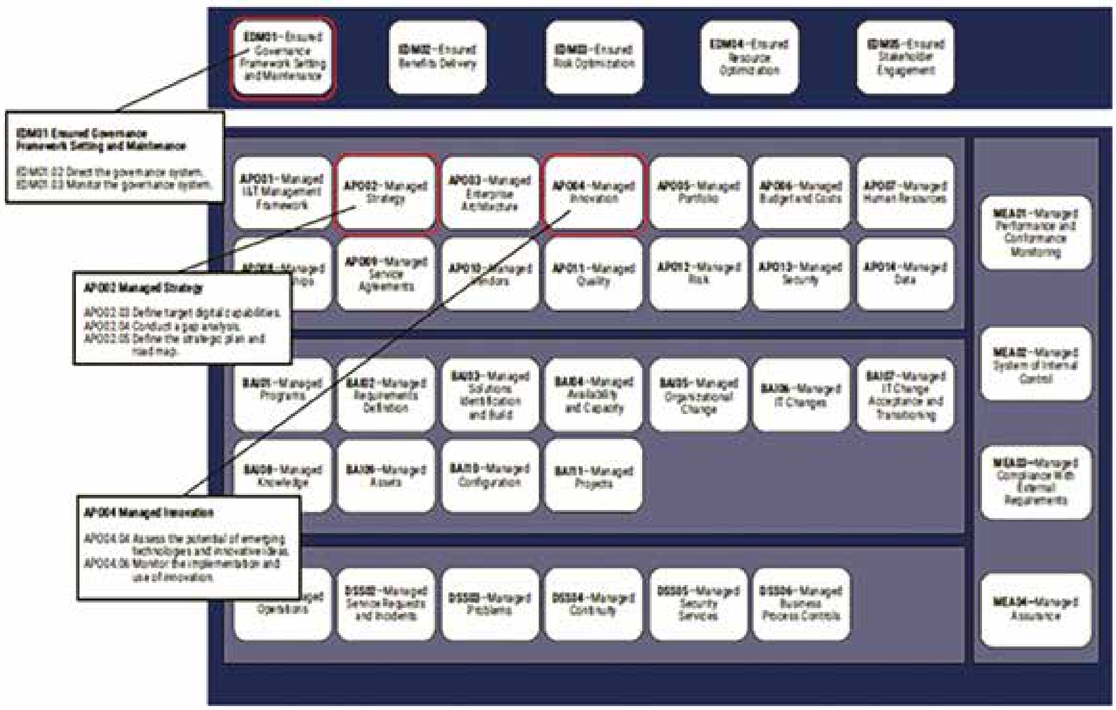
Before starting an AI initiative, it's crucial to define the audit's goals, scope, and assess organizational risks. Compile risks into a risk and control matrix (RCM), listing each risk with its controls. COBIT® 2019 offers a structured way to evaluate project risks.

Common AI strategy risks include:

- Misalignment between business requirements and IT planning
- IT strategies failing to meet organizational goals
- Inaccurate translation of IT tactical plans from strategic plans
- Weak governance frameworks that lack accountability for AI-related IT operations.

Figure 1 showcases various processes in COBIT® 2019 that can assist in creating a comprehensive list of risks and controls for the organization's AI initiative.

Figure 1: Choose COBIT® 2019 Governance and Management Objectives Pertinent to AI Risk and Controls Assessment



Source: ISACA, COBIT® 2019 Framework: Introduction and Methodology, USA, 2018

DSS06 illustrates how auditors can utilize COBIT® 2019 for AI assurance reviews. Managed Business Process Controls are essential for effective management, ensuring traceability, accountability, and comprehensive audit trails for AI decision-making.

The DSS06.05 description emphasizes tracing business data to specific events and identifying responsible individuals. This discoverability enhances the reliability of business information and ensures it is processed according to defined objectives.

Figure 2 illustrates the relevance of DSS06 to AI in COBIT® 2019.

A. Component: Process *(cont.)*		
Management Practice	**Example Metrics**	
DSS06.05 Ensure traceability and accountability for information events. Ensure that business information can be traced to an originating business event and associated with accountable parties. This discoverability provides assurance that business information is reliable and has been processed in accordance with defined objectives.	a. Number of incidents in which transaction history cannot be recovered b. Percent of completeness of traceable transaction log	
Activities		**Capability Level**
1. Capture source information, supporting evidence and the record of transactions.		2
2. Define retention requirements, based on business requirements, to meet operational, financial reporting and compliance needs.		3
3. Dispose of source information, supporting evidence and the record of transactions in accordance with the retention policy.		
Related Guidance (Standards, Frameworks, Compliance Requirements)	**Detailed Reference**	
No related guidance for this management practice		

In COBIT 2019, outcomes stem directly from practices. For DSS06.05, the outcome involves tracing business information back to its originating event and identifying accountable parties.

Activities for DSS06.05 include:

- Gathering source information, supporting evidence, and transaction records.
- Defining retention requirements to meet operational, financial, and compliance needs.
- Disposing of information and records per the retention policy.

Figure 3 displays the inputs and outputs from DSS06.05.

C. Component: Information Flows and Items (see also Section 3.6) *(cont.)*				
Management Practice	Inputs		Outputs	
	From	Description	Description	To
DSS06.04 Manage errors and exceptions.			Error reports and root cause analysis	Internal
			Evidence of error correction and remediation	MEA02.04
DSS06.05 Ensure traceability and accountability for information events.			Record of transactions	Internal
			Retention requirements	Internal; APO14.09
DSS06.06 Secure information assets.			Reports of violations	DSS05.03
Related Guidance (Standards, Frameworks, Compliance Requirements)	Detailed Reference			
National Institute of Standards and Technology Special Publication 800-37, Revision 2, September 2017	3.1 Preparation (Task 10, 11): Inputs and Outputs			

Source: ISACA, COBIT® 2019 Framework: Governance and Management Objectives, USA, 2018

During fieldwork testing, audits must evaluate work products, retention requirements, and transaction records. Auditors should assess whether the AI-generated decision is appropriate, based on the decision inputs and use case.

Addressing Technical Challenges and Solutions for AI Auditing:

Technical Challenges:

- Auditing frameworks for AI are still developing.
- Few established precedents for AI use cases exist.
- Defining and categorizing AI lacks clarity, causing confusion.
- Significant variation in capabilities among AI systems.
- Emerging AI technology presents a need for clear auditing guidance.
- Insufficient strategic starting points.
- AI auditing can be a challenging learning experience.
- Supplier risks arise from outsourcing AI.

Solutions:

- Adapt established frameworks and regulations.
- Communicate AI concepts clearly to stakeholders.
- Provide explanations and effective communication about AI.
- Learn AI design and architecture to define the appropriate scope.
- Emphasize transparency through an iterative process.
- Focus on controls and governance over algorithms.
- Ensure participation from all involved parties.

- Consult experts as needed to enhance knowledge of AI.
- Outline architectural practices to improve team transparency.

Impact of AI on Audit Practices

This article discusses the impact of artificial intelligence (AI) on audit practices and highlights the essential role of chartered accountants in the evolving digital landscape. As auditors leverage AI capabilities in data analysis, risk assessment, and automation, they can significantly enhance the effectiveness and efficiency of audits.

AI transforms audit methodologies, allowing for improved quality and reliability in audit services. Chartered accountants contribute their expertise, ensuring ethical considerations are met while navigating the complexities introduced by AI technologies. To maximize the benefits of AI, auditors must stay informed about developments, engage in training, and collaborate with data scientists.

Challenges such as cybersecurity risks, skill gaps, and resistance to change must be addressed to fully harness AI in audits. However, integrating AI provides opportunities for innovation and growth, allowing auditors to offer value-added services, including analytics and risk management consulting.

In summary, the future of auditing depends on blending AI advancements with human expertise, focusing on learning and adaptability to achieve audit excellence. By embracing AI tools, auditors can enhance their performance and offer valuable guidance, ultimately driving improvements in the organisations they serve.

ROAD TO CORPORATE EXCELLENCE THROUGH INNOVATION AND STRATEGIC NEGOTIATION

Corporate excellence refers to a company's sustained ability to achieve and maintain high performance, often surpassing competitors, across various aspects of its operation. It's a continuous process of improvement, focused on outstanding practices and achieving results based on core values.

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Corporate Excellence stems from good Corporate Governance

Corporate Excellence refers to an integrated process of Cost Control ,Strategic Cost Management , AI and Data analytics, and Strategic financial reporting ,The importance of each of the above is explained below:

What is Strategic Cost Management?

It is defined as the process of planning and controlling the budget of the business. It helps in predicting the expenses of the business so that one can avoid going over budget, thereby being an integral part of business management

Cost management involves different cost accounting methods that have the goal of improving business cost efficiency by reducing costs or at the least having measures in place to restrict the growth of costs.

Cost management system helps in identifying, collecting, classifying and collating information that can be used by managers in planning, controlling and taking decisions to keep costs in the desirable limits.

Why adopt cost management?

Before any project is taken up, it is appropriate to define the objectives to avoid any kind of cost over-runs. They also help in keeping away over or underestimation of costs. A well defined project helps in facilitating appropriate management of the costs, making the project a profitable one for the undertaker. Through cost management, unexpected costs can also be appropriately dealt with as and when they occur as the forecast would reflect it.

Factors affecting cost management

- Growth in information technology
- Global and overall domestic competition
- Growth of service and manufacturing sectors;
- Advantages of Strategic Costing :
- predict the future expenses and costs and accordingly work towards the expected revenues.
- Budgeted costs can be maintained as records for the business.
- Provides for taking those actions that are necessary to assure that the resources and business operations aim at attaining the chalked objectives and goals.
- Helps in analyzing the long-term trends of the business.
- The actual cost incurred can be compared to the budgeted to see if any component of the business is spending more than expected.
- Facilitates analyses the business positioning in terms of making an acquisition factoring the cost component involved.

Cost management is indeed one of the essential requisites for the success of any project or business for that matter. When one knows the scope for the cost that the business can bear, it becomes much easier to set the goals and accordingly work towards it.

Strategic Cost Management Techniques have been recently evolved like Value engineering and Activity Based Costing to identify cost drivers which consume actual resources and streamline resource allocations according to the extent to which they drive costs.

NAVIGATING TAX CHANNELS:

Corporate Excellence also involves navigating direct and indirect taxes which have tremendous impact on Company's bottom line. Corporates stand to benefit from prudent tax planning and tax avoidance.

Direct and Indirect Taxes

"Taxes are the price we pay for a civilized society". Well, we can argue if that is really true and whether the quality of life has indeed increased, but there is no denying that taxes exist and will continue to exist in one form or the other. All the taxes that we pay in India are backed by laws passed by either the Parliament or the State Legislature. The governments keep on modifying tax structures - a recent example in India being abolishing VAT and other taxes and replacing it by GST - but taxes are essentially formulated by either the state government or the central government.

There are many ways to classify taxes. .

Direct taxes are those that a person pays under standard income heads or by a HUF to the government upfront. In India, direct taxes are implemented by an apex body called as CBDT through its executive arm the Indian Revenue Services. Typically, direct taxes are proportional to an entity's income.

Indirect taxes are taxes levied indirectly on services rendered by classified intermediate agencies. If you avail of a service and the invoice includes some sort of tax, you are paying indirect tax. The intermediary later files a tax return and forwards the tax proceeds to government with the return. Despite all the reforms of recent years (notably the introduction of GST), the tax structure in India remains skewed and dominated by indirect taxes. In general, the share of government (State and Central) revenue from indirect taxes in India is about two-thirds, while that of the direct taxes is one-third.

Merits and Demerits of Direct Taxes

- First and foremost, these are direct levies on income slabs and such direct taxes go straight to the Indian Revenue Service/Government. This eliminates the need for any intermediately to file a return and eliminates delay.
- In most cases, it is very easy to compute direct taxes. Since there is minimal ambiguity, there is a tendency for maximum compliance.
- Direct taxes in most countries (including India) are proportional to their income slab. This is theoretically ideal for the growth of the society as a whole.
- Direct taxes are easy to collect as it is a case of one –on – one interaction
- Since entities know beforehand their tax liability, they can plan better
- The most important deterrent to direct taxes is human psychology. Since they are typically proportionate to income, direct taxes dissuade people from earning too much and going into a higher tax bracket.
- Direct taxes discourage investment for the same reason
- It is a human tendency not to pay more. Direct taxes are visible for everyone, and people resent paying what they may feel are inordinately higher taxes

Merits and Demerits of Indirect Taxes

- Typically, these taxes are burdensome and covert. Most of the times you do not recognize them, or they are for something that appeal to you. For example, GST/TNGST indirect tax when you go to a restaurant, watch a movie, buy a car or purchase jewellery. However, you do not mind paying this tax as it is for a pleasurable activity.
- Indirect taxes are smaller, and need to be paid as a lump sum (unlike direct taxes)
- The most important objection to indirect taxes is that they are to be paid equally by the rich and the poor. For many commodities, this can prove to be regressive. For example, for a farmer, the increase in cost of diesel by even 3% can make a huge impact as compared to a businessman driving a plush diesel car.
- For the government, collection of indirect taxes is costly. The government needs mechanisms and checks to ensure that the indirect tax is collected properly
- Another factor that works against indirect taxes is the harmful effect in making the allocation of resources inefficient and cause excess burden on the consumers

ARTIFICIAL INTELLIGENCE AND DATA ANALYTICS EVOLUTION:

Recently, financial reporting methodology has changed tremendously by use of Data Analytics and Artificial Intelligence, replacing traditional process. This has resulted in automated ledger balancing types and also reduced deployment of manpower on routine tasks.

Artificial Intelligence (AI) is a broad term that encompasses various technologies and techniques used to enable machines to perform tasks that would typically require human intelligence. AI in accounting is the application of these technologies and techniques in the field of accounting to automate processes, perform data analysis, and help make informed financial decisions.

AI can be implemented in various areas of accounting such as auditing, tax preparation, risk assessment, fraud detection, and financial reporting. Here are a few examples:

- Data entry and analysis: AI-powered software can extract data from documents, such as receipts and invoices, and accurately input it into financial systems. This reduces the need for manual data entry by accountants, saving time and reducing the risk of errors.
- Heuristic analytics: With large datasets and advanced algorithms, AI can analyze patterns and trends in financial data to make predictions about future outcomes. This enables accountants to make more informed decisions based on accurate forecasts.

- Anomaly detection: AI can detect anomalies and flag suspicious transactions, reducing the risk of fraudulent activities going undetected.
- Robotisation and Process automation: Repetitive tasks like bank reconciliations and invoice processing can be automated through AI, freeing up accountants' time to focus on more complex tasks.

Overall, AI in accounting aims to streamline processes, reduce costs, and improve accuracy and efficiency.

Key Benefits of AI in Accounting

AI in accounting is becoming increasingly essential for the industry's competitiveness and survival.

In fact, according to The State of AI in Accounting Report 2024 by Karbon Magazine, 71% of respondents believe that AI will bring about a big change to their operations.

To explore the potential prospects of AI, let's look at some benefits it may provide to your organization.

1. Automation of repetitive tasks

AI technology is excellent at anything that requires repetition.

Therefore, AI can automate time-consuming accounting tasks such as data entry, invoice processing, and account reconciliation.

2. Accuracy and reduced errors

One of the significant advantages of AI in accounting is its ability to reduce human error. Tasks like bookkeeping and financial reporting can be error-prone when managed manually.

AI minimizes these risks by ensuring consistent data accuracy, which enhances the reliability of financial reports. This precision is crucial for businesses that rely on accurate financial data to make critical decisions.

3. Management financial insights

AI empowers businesses with real-time financial data analysis, allowing them to make quicker, informed decisions based on up-to-the-minute financial metrics.

Traditional accounting processes often delay reporting, but AI-driven platforms analyze data continuously, giving organizations immediate insights into cash flow, expenditures, and profitability.

4. Operational Savings and scalability

Adopting AI can lead to considerable cost savings as well. Time and resources spent doing extensive manual work can be saved, allowing organizations to operate with leaner accounting teams.

AI systems can handle massive datasets efficiently, enabling companies to scale their financial operations without a proportional increase in resources.

Where is AI making a real impact

The use of AI and data analytics in finance is not some vague concept; it's a reality being implemented by leading financial institutions to solve real-world challenges and drive tangible business value.

STRATEGIC BUSINESS REPORTING:

Ultimate, Corporate Excellence, results from Strategic Business Reporting which involves conforming to standard accounting principles and presenting a fair and transparent view of the state of affairs of an Enterprise and consistent reporting to stakeholders in line with established international accounting standards.

Financial reporting is the process of recording your company's core business processes over a set period of time and preparing financial statements accordingly. The primary objective of financial reporting is to provide information about a company's financial position. Some types of financial reports are required by law.

A statutory financial report might be generated on an annual basis, though quarterly reports are also common. And by tapping into technology, modern businesses are able to view real-time data and generate uptodate reports upon request, giving you total visibility into your company›s financial performance.

These financial statements provide detailed insight into your company's financial health. Therefore, they are as important to your internal leadership as they are to your external stakeholders.

Armed with this information, you are poised to make better business decisions and continue to hone your strategy for the road ahead. That's why SMBs use financial reports to drive future growth and eliminate areas of inefficiency.

Triple Bottom Line Reporting and CSR -Corporate Social Responsbility:-

Apart from financial profits, Corporations are moving towards another social trend - They are resorting to triple bottom line reporting; apart from financial and cost profits, companies have to report on Social profits as they represent a social obligation in terms of the social environment and Ecology perspective i.e, sustainability from Social angle; hence , Corporations now are trending to budget and allocate funds to meet with Corporate Social Responsibility, Ecology and Environmental effects from Reserves as they form a part of larger social network .

BRSR REPOTRTING In this modern phase of ecologic mindfulness and organisational civic duty, the Securities and Exchange Board of India (SEBI) has introduced the Business Responsibility and Sustainability Reporting (BRSR) guidelines for listed companies. BRSR reporting is a comprehensive framework that seeks to promote sustainable business, responsible management of the environment, and corporate governance.

What is Business Responsibility and Sustainability Reporting (BRSR)?

Business Responsibility and Sustainability Reporting (BRSR) is an integrated reporting framework. Its purpose is to increase the level of reporting on environmental, social, and governance (ESG) performance. BRSR requires enterprises to report ESG performance indicators to ensure that they practise responsible business and achieve sustainable development meeting with social norms and societal expectations

.IND AS REPORTING :Why International Accounting Standards?

While preparing Accounting Statements, there is a need for recognising and reporting Revenue and Bottom line convergent with International Standards like IFRS and GATT . Hence, the Ministry of Corporate Affairs (MCA), in 2015, had notified the Companies (Indian Accounting Standards (IND AS)) Rules 2015, which stipulated the adoption and applicability of IND AS in a phased manner beginning from the Accounting period 2016-17.

The MCA has since issued three Amendment Rules, one each in year 2016, 2017, and 2018 to amend the 2015 rules. The IND AS are basically standards that have been harmonised with the IFRS to make reporting by Indian companies more globally accessible. Since Indian companies have a far wider global reach now as compared to earlier, the need to converge reporting standards with international standards as felt, which led to the introduction of Ind AS.

THE ARC OF CORPORATE EXCELLENCE

Abstract

Corporate excellence requires clear goals and a focus on sustainable value creation. Embracing processes that adapt to the needs of the current conditions ensures resilience and competitive advantage. Key enablers include robust measurement systems, strategic resource allocation and risk mitigation, while aligning strategy with the evolving market dynamics

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In 'Alice in Wonderland' the Rabbit says to Alice - "If you don't know where you are going, any road will take you there ". Corporate excellence, or for that matter, excellence in any aspect requires, firstly, a clear idea of the goal. Let's examine first the goal of the apex body of a company i.e. its Board of Directors. The contemporary objective of the Board is better explained by the affirmation that *'shareholders' interests are not necessarily served by having no regard to other stakeholders namely, employees, customers, suppliers, creditors , the environment, and the broader community'*. This brings in two aspects – one, that of 'other stakeholders' and second, the discretion of 'time horizon' (from adding the environment and broader community as stakeholders) in determining the best interest of the company. While this is true for companies, there is no reason why similar objective should not define governance in other forms of enterprises.

With the ultimate objective in our sights, let's look at how do we address excellence through the angle of CMA vision . Let's look at some of the aspects through the lens of sustainable value creation, which effectively becomes the 'go-between' the executive management's remit and the ultimate duty of the company's Board. The information architecture is pivotal in assisting and more importantly, is able to provide analyses that must be available for efficient decision making. Also noting that the space and time has been compressed and the feedback loop shortened. Its role as the ultimate truth-sayer is beyond doubt and therefore the need to be professional, knowledgeable and ethical. The following sections are by no means exhaustive, but more as a pointer to their operational imperative as well as strategic importance. These are elements embedded in the various processes of organisations, and while they have been around for a while, they are more elevated in significance now and probably more transformative than ever before. And consequently, the dynamics are very different now.

The risk of not keeping up with the current forces is best explained by quote by Henry Ford – 'even a great business can become ghost of a name because someone thought it can be managed just as it was always done, and while the management was excellent in their day, its excellence consisted of its alertness to its day'.

The Measurement

This has the duality of simpleness as well as complexity. Cost by its nature must follow a product or service offering. Simplistically viewed, longer life products with will call for design and components that are superior in functionality and therefore of higher cost. That leaves us with the levers of design-optimisation and productivity improvement to ensure the total cost don't stack up too high. Early engagement at the product development stage and a continuous collaboration with supply chain management will give the process a good rigour. A clear and well understood view of warranty period and costs thereof are equally critical. Recognising at all times that 'price-discovery' and/or prevalent price point will feed into the model as well. At the end of the day, if the customer experience is not fulfilling enough, no amount of sloganeering will improve traction. Customers will resort to substitutions or trade-offs if the equation is worthwhile for them. When operationally a business struggles, it's the 'trust' that gives the business time to fix its problems. Simplistic as it may sound, a timely and accurate financial reporting system gives legitimacy and objectivity to the decision-making process. Be it protecting business momentum, accelerating synergies, changing to new ways of working or repositioning in the market (viz transformation). All of this presupposes existence of a good 'measurement' system that is detailed, accurate and timely. Financial system along with other systems that capture the non-accounting operational aspects of the business therefore become the backbone of managing business.

Emissions and waste management in the past did not receive much attention. Now, with legislations and societal obligations, this area is getting its due share of attention. There are evidence of customers shifting their loyalty based on what they hear or read about the track record of the company in question. Waste management (including safe disposal) has become more sophisticated and is continuously improving. While reduction of waste can directly contribute to reducing 'Direct Cost', it also reduction in volume helps in reducing (safe) disposal cost. The other dimension of Greenhouse gas demands a separate section, and I have briefly covered that.

Carbon footprint and de-carbonisation

As reporting under the ESG guidelines become wider in India, the new metrics around greenhouse gas emissions, water, energy usage and waste management assume great importance. More so, Indian companies that engage in business oversees must meet the requirements of those markets. Rules in the European Union with respect to carbon footprint is an example of the standard expectations of carbon management expected of companies doing business in in the EU. Similarly, even raising capital in many markets comes with a string of a certain acceptable threshold of carbon management. In short, there are many reasons for businesses to proactively take actions, even if they are outside the purview of the current legislation in India. Additionally, the reputational value and contribution to the environment and therefore, to the broader community, is undeniably consistent with the 'best interest' of the company, as discussed in the opening section of this article.

The modern supply chain is widely spread and any part/ component or process that is used in the completion of a finished product/ service adds a 'carbon cost'. There is the need to have information on both the upstream and downstream value chain. Therefore, parallel to the cost of the procured raw material, there is also the *CO2 equivalent* that needs to be tracked. This is the new equation - whether the business sells finished product or makes parts of a finished product. While there is the aspect of accounting and reporting of emissions, the market concurrently forces a better and efficient management of processes that can aim to be carbon neutral or at least optimise emissions.

Resource & Capital allocation

Simplistically said, at the tip of the pyramid it boils down to how much of profits to return to shareholders and how much to re-invest in the business. Underneath that, there are multiple gears and wheels – remarkably similar to a functioning of a mechanical watch. Directional decisions and capital allocation (or funding) on lateral (capacity) expansion and vertical expansion, R&D and product engineering spend, organic and/or inorganic growth to name a few – and these are not binary in nature. Also, efforts have to balance between making 'changes' to the products and 'making' of the product.

There are other aspects of business that will also call out for resource and capital allocation. Digitization Digitalization, a different go-to-market model, inventory build-up, and the list can be a long one.

These projects don't yield quick financial returns nor is perfect execution guaranteed. Capital is scarce and comes with a cost, therefore proper allocation is a pre-requisite for a good shot at value creation.

Add to these an overlay of Environmental Social and Governance (ESG) validation, and an overly complex web emerges. A 'sustainability-test' can alter the immediate trajectory of a business, thus making capital-allocation decisions a springboard of 'sustainable-growth' choice.

Strategy

In nutshell, it is redefining one's competitive domain, address its industry boundaries and how the industry might be changing. Ultimately, it's about optimising value contribution to key stakeholders. This requires right resource allocation but also means cost management as a core thought process behind the organisation's distinctiveness. If the business is not competitive, it will be an uphill task to pursue the strategic directions.

Take for example the case of a business deciding to have an Omni-channel strategy to market. Omni channel would mean customers across all of its sales channels, like physical, online, mobile app etc having a seamless experience. Such an approach will require Omni-chain as the underlaying supply chain infrastructure to support such a strategy. Such an endeavour calls out for significant investment. Likewise, using artificial intelligence (AI) as a business tool or an ally is worthy of consideration. Identifying opportunities to embed AI in processes to scale-up or to optimise is well within an organisation's reach. It is not just what a business can afford, but also a result of assessment of risks and opportunities.

The understanding of the market and economy helps to transition from self-sustaining, inward looking to dependence on external forces. This awareness can help to spot early turning points before the actual financial data of the business catches up.

Strategy also needs a refresh as the business and the market evolve. This refresh or change does not necessarily mean that the current situation is sub-optimal, but an indication of how we read the environment and the eco-system to be better prepared for tomorrow.

Risk management

While recognising that risks are difficult to assess exactly, quantitative assessment helps to clarify the matter by a common language. It also allows a more focussed discussion by scaling the risks. The alternative is a discussion that can often get muddled/ mired in breadth and complexity and run the risk of being too subjective. Various quantitative methods exist, and the CMA should co-create along with other functions to work out what is a good fit for the business. It is a good practice to have a reasonably well-defined risk appetite policy as part of the strategy, which can be extremely helpful in running the risk management programme.

While on this, it's important to note that risks should be looked along with Opportunities.

It's also important to have a well-defined crisis management process, should the business or the environment be subject to one. Such a process ensures a quick formation of a crisis management team with knowledge and authority to contain the crisis and bring normalcy back sooner. The Covid crisis is fresh in our memory and cyber-attacks have been more frequent than ever before. By definition risks are 'unknown' though we can have a directional preparedness. The best we can do is to have a robust risk management programme, which is continuously updated.

In conclusion

All of the above elements are strong levers of corporate excellence, and no organisation can afford to be selective in its approach. However, the effectiveness of the above elements is dependent on the culture of the enterprise and the dynamics that it fosters.

CMA's ROLE AMIDST USA-LED TARIFF SHIFTS WORLDWIDE

Abstract

The modern global economy is highly interconnected, with trade policies and geopolitical decisions in one region rolling across the world. Tariff wars have occurred recently. The United States (US) has initiated or influenced some of these wars. These wars have disrupted global supply chains. Multilateral trade agreements have been challenged. International business strategies have seen significant reconfigurations. Amidst these disruptions, the role of the Cost and Management Accountant (CMA) has grown substantially in importance. This article delves into the dynamic positioning and impactful contribution of CMAs in navigating, analysing, and mitigating the complex effects of tariff wars, ensuring business continuity and fostering strategic decision-making for global enterprises.

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Introduction

Tariffs are essentially taxes imposed on imports and exports between countries. Tariffs have been used in trade policy for many centuries. Powerful economies, like the US, have used them aggressively and strategically. This aggressive and strategic use has increased tension in global trade. The US and China had a recent tariff war. The US has also taken protective measures. These measures were against countries like India, the European Union and Canada. These actions have made businesses rethink their work around the world.

The business world is changing. CMAs have an important job in this situation. They help manage the economic problems. They help redesign how costs are structured. They also advise companies on how to deal with this uncertain time. They are not just accountants or cost analysts but strategic enablers of globalisation and compliance in an era of protectionism.

Understanding the Tariff War: A Global Economic Challenge

US has historically adopted varied approaches to international trade under different administrations, often prioritising the protection of its domestic industries. Between 2018 and 2020, the U.S. imposed extensive tariffs on a wide range of goods, valued at hundreds of billions of dollars. In 2025, we are witnessing a renewed and intensified wave of tariff impositions, particularly targeting Chinese exports, including strategic sectors like semiconductors, electric vehicles, and green technologies. This aggressive trade stance has triggered retaliatory measures from several affected countries, further escalating tensions. As a result, global supply chains have once again come under pressure, leading to increased volatility, production delays, and a significant reshuffling of trade routes and sourcing strategies worldwide.

The outcomes of these tariff wars included:

- **Rising input costs** for manufacturers.
- **Supply chain disruptions**.
- **Shifting of production bases** to avoid tariffs.
- **Price volatility** and consumer uncertainty.
- **Investment redirection** to more stable regions.

These are precisely the areas where CMAs have made significant contributions by supporting data-driven decision-making.

Position of a CMA in the Global Business Ecosystem During a Tariff War

A CMA's role is not confined to accounting and budgeting but stretches into strategic foresight, scenario modelling, and decision support systems. During the tariff war, businesses across the globe turned to CMAs to:

- **Re-evaluate cost structures** in light of increased duties.
- **Advise on supply chain redesigns** to optimise landed costs.
- **Recommend alternative sourcing and manufacturing destinations**.
- **Assess financial and operational risk exposure** due to trade tensions.
- **Ensure compliance** with changing customs and tax regulations.
- **Assist in strategic pricing decisions** to maintain competitiveness.

Their unique expertise in cost behaviour, management control systems, and international trade frameworks make CMAs indispensable partners in global trade navigation.

Key Contributions of CMAs in the Tariff War Environment

1. Tariff Impact Analysis and Cost Forecasting

CMAs helped organisations conduct a **tariff sensitivity analysis**, quantifying the exact cost impact of imposed duties on imported raw materials and finished goods. This analysis guided decision-making in areas like:

- Supplier negotiation.
- Product pricing.
- Market entry/exit strategies.

CMAs developed detailed cost scenarios based on various tariff levels, helping companies plan for best, worst, and most-likely cases.

2. Redesigning the Global Supply Chain

In response to US-imposed tariffs on Chinese imports, many companies moved manufacturing units to Vietnam, India, and other Southeast Asian countries. CMAs were instrumental in:

- **Evaluating total cost of ownership (TCO)** at new locations.
- Factoring in hidden costs like logistics, labour training, and infrastructure.
- Modelling long-term strategic cost benefits and ROI.

They ensured such moves were financially viable and aligned with long-term growth strategies.

3. Optimising Transfer Pricing and Tax Efficiency

Multinational corporations had to reconfigure their **transfer pricing structures** to reflect new realities.

CMAs ensured:

- Compliance with local and international tax laws.
- Profitability across borders.
- Avoidance of double taxation or legal complications.

By working alongside tax consultants and legal teams, CMAs created tax-efficient strategies while maintaining transparency and control.

4. Strategic Pricing and Margin Protection

Increased tariffs often led to **product cost inflation**, threatening margins. CMAs collaborated with marketing and sales teams to:

- Recalibrate pricing strategies.
- Explore value engineering opportunities.
- Reassess customer segmentation and product positioning.

By maintaining profitability without compromising market share, CMAs added immense strategic value.

5. Risk Management and Compliance Advisory

CMAs played a key role in:

- Identifying regulatory risks from changing trade policies.
- Ensuring accurate **tariff classification** and documentation.
- Designing **internal controls** to minimise duty-related non-compliance.

Their vigilance helped companies avoid penalties, shipment delays, and reputational damage.

6. Support in Localisation and Domestic Manufacturing Incentives

Many governments, including India, promoted domestic manufacturing under **Atmanirbhar Bharat** or **Make in India** in response to global tariff barriers. CMAs advised companies to:

- Analyse the cost-benefit of local sourcing vs. importing.
- Assess available government incentives and tax benefits.
- Support capital budgeting decisions for setting up local units.

This transition was made efficient and cost-effective through data-driven inputs from CMAs.

CMA's Strategic Role in Global Policy Advisory and Economic Planning

In many developing countries, CMAs are recognised as strategic advisors to policymakers. They are increasingly involved in:

- **Trade negotiations**, offering cost-impact assessments of proposed tariffs.
- Advising chambers of commerce and export councils.
- Advocating policy changes that support SME exporters affected by tariff hikes.

CMAs also contribute to **think tanks and research bodies**, producing insights that shape economic resilience strategies during tariff wars.

Digital Competency and the CMA Advantage

Modern tariff management requires **real-time data analytics**, **ERP system integration**, and **AI-based forecasting**. CMAs who are well-versed in SAP, Oracle, Tableau, or Power BI have a clear edge.

They use digital tools to:

- Track global tariff changes dynamically.
- Run cost simulations.
- Monitor trade flows and optimise sourcing routes.

The **digital transformation of costing functions** has enhanced the ability of CMAs to contribute meaningfully during periods of trade disruptions.

Case Example: CMA Role in Indian Manufacturing Amid US Tariffs

Let us consider an Indian electronics manufacturer exporting to the US. With increased tariffs on components sourced from China, the company's profitability is threatened. The CMA's intervention included:

- Identifying alternate suppliers in Taiwan and Vietnam.
- Forecasting landed costs for new suppliers.
- Applying for Production Linked Incentives (PLI) offered by the Indian government.
- Reworking the cost sheet to reflect new logistics and compliance costs.
- Suggesting product re-pricing to retain customer loyalty in the US market.

The company not only survived the tariff shock but also improved its long-term resilience—largely due to CMA-driven insights.

Conclusion

The position of a CMA in a tariff war scenario is both strategic and transformative. In a world where trade policies are increasingly volatile, CMAs provide stability through insightful cost intelligence, supply chain optimisation, compliance support, and strategic foresight.

As global economies oscillate between protectionism and globalisation, CMAs will continue to play a critical role in guiding enterprises through complexity, making them future-ready and competitive. Their ability to integrate economic understanding with practical business strategy makes them invaluable warriors in the battlefield of global trade disruptions.

Quote to End With

"In a tariff war, where costs rise and clarity fades, it is the CMA who brings light to decision-making and structure to chaos."

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COST EXCELLENCE, FINANCIAL SHENANIGANS, AND THE ROLE OF AI IN ACCOUNTING

Abstract

The article explores cost excellence as a strategic approach to enhance efficiency and profitability while maintaining financial discipline. It highlights the role of AI in revolutionizing accounting by improving transparency, detecting fraud, and optimizing costs. Additionally, it addresses the issue of financial shenanigans and their impact on business integrity.

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We live in a world and in a business environment which are quite dynamic, and organizations strive for cost excellence which is an optimal balance between efficiency and financial discipline to drive profitability and sustainability.

However, while businesses optimize costs towards cost excellence, some also engage in questionable accounting manoeuvres designed to manipulate earnings or misrepresent financial health whom we refer to as financial shenanigans.

At the same time, the rise of Artificial Intelligence (AI) in accounting is revolutionizing financial transparency and integrity, helping companies enhance cost management, detect fraud, and improve compliance.

The objective of this article is to study cost excellence strategies, common financial misrepresentations, and how AI is transforming modern accounting.

Cost Excellence is a tool for business growth:

Cost excellence is more than just cost-cutting as it involves strategic cost management, improving operational efficiency, and optimizing financial resources while maintaining business quality. Companies that achieve cost excellence are able to:

- Reduce operational inefficiencies and eliminate waste.
- Streamline financial workflows to improve profit margins.
- Enhance pricing strategies to maximize revenue.
- Optimize procurement and supply chain costs to stay competitive.

Examples of cost excellence include Toyota's lean manufacturing and eliminating waste through Just-in-Time (JIT) production, Walmart's supply chain efficiency by leveraging AI-driven logistics optimization to cut inventory costs and Tata Motors' cost rationalization by streamlining procurement strategies.

Thus, Cost Excellence has been a tool for gaining growth in the business.

Key Strategies for Cost Excellence

Achieving cost excellence requires a holistic approach that integrates financial discipline with operational agility. Some core strategies include:

- Cost-Driven Pricing: Understanding cost structures to set strategic pricing models.
- Supplier Cost Optimization: Negotiating contracts and leveraging bulk purchasing to reduce procurement costs.
- Technology-Driven Efficiency: Using AI and automation to optimize financial workflows.
- Lean Operations: Eliminating inefficiencies through lean manufacturing and process automation.
- Zero-Based Budgeting (ZBB): Every expense is justified from scratch rather than using historical spending patterns.

Financial Shenanigans

Financial shenanigans refer to those who manipulate numbers with the intent of misleading stakeholders about a company's true financial position. These practices often distort reality and lead to misinformed investment decisions, regulatory scrutiny, and potential financial collapses.

The consequences include loss of investor trust, regulatory penalties as well as corporate failures, leading to complete business shutdowns.

Types of Financial Shenanigans:

Financial Shenanigans can range from minor accounting adjustments to outright fraud, aimed at creating a false impression of a company's financial health. Some of the examples include:

- Channel Stuffing: Forcing excessive product shipments to distributors to temporarily inflate revenues.
- Creative Expense Classification: Misclassifying operating expenses as capital expenditures to artificially boost earnings.
- Earnings Management: Adjusting revenues or expenses to meet short-term profitability goals.
- Cookie Jar Accounting: Overstating reserves in good years and releasing them in bad years to smooth earnings.
- Off-Balance Sheet Financing: Using subsidiaries or special-purpose entities to hide liabilities.

Examples include Satyam scam in 2009, IL&FS crisis in 2018, YES Bank crisis in 2020 including the recent arrest of Mehul Choksi in Belgium this year 2025 in the PNB Scam.

Enron's infamous use of off-balance-sheet vehicles hid billions in debt, creating the illusion of profitability before collapsing in 2001.

The Startups in India too saw such manipulations. Few of them include BYJU'S Accounting controversy, BharatPe's governance issues and GoMechanic' financial misreporting. More recently BluSmart, once a promising electric ride-hailing startup, is currently facing serious financial fraud allegations linked to its parent company, Gensol Engineering.

To reiterate, the Consequences of Financial Shenanigans include:

Manipulative accounting practices erode investor trust, cause regulatory scrutiny, and often result in corporate scandals and financial disasters. Some consequences include:

- Loss of Business Reputation: Tarnished brands struggle with customer trust and investor confidence.
- Stock Market Crashes: Overvalued stocks lead to severe market corrections.

- Investor Lawsuits: Shareholders sue firms for financial misrepresentation.
- Regulatory Penalties: Companies face hefty fines for fraudulent accounting.

AI in Accounting has been revolutionizing Financial Integrity:

To combat the financial shenanigans, AI is reshaping the accounting industry by automating complex financial processes, detecting fraud, and enhancing financial decision-making. Intelligent automation, predictive analytics, and anomaly detection empower companies to maintain ethical financial practices and optimize costs.

AI-driven tools are now fundamental to financial reporting, audit automation, and fraud detection. Some of the key applications include:

1) Automated Transaction Categorization

AI automatically classifies financial transactions, minimizing human errors and improving tax compliance. Cloud-based AI accounting platforms detect anomalies in spending patterns to prevent errors or fraud. AI analyses tax filings for inconsistencies in deductions, reported income, or fake claims. The Indian Tax Department uses AI-based anomaly detection to flag companies that underreport revenues or inflate tax deductions.

2) Fraud Detection & Risk Analysis

Artificial Intelligence can uncover financial shenanigans and anomalies. Machine learning models analyse financial data to identify suspicious transactions. AI-powered fraud detection tools in banks track suspicious transactions using machine learning. HDFC Bank implemented AI-based risk models to detect unusual financial transactions. AI also flags money laundering risks by identifying unusual fund transfers between accounts.

3) Real-Time Financial Forecasting

AI improves financial forecasting by analysing historical patterns, helping companies make more accurate revenue and expense projections. AI analyses historical financial data, market trends, and external economic factors to predict revenue, expenses, and profitability.

Machine learning algorithms adjust forecasts dynamically based on new real-time data.

4) AI-Powered Auditing

Traditional auditing relies on sample testing, but AI can scan entire datasets to find discrepancies instantly, reducing the chances of accounting fraud. Traditional audits rely on manual sample testing, while AI scans entire datasets for inconsistencies or errors. The Institute of Chartered Accountants of India (ICAI) uses AI-driven forensic auditing techniques to detect fraudulent financial statements. AI detects misreported business expenses, fake reimbursements, and corporate fund misuse. AI-driven blockchain audits enhance financial integrity by ensuring tamper-proof accounting records.

5) Invoice & Payment Automation

AI automates accounts payable and receivable, reducing manual processing time and minimizing human errors in financial reconciliation. AI prevents invoice fraud by flagging duplicate payments, inflated vendor invoices, or ghost suppliers. AI identifies fake vendor accounts used for financial misappropriation.

6) AI in Payroll & Employee Compensation Fraud Prevention

AI identifies ghost employees, fake salary claims, or payroll miscalculations. AI verifies salary payments against actual employment records, ensuring compliance.

AI has been enhancing transparency:

AI is a powerful weapon against financial misrepresentation as it enhances transparency and leads to investor confidence and business continuity, offering:

- Pattern Recognition: AI flags abnormal financial reporting patterns early.
- Real-Time Compliance Monitoring: AI tools ensure companies adhere to regulatory guidelines.
- Advanced Fraud Detection Models: AI identifies inconsistencies in financial records.
- Automated Reconciliations: Reduces accounting errors and ensures accuracy in financial statements.

Governments and financial institutions are now deploying AI-driven compliance solutions towards:

- AI-powered audits improve corporate governance.
- Blockchain-based accounting systems enhance transparency in financial transactions.
- Natural Language Processing (NLP) algorithms scan financial disclosures for misleading statements.

To conclude:

Cost excellence, ethical financial practices, and AI are reshaping the modern accounting landscape. While some companies engage in financial shenanigans to manipulate earnings, AI ensures financial integrity, automates compliance, and enhances cost efficiency.

As AI adoption grows, businesses must embrace technology-driven financial transparency to maintain ethical accounting practices and drive sustainable growth. Companies that leverage AI-powered financial intelligence, cost optimization strategies, and fraud detection systems will thrive in the next era of digital finance.

REDEFINING CORPORATE EXCELLENCE: THE CMA's STRATEGIC ROLE

Abstract

This Article explores the evolving role of Cost and Management Accountants (CMAs) in driving corporate excellence through strategic cost management, tax planning, ethical leadership, and sustainability integration. It highlights frameworks like TCM, Perpetual Cost Management, Ind AS, BRSR, and ESG, while emphasizing the importance of AI in detecting financial misconduct. CMAs are positioned as key enablers of responsible growth, transparency, and long-term value creation in modern corporate India.

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Introduction: The New Face of Corporate Excellence

In today's dynamic and competitive global market, achieving corporate excellence means far more than securing quarterly profits. It encompasses a holistic approach to business—emphasizing sustainability, ethical leadership, transparency, innovation, and stakeholder value creation. Indian enterprises are under increasing pressure to deliver performance across financial, operational, environmental, and social fronts.

At the heart of this transformation lies the evolving role of the Cost and Management Accountant (CMA). Once perceived as back-office cost analysts, CMAs have emerged as strategic enablers, governance advocates, and sustainability partners. They are now shaping the narrative of modern corporate India by enabling organizations to align purpose with performance.

Understanding Corporate Excellence

Corporate excellence refers to an organization's sustained ability to deliver consistent performance while optimizing value for all stakeholders. It goes beyond profitability to include:

- Strategic and agile decision-making
- Efficient resource deployment
- Robust risk management and governance
- Commitment to sustainable, ethical, and responsible business practices

This vision demands long-term thinking—where shareholder returns are matched with social and environmental impact. It requires aligning every function, from finance to operations, with stakeholder-centric outcomes.

The Evolving Role of CMAs

CMAs are no longer just cost controllers. Their role has expanded into strategic advisory, decision support, and risk analysis. Today, CMAs:

- Provide insights across business units to monitor and improve performance
- Optimize cost structures while fostering innovation and product quality
- Support sustainability integration by translating ESG goals into measurable actions
- Strengthen internal control systems to mitigate financial and operational risks
- Guide strategic decisions on pricing, investment, capacity, and market entry

Through data-driven insights, CMAs bridge the gap between operations and strategy, helping leadership steer companies through economic uncertainties and competitive landscapes.

CMA as a Strategic Business Partner

CMAs contribute to corporate excellence through several key capabilities:

a. Performance Management

CMAs help define KPIs, monitor them, and provide real-time feedback on process efficiency. Their data analytics skills enable companies to identify gaps, streamline operations, and drive continuous improvement.

b. Cost Optimization

Beyond cutting costs, CMAs ensure optimal allocation of resources. They design cost frameworks that sustain quality, improve profit margins, and foster innovation—making businesses leaner and more competitive.

c. Sustainability and ESG Integration

As ESG becomes central to investor and consumer decisions, CMAs support environmental and social initiatives by measuring their financial and non-financial impact. Their input helps companies align with global ESG benchmarks.

d. Risk Management and Compliance

From internal audit systems to legal and regulatory compliance, CMAs assess, report, and mitigate risks. Their understanding of evolving laws and ethical standards positions them as corporate guardians.

e. Strategic Planning and Decision Support

Using forecasting, pricing models, and capital budgeting techniques, CMAs offer decision-makers clear, data-backed options. Their advice informs product mix, market expansion, outsourcing, and investment choices.

Embracing the Digital and Ethical Future

The modern CMA must navigate a rapidly digitizing world while staying rooted in ethical practices. Success requires:

- **Digital transformation**: Mastery of ERP systems, data analytics, AI, and automation
- **Ethical leadership**: Ensuring transparency, fairness, and governance
- **Continuous learning**: Staying ahead of regulatory, technological, and economic trends

The Institute of Cost Accountants of India (ICAI-CMA) is empowering CMAs with upgraded curricula, certifications, and global affiliations to meet these demands.

Mastering Cost Management: TCM vs. Perpetual

Modern organizations must actively manage costs across all areas—from projects to daily operations. Two powerful approaches are:

a. Total Cost Management (TCM)

Developed by AACE International, TCM focuses on managing costs across the entire life cycle of an asset or project—from design to decommissioning.

TCM emphasizes:

- Capital efficiency
- Risk-adjusted decision-making
- Long-term value creation

Used in: Manufacturing, energy, infrastructure, and capital-intensive sectors.

b. Perpetual Cost Management

This is a real-time approach, using ERP systems and dashboards to monitor and control costs as they occur. It's agile, responsive, and ideal for fast-paced industries.

Perpetual Cost Management emphasizes:

- Real-time decision-making
- Operational efficiency
- Budget agility

Used in: Retail, e-commerce, tech, logistics.

By integrating both, companies can achieve both long-term strategic value and short-term responsiveness.

Navigating the Tax Landscape: Direct vs. Indirect

Effective tax management is a crucial pillar of corporate sustainability and compliance. Taxes are broadly classified into:

a. Direct Taxes

Paid directly to the government by the taxpayer based on income, wealth, or gains. Examples:

- Income Tax
- Corporate Tax
- Capital Gains Tax

Strategic focus:

- Tax planning to minimize liability
- Accurate documentation and filing
- Audit readiness and risk mitigation

b. Indirect Taxes

Levied on goods and services, collected by intermediaries. Examples:

- Goods and Services Tax (GST)
- Excise Duty
- Customs Duty

Strategic focus:

- Correct product classification
- Cross-border compliance
- Automation of reporting through digital tools

CMAs help businesses minimize tax liabilities, avoid penalties, and stay compliant with evolving tax laws.

Financial Shenanigans and AI's Role in Detection

What Are Financial Shenanigans?

These are manipulative practices to distort a company's financial statements, often unethical (and sometimes illegal). Examples:

- Inflated revenues
- Deferred expenses
- Fake sales and channel stuffing
- Off-balance-sheet debt

These tactics mislead investors, distort valuations, and often lead to scandals.

AI to the Rescue

Artificial Intelligence is revolutionizing the detection of fraud through:

- **Anomaly detection**: Identifying irregularities in financial patterns
- **Natural Language Processing**: Scrutinizing contracts and reports for hidden risks
- **Automated reconciliations**: Matching ledgers and reducing errors
- **Predictive analytics**: Forecasting expected financial behaviors
- AI enables **continuous auditing**—far superior to traditional periodic reviews.

Why Human-AI Collaboration Matters

While AI offers speed and scale, human auditors bring:

- Ethical judgment
- Business context
- Professional skepticism

The future of accounting is **AI-assisted but human-led**.

The Recipe for Responsible Reporting: Ind AS, BRSR & ESG

Modern financial reporting combines accuracy, responsibility, and sustainability:

a. Ind AS (Indian Accounting Standards)

Aligned with IFRS, Ind AS ensures consistency and transparency in financial disclosures. Mandatory for listed and large companies, it:

- Adopts accrual-based accounting
- Enables fair value reporting
- Enhances comparability across businesses

b. BRSR (Business Responsibility and Sustainability Reporting)

Mandated by SEBI for India's top 1,000 listed companies, BRSR covers:

- Governance
- Employee well-being
- Environmental footprint

- Community development

It marks India's formal shift toward ESG-based disclosures.

c. ESG (Environmental, Social, Governance)

A global standard influencing investor behavior, ESG evaluates:

- Environmental: Emissions, climate resilience
- Social: Diversity, human rights
- Governance: Transparency, ethics

While BRSR provides the structure, ESG is the lens through which global investors view corporate responsibility. Together, these frameworks help companies:

- Build stakeholder trust
- Attract ESG-driven capital
- Future-proof their brand
- Demonstrate integrated thinking

Conclusion: The CMA as a Future Architect

To truly achieve corporate excellence, Indian businesses must go beyond financial performance to embrace strategic, ethical, and sustainable practices. The **Cost and Management Accountant** stands at the nexus of this change—transforming business models through:

- **Strategic decision support**
- **Advanced cost and performance management**
- **Digital and AI-enabled tools**
- **Ethical governance**
- **Sustainability integration via ESG and BRSR**

By mastering Total and Perpetual Cost Management, aligning with Ind AS and ESG norms, and fighting financial misconduct using AI, CMAs will shape the future of responsible and resilient corporate India.

DRIVING PERFORMANCE THROUGH TQM TECHNIQUES – TOTAL COST MANAGEMENT

Abstract

This collection of excerpts emphasizes the critical role of continuous improvement in both individual and organizational success, drawing parallels from a simple fable about a woodcutter to sophisticated methodologies like Total Quality Management (TQM). It highlights that sustained productivity and innovation require more than just hard work; they demand a commitment to regularly "sharpening the axe" through learning, adaptation, and the application of structured improvement techniques. The excerpts delve into specific TQM tools such as Kaizen, Six Sigma, Idea Schemes, DMAIC, SGA, CFT, and 5S, illustrating how each contributes to enhancing efficiency, reducing waste, fostering collaboration, and ultimately driving better cost management and operational excellence within an organization.

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Sharpening the Axe: A Tale of Continuous Improvement

Once upon a time, the owner of a small forest hired a robust and energetic man to cut wood for commercial sale. The new recruit, brimming with enthusiasm, immediately set to work. On his very first day, he impressively chopped down 100 logs. The forest owner was delighted and praised the man for his remarkable performance.

As days passed, expectations grew. Wanting to exceed them, the woodcutter began arriving earlier each morning, determined to increase his output. Ironically, however, his productivity began to decline. Despite working longer hours and pushing himself harder, the number of logs he cut dropped from 100 to 90, and eventually below 80. He was exhausted, confused, and demoralized.

Noticing this decline, the forest owner decided to investigate. He asked the woodcutter to bring him the axe he had been using. Upon inspection, the owner found it was dull—worn down by constant use, never once sharpened since the man's first day on the job. When asked, the woodcutter admitted he had never taken the time to sharpen it, too busy trying to keep up with rising expectations.

The owner advised him to take the day off and sharpen his axe. The following morning, rejuvenated and equipped with a newly honed tool, the woodcutter returned. To his amazement, he managed to cut 110 logs—more than ever before—while exerting far less effort.

The Lesson: A Sharp Mind is the Sharpest Tool

This simple story holds a profound message: in our professional lives, it's not enough to just work harder; we must also work smarter. Like the woodcutter's axe, our minds and skills require regular sharpening. When we stop learning, adapting, and improving, our performance dulls—no matter how hard we try to compensate.

In the modern workplace, this sharpening process comes through continuous learning and skill development. Without it, we risk becoming obsolete, stuck in routines that no longer deliver results, left wondering why effort alone isn't enough.

Sharpening Your Axe Through TQM

In industry, the philosophy of Total Quality Management (TQM) embodies this principle of continuous improvement. TQM encourages individuals and organizations alike to pursue better ways of doing things—not just once, but as an ongoing commitment.

TQM encompasses a wide range of initiatives and techniques designed to "sharpen the axe" of productivity and innovation:

- Kaizen – Continuous small improvements that compound over time
- 5S – Workplace organization for efficiency and effectiveness
- Six Sigma – Data-driven approach to eliminate defects and variation
- SGA (Small Group Activities) – Team-driven problem-solving
- TCM (Total Cost Management) – Managing costs across the value chain
- CFT (Cross Functional Teams) – Collaboration across departments
- WOW (War on Waste/Wealth from Waste) – Turning inefficiency into opportunity
- Swim Lanes and Idea Schemes – Streamlining processes and encouraging innovation

Each of these programs offers unique benefits, both tangible and intangible. Not only do they enhance individual capabilities, but they also foster a culture of excellence within organizations.

In Conclusion

Whether you're a woodcutter or a knowledge worker, the principle remains the same: don't let your axe grow dull. The world is constantly evolving, and only those who evolve with it remain relevant. By investing time in learning, reflecting, and improving, we not only keep pace—we lead.

Let us all remember: even the strongest arm is only as effective as the sharpness of the tool it wields.

Total Cost Management

The following few areas of TCM are taken and explained how the TQM techniques and TCM approaches are interrelated

Product Hierarchy

- Production of new products with improved quality & market share.
- Optimum product mix among different Production facillities- To lower conversion cost and high throughput.

Customer Needs

- Product Specification Analysis
- Various Scenarios- Avoidance of Quality issues

Design to Cost

- Life cycle costing during machinery procurement ;
- Infrastructure for quick processing
- Automation and Industry 4.0 IOT Sensors & Condition based monitoring

Inbound Logistics

- Enhanced Surveillance systems at outside godowns
- GPRS in the vehicles
- CFT visit & Heap wise controls
- Regular Physical verificaiton

Procurement

- ARC for general items
- Reverse e auction in key contracts increase competitiveness

Quality

- COPQ Dashboard

Parametric Model

- Activity based costing in OME expenses

Productivity Improvement Study

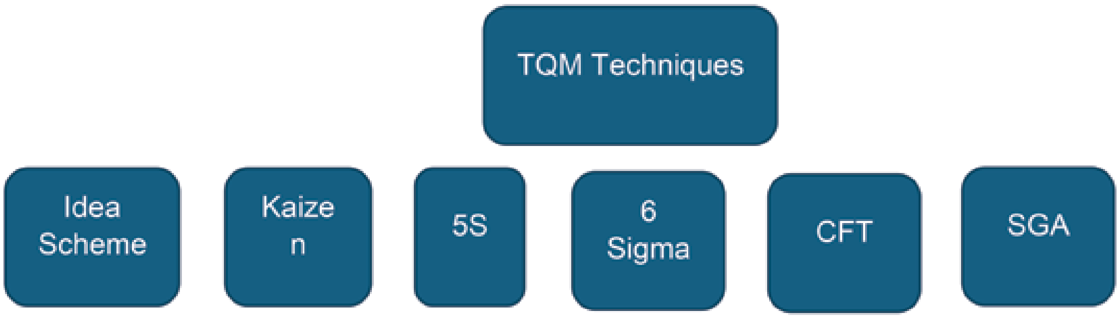
Debottlenecking study

Process Improvements

Use Case study of increasing efficiencies

To deliver the above few TCM aspects, the TQM plays a prominent role in Cost Management and Cost Controls.

Here the TQM tools have been emphasized to the detail level for TCM perspective.



Igniting Innovation Through Continuous Improvement: A Deep Dive into Idea Schemes, Kaizen, and Six Sigma

In today's dynamic and fast-evolving workplace, staying relevant means embracing a culture of continuous improvement. Whether it's through fresh ideas, process optimization, or eliminating inefficiencies, the path to excellence demands proactive participation. Total Quality Management (TQM) offers a framework for organizations and individuals to constantly evolve—and three of its most impactful tools are the Idea Scheme, Kaizen, and Six Sigma.

Idea Scheme: From Inspiration to Implementation

Ideas often arrive unannounced—during a conversation with a colleague, while solving a daily problem, or through insights gathered from the web or interactions with vendors. But having an idea is only the starting point.

An effective Idea Scheme requires a structured approach:

1. Capture ideas as they emerge.
2. Filter and prioritize them based on relevance and impact.
3. Brainstorm and refine the selected ideas, ensuring they are practical and aligned with business goals.
4. Create a proposal that outlines the idea, expected benefits, implementation strategy, and resources needed.
5. Present and discuss the idea with stakeholders for feedback and refinement.
6. Seek sponsorship—identify champions who can support and drive the implementation.
7. Implement and track the progress of the idea to measure outcomes.
8. The backbone of this entire process is self-motivation. From the spark of an idea to the final execution, individuals must stay driven, especially in the face of inevitable hurdles. Roadblocks are part of the journey, but persistence transforms raw ideas into valuable innovations.

Some organizations further motivate participation by categorizing ideas into Platinum, Gold, and Silver based on their projected impact, with corresponding rewards. Participating in such programs enhances skills, boosts visibility within the organization, and offers a safeguard against obsolescence in an unpredictable job market.

TCM examples :

- **Substitution of Key Raw materials thus improved throughput by 25% with simple idea scheme and around 2 lakh tons capacity enhancement with hundreds of crores revenue generation.**
- **Optimum product mix among different Production facillities- To lower conversion cost and high throughput.**

Kaizen: The Philosophy of Everyday Progress

Derived from Japanese, Kaizen translates to “change for the better” or “continuous improvement.” It’s not merely a strategy but a mindset that encourages every employee—from the shop floor to senior management—to seek incremental improvements in their daily work.

Kaizen fosters:

- Teamwork
- Personal discipline
- Enhanced morale
- Quality circles
- A culture of constructive suggestions

A famous anecdote often cited is from Bill Gates, who once said he preferred giving complex tasks to his “laziest” employees—because they would find the simplest, most efficient way to get the job done. This spirit of finding smarter, more efficient approaches is the essence of Kaizen.

Even small observations can lead to significant improvements. Consider a Formula One pit stop—changing tires in under two seconds. What if such speed and coordination principles were applied during product changeovers in manufacturing?

Example:

Switching from manual labor to battery-operated vehicles to transport 1000 kg loads—replacing the effort of 4–5 workers with a more efficient solution—is a perfect illustration of Kaizen thinking.

While many people get ideas for Kaizen improvements, few pursue them. Why? Implementation requires perseverance, negotiation, and overcoming resistance. Often, the NOD virus—Normalization of Deviations—takes hold, where people get used to inefficiencies and stop challenging the status quo.

To succeed in Kaizen, one must not take criticism personally. Feedback is often a path to refining the idea, not rejecting it. A true Kaizen champion learns, adapts, and moves from one improvement to the next, never putting brakes on their ideas.

TCM Success Stories

- **Kaizen developed in Infrastructure for quick unloading of Key Raw Material enhanced TAT – Turnaround Time and improved production drastically and also increased Gross Contribution**
- **Automation and Industry 4.0 IOT Sensors & Condition based monitoring – This kaizens improved the uptime to the tune of 99% and above.**

Six Sigma: Precision, Performance, and Process Mastery

Six Sigma is a powerful, data-driven methodology that improves business processes by reducing variability and eliminating defects. It enhances performance, boosts employee morale, and contributes significantly to profit and quality.

The name Six Sigma refers to a statistical concept—six standard deviations from the mean—indicating an exceptionally low probability of error. It's not just a technique, but a philosophy that demands discipline, deep analysis, and a structured approach.

Six Sigma begins with a Project Charter, which defines:

- The problem and its business impact
- Project scope and timeline
- Measurable goals (tangible and intangible benefits)
- From here, practitioners apply various diagnostic tools, such as:
- Root Cause Analysis (RCA)
- 5 Whys (a technique made famous by Toyota)
- Fishbone (Ishikawa) Diagrams
- Pareto Analysis

The 5 Whys in Action:

At Toyota, a manager noticed an oil leak on the factory floor:

1. Why is the oil leaking? – Because of a faulty gasket.
2. Why is the gasket faulty? – Because of poor-quality supplies.
3. Why are we using these supplies? – They were selected per a new policy.
4. Why was the policy changed? – To cut costs.
5. Why can't the policy allow for better quality? – It can, with strategic adjustments.

This method peels back layers of symptoms to expose the root cause, offering a lasting solution rather than a temporary fix.

Data Analysis Tools:

Once root causes are identified, tools like Minitab and Design of Experiments (DOE) help quantify correlations and predict outcomes.

Pareto Principle:

Often, 80% of issues stem from 20% of the causes. Pareto Analysis prioritizes these critical few factors to ensure that efforts yield maximum results in minimum time.

TCM Examples

The Six Sigma is a very important tool used in knowing the correlation between various inputs and used to know the correlation with natural gas consumption. Later developed python model and improved the prediction and optimised the gas cost to the great extent

In Conclusion: Becoming a Champion of Change

Innovation doesn't always mean big leaps—it often begins with small, smart steps. Whether through the structured pathways of Six Sigma, the everyday mindfulness of Kaizen, or the spark of a new idea brought to life through an Idea Scheme, continuous improvement is key to personal and organizational success.

Adopt these tools not as one-time projects, but as lifestyle practices within your work. In a world of constant disruption, the sharpest minds and most agile organizations will always stay ahead. Stay motivated, stay curious, and always keep improving.

Building Operational Excellence: DMAIC, SGA, CFT, and the Power of 5S

In the pursuit of operational excellence, businesses must adopt structured methodologies that empower employees, foster collaboration, and sustain continuous improvement. Frameworks like **DMAIC**, **Small Group Activities (SGA)**, **Cross Functional Teams (CFT)**, and **5S** are foundational tools that not only solve problems but also build a culture of discipline, efficiency, and innovation.

DMAIC: The Structured Roadmap for Problem Solving

DMAIC—short for **Define, Measure, Analyze, Improve, Control**—is a core methodology of Six Sigma and serves as a data-driven framework to improve existing processes. This five-phase process ensures that problems are not only solved at the surface but addressed at their root cause, with long-term solutions and sustained control mechanisms.

SGA – Small Group Activity: The Power of Focused Collaboration

Not all problems can be tackled by an individual, especially when they require a mix of expertise or significant investigation time. This is where **Small Group Activity (SGA)** comes into play.

SGA involves forming a focused team of relevant individuals—either from the same or different functions—who come together periodically to dissect an issue, investigate root causes, and propose actionable solutions. These projects are generally not highly complex but require dedicated effort from a small group to produce impactful results.

The strength of an SGA lies in its agility and grassroots involvement. Higher management or external sponsors can back the proposed actions, paving the way for quick, efficient implementation and immediate on-ground improvement.

TCM Examples

Helped to find out the solution for unloading of sludge of the expensive material worth crores of rupees.

CFT – Cross Functional Teams: Tackling Complexity Through Collective Expertise

Some challenges are too complex or wide-reaching for a small team to manage. In such scenarios, **Cross Functional Teams (CFTs)** are invaluable. These teams bring together members from various departments and domains, leveraging their collective knowledge to address issues that demand holistic solutions and high coordination.

CFTs have been a proven model in leading organizations around the world. They break down silos, promote shared ownership, and drive innovations that add significant value to the business.

Examples of CFT Use Cases:

- Streamlining supply chain logistics

- Reducing customer complaint cycles
- Launching new product development with integrated support from design, marketing, and production

TCM Examples

Inventory management helped to reduce Rs 30 crores with proper CFT team.

5S: The Foundation of Workplace Organization and Discipline

The **5S system** is a time-tested Japanese methodology aimed at organizing workspaces for efficiency, cleanliness, and sustainability. Each "S" represents a key step that contributes to better productivity and workplace pride.

1S – Sort (Seiri)

Sort items based on their utility and nature. Eliminate clutter by removing unnecessary objects and tagging obsolete items for disposal.

Real-life Application:

Think of your kitchen or study room—how often do you waste time searching for commonly used items? With 1S, organize and label items so they can be retrieved in seconds. In an industrial setting, this practice reduces search time and frees up valuable space.

Tip: Designate one day a week, like Saturday, as a cleaning and sorting day to maintain ongoing efficiency.

2S – Set in Order (Seiton)

Once sorted, arrange items logically so they are easy to access and return.

Example:

A wrench box with tools arranged by size enables faster retrieval. Experiments in factories show retrieval times dropping from 75 seconds to 30 seconds simply by organizing tools correctly.

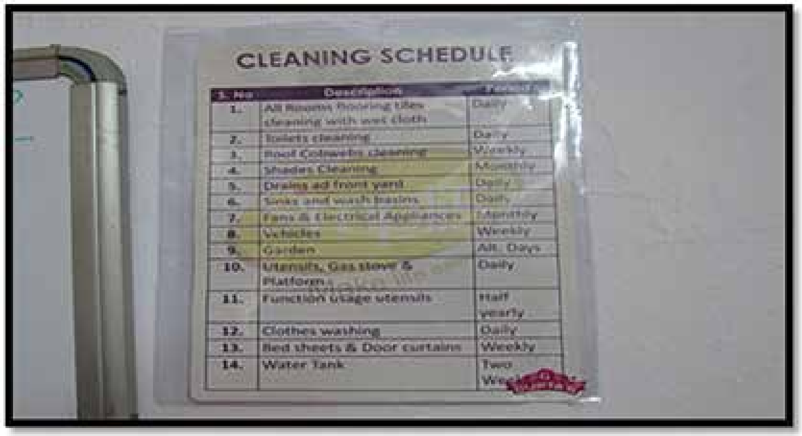
In homes and workplaces, this principle dramatically cuts down time spent on locating items and improves inventory accuracy.

3S – Shine (Seiso)

Maintain cleanliness to create a healthy, efficient environment. In industries, poor hygiene can cause machinery breakdowns and quality issues due to **LSD (Leakages, Spillages, and Dust)**.

Actionable Step:

Conduct regular audits, identify sources of dust or leaks, and develop proactive cleaning schedules. A clean environment uplifts morale and protects equipment longevity.



4S – Standardize (Seiketsu)

Systematize daily tasks and routines. Once sorting, organizing, and cleaning are embedded, create standard operating procedures (SOPs) to maintain consistency.

Insight:

Many people struggle with time management due to lack of routine. By standardizing tasks—monthly, quarterly, or daily—you free up time for strategic thinking and growth-oriented projects. In industrial settings, documentation, color-coding, and checklists can make transitions smoother and onboarding more effective.

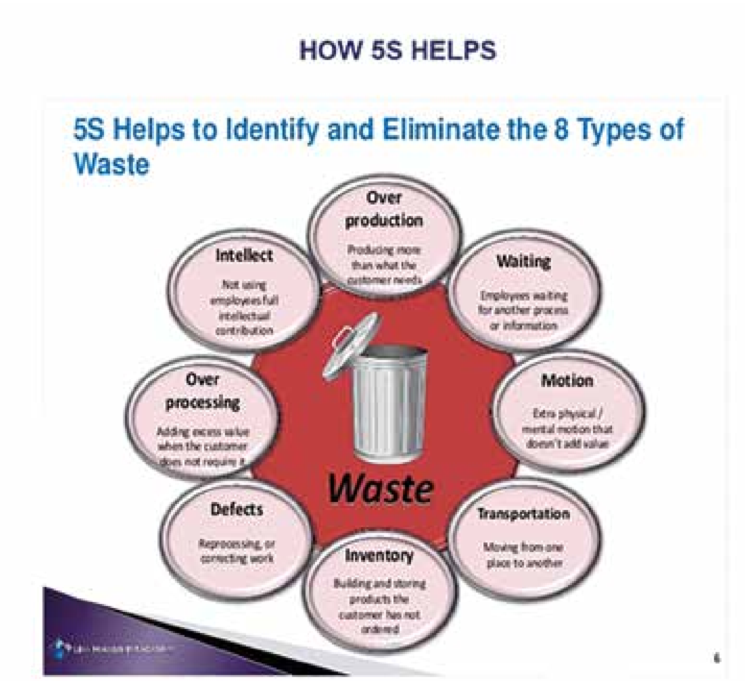
Colour Codification	Colour Name	Description for Application
	See Green	Water
	Fire Red	Fire Water
	Sky Blue	Air
	Light Brown	Fuel Oils
	Canary Yellow	Ammonia
	Dark Green	Phos Acid
	Pale Yellow	H_2SO_4
	Orange	N G

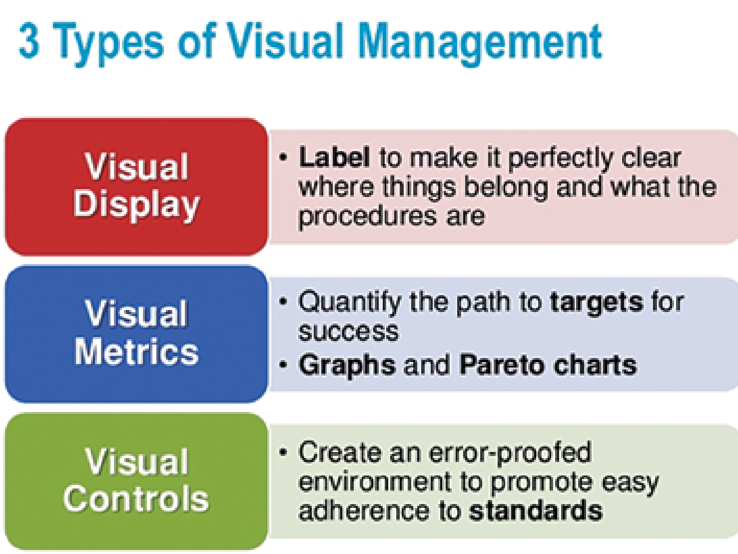
5S – Sustain (Shitsuke)

To ensure long-term success, it's crucial to make 5S a habit. This step involves continuous training, regular reviews, and instilling a sense of ownership.

Implementation Tips:

- Assign ownership using a "my area/my machine" approach
- Organize competitions and incentives to encourage excellence in 5S compliance
- Regularly audit and celebrate best practices
- Sustaining 5S is what separates a short-term fix from a long-term culture shift.





Conclusion: A Culture of Continuous Improvement

Together, DMAIC, SGA, CFT, and 5S represent more than just quality initiatives—they are powerful enablers of **agility, innovation, and sustained excellence**. While some require structured frameworks and data-driven analysis, others rely on collaboration, discipline, and everyday effort.

Adopting these tools creates empowered teams, efficient operations, and a culture where improvement is everyone's responsibility. Whether you're organizing a home space or solving a cross-functional business challenge, the principles remain the same: **sort, analyze, act, and sustain**.

By embedding these practices into daily work, individuals and organizations alike can thrive in even the most competitive and volatile environments.

TCM and 5 S Connection

All the 5 S tools are very much important to improvement the productivity and cost improvement automatically as it helps to retrieve faster and avoid mistakes through poka yoke and reduces the reprocessing and improving the first time pass quality

Disclaimer: The views expressed are my own and not the Coromandel.

PROFESSION, PROFESSIONAL AND PROFESSIONALISM - CMA's IN PURSUIT OF CORPORATE EXCELLENCE

Abstract

This article delves into the crucial role of Cost and Management Accountants (CMAs) in achieving corporate excellence and contributing to India's economic aspirations. It identifies the micro and macro business environment factors influencing corporate decisions and highlights the competitive advantages CMAs bring to the pursuit of excellence. The study further discusses the professional traits and core competencies of CMAs essential for successful business decisions and explores their vision in aligning with India's Viksit Bharat @2047 goal of a USD 30 trillion economy. In conclusion, the article emphasizes how CMAs, in their diverse roles as auditors, advisors, and leaders, safeguard stakeholder interests and actively participate in nation-building. Their expertise in planning, financial management, and regulatory compliance is vital for corporate success and for supporting the government's ambitious economic vision.

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Introduction:

CHANGE is the only CONSTANT (ifjorlu ,dek= fLFkjkd g).

Looking at the frequently changing business environment, maintaining Corporate Excellence is another uphill task for the professionals. In spite of non-existence of conducive business environmental factors, executives sitting at the tone of the top with long term Vision Statement, Policy, Practice and Strategy were fetching Corporate Excellence. These Executives (Profession) having been acquired domain expert knowledge (known as Professional) through their Professionalism approach are instrumental in maintaining Corporate Excellence. The existence of each profession meant for the purpose they constituted, accordingly, developed their curriculum, training and skill set to shape their professionals. In today's corporate era, each of them are playing pivotal role towards bringing corporate excellence. A well-co-ordinated effort among the professionals are the reason behind the Corporate Excellence.

Against this backdrop, unlike the other profession, the CMA profession is always behind the successful business decisions. The CMA professionals establishes high dignity of corporate culture, ethic and governance and through their professional skills professionalism to impress upon the Corporate Excellence. The presence of the CMA profession is not only confined to India and but also their presence can be seen globally. They have imparted successful business decision and the reason behind the business growth. These CMA are not only serving for the Corporates but serve with noble cause. The Vision of CMA is clear, concise, and notably intent towards supporting the **VIKSIT BHARAT @ 2047 VISION** in pursuit of corporate excellence.

This article is an attempt to identify (A). The Corporate Environment, (B). Indicator of Corporate Excellence, (C). CMA's Professionalism, (D). CMA's VISION towards achieving Corporate Excellence and (E). Concluding Note.

A. THE CORPORATE ENVIRONMENT:

The Corporate Business Environment is the Internal (Micro) and External (Macro) environment FACTORS that triggers the performance of the Corporates. Such environmental factors are the Strength & Weakness and Opportunity & Threat for the business entity and vice-versa. The internal business environmental factors comes within the Organisation and external factors comes outside of the Organisation. They carry RISK (Low Risk/Medium Risk/ High Risk) due to the environmental factors affecting to the Corporates.

A. Internal Environment: (**CORPPS**)

- C-Culture
- O-Organisation Structure
- R-Recourses (Tangible and Intangible)
- P-Product
- P-Policy & Practice
- S-Strategy & Skill

B. External Environment: (**PESTLCSCNS**)

- P-Political
- E-Economy
- S-Social
- T-Technology
- L-Legal
- C-Competitor
- S-Supply Chain
- C-Customer
- N-New Entrant
- S-Substitute

Thus, these environmental forces are affecting the strategic intent (Vision, Mission, Goal and Objective) of the Corporates on regular basis. The executives managing the corporates acting as the backbone to make the successful business decisions in the advent of environmental challenges. It is the functional expertise and Professionalism skills and Vison of the executives, which helps to cope with the changing business environment.

B. CORPORATE EXCELLENCE:

Corporate Excellence is the outstanding performance on a constant basis with the changing business environment. In the competitive business environment, Corporates are eyeing to outperform others and to become the leader in their respective field. Contrary, others also challenge and follow the leaders with their strategical business tools and become leader. The inter-se positions among the corporates keep changing with the time and life cycle of the business. Hence, sustainability of these corporates are purely depends on achieving the high scorecard, continuously.

Corporate Excellence = Shared Value + Strategy + Leadership + Objectivity+ Performance

Let's analysis, how these factors are driving the Corporate Excellence.

- **Shared Value:** Shared Value is to achieve the organization vision in a co-ordinated relationship matrix among the peoples, policy, structure, culture, ethics, and value system. The soft and hard component of the shared value acts as guiding compass in decision-making process. The shared value helps to ascertain the internal business environment and improve upon towards achieving better performance. Thus, shared values contribute largely in building corporate excellence. It foster conducive works environment, which facilitate decision-making.
- **Strategy:** Strategy plays major role in developing corporate excellence. It is a tactical policy road map helps to achieve the desired outcomes under the competitive landscapes. Thus, Strategy contributes greatly to develop corporate excellence. These contributing factors are; 1. Vision and Direction, 2. Core Competency, 3. Competitive Advantage, 4. Adoptability 5. Risk Mitigation.
- **Leadership:** Leadership is the ability to keep the organisation afloat. Leadership is people's trait in an organisation to perform outstandingly. Having been the traits like; (1). Visionary, (2). Intelligence, (3). Competent (4). Learning, (5). Communicative, (6). Responsible and (7). Accountable, the processionals rise to the occasion for building Corporate Excellence.

  Here are name of the some visionary Leaders whose remarkable contribution exhibited below to learn how Leadership drives Corporate Excellence.

  - **Steve Joves of Apple Inc**. through innovation and user experience has created multiple Business Verticals.
  - **Dr. Verghese Kurein's** visionary leadership transformed India's dairy Industry,
  - Late **Ratan Tata** transforms TATA Group into a Global Conglomerates.
  - **Kiran Mazumdar Shaw of BIOCON** has revolutionised India's biotech sector.
  - **Shiv Nader of HCL** is credited with being one of the pioneers of the computing and IT industry in India.
  - **Falguni Nayar**, founder of Nykaa, revolutionized the beauty and wellness e-commerce market in India.
  - **Nandan Nilekani**, co-founder of Infosys, played a pivotal role in India's digital transformation with the Aadhaar project and
  - **Dilip Shanghvi**, founder of Sun Pharmaceuticals, built one of the largest pharmaceutical companies in India through strategic vision and innovation.

  Besides, CMAs are sitting at the highest level of the different Organisation/ Department/ Statutory Bodies and in Practice through delivering their leadership skill in pursuit of building Corporate Excellence.
- **Objectivity**: Objectivity refers to the making business decision without bias. It ensures fair decision-making process through Trust, Reliability, Innovative and Efficient practices in Business Decisions. It is not just a desired outcomes but long-term vision towards accomplishing the Corporate Excellence.
- **Performance:** Performance encompass consistently achieving superior business results and performing value to the stakeholders, particularly customer satisfaction.

Here are some of the constituents (**7C's**) of Corporate Excellence through which CMA's are achieving the Corporate Excellence.

1. **C**lear Vision
2. **C**ommitted Leadership
3. **C**hange with changed business environment

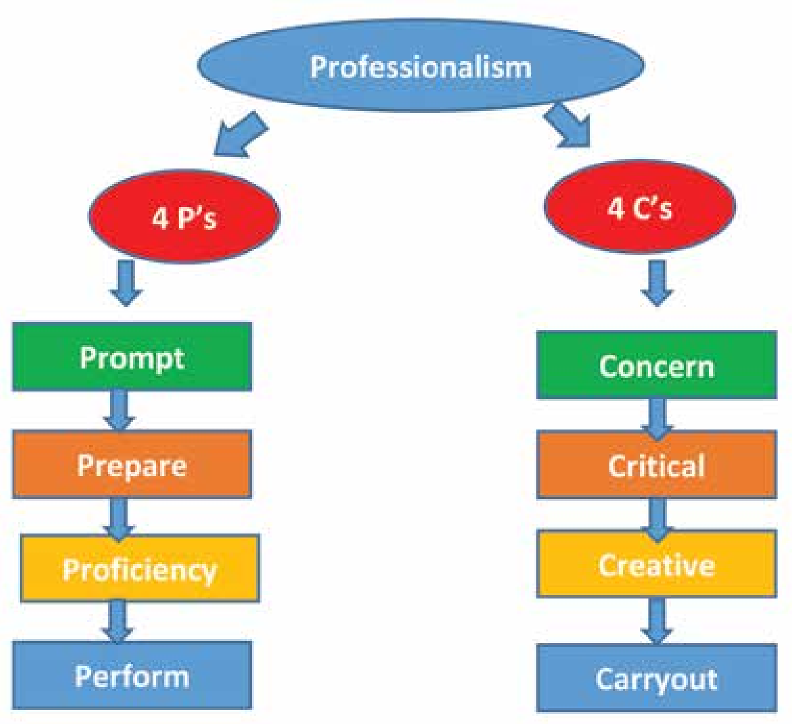
4. **C**ontinuous Innovation and Improvement
5. **C**ontinually using AI Software & IT gadgets
6. **C**ommunication
7. **C**onclusive Decision-making etc.

C. CMA's PROFESSIONALISM:

Professionalism could be relates with the famous shloka of Bhagavad Gita quote, "del. ;sokf/kdkjLrs ek Qys"kq dnkpu" **(Focus on Actions rather than outcomes).**

"Professionalism is an Affirmation not a TAG"

The elements of the Professionalism are; (1). Professionalism is to be concern about the situation and initiated prompt corrective action, (2). Professionalism is to foresee the critical aspects and prepared to face challenges, (3). Professionalism is the creativity that brings proficiency in decision-making and (4). Professionalism is to carry out the task and perform ethically towards achieving desired professional Goal.



In the realm of finance profession, the professionalism spectrum of the Cost & Management Accountants (CMAs) profession focuses professionalism towards striving Corporate Excellence. Here are some of the trails and skills possessed by the CMA's Professionalism.

Traits		Outcomes
Noble Intent	:	Be for the Organisation benefit not for the Personal Benefit.
Value System	:	Be a Value Creator Not a Value Extractor
Ethical Standard	:	Be Perform with honestly not Dis-honestly
Learning	:	Be Learn from the Heat not by Burn
Solution	:	Be a Problem Solver Not Problem Creator

Approach	:	Be Practical Not Theoretical
Knowledge	:	Be beyond the functional knowledge but look beyond
Decision Making	:	Be Pragmatic than Dogmatic
Visualisation	:	Be Long Term Visionary than Short Term Achiever

D. CMA's VISION- COPRORATE EXCELLENCE :

The roles and responsibilities of a CMA extend across a broad spectrum, and they are instrumental in shaping the financial health and strategic direction of the organizations, they serve. CMA is a specialized professional, who possesses unique expertise in financial management and strategic business decision-making. They play a pivotal role in helping businesses thrive, make informed decisions and in pursuit of Corporate Excellence. The CMAs are the produce of The Institute of Cost Accountants of India (ICMAI) envisions being the globally preferred source for financial leadership in enterprises. The vision of the Institute is supported by their mission statement, "which focuses on creating ethically driven enterprises through value creation for stakeholders in a socio-economic context"

The Vision of the CMA's is clear, concise and focused and they are in line with the Institute's Vision Statement, particularly towards Corporate Excellence. The vision statement of the CMAs in pursuit of the Corporate Excellence inter-alia covers focuses on the following aspects;

- To impart services through Leadership Skill.
- To Conduct Business Ethically
- To Create value for the Stakeholders
- To develop Core Competency to cope with the changing business environment.
- To adhere the Compliance Management
- To infuse strong Financial Governance system
- To focus on Nation Building Approach, the ultimate destination.

E. CONCUDING NOTE:

As seen CMA's are into the various filed viz; Cost Auditors, Internal Auditors, Auditors for GST, Excise, SEBI, NSDL, and other regulatory bodies, as well as serving as advisors and consultants in practice. The CMA's services are vital in planning, profit planning, project management and overall managerial decision-making process. Occupying the top positions in the organizations, as Chairman & Managing Director, Managing Director, Finance Director, Financial Controller, Chief Financial Officer (CFO), Cost Controller, Regulatory Authority and Chief Internal Auditor etc., CMA's are rendering value addition services for the Stakeholders. Apart, CMA's having been equipped and acquired the desired traits for making Successful Business Decision which helps not only the Corporates but also to support the Government towards achieving the Goal. Also, CMA's Vision is more focused towards achievement of the Vision India @ 2047 target, " To make India a developed nation through Economic Growth, Sustainable Environment, Social Progress and Good Governance" as set by the Union of India. In this context, CMAs are in pursuit of corporate excellence to attain the **Vision of Viksit Bharat@2047 target of USD 30 Trillion Economy**.

HOW TECHNOLOGY (AI, BLOCKCHAIN, AUTOMATION) IS TRANSFORMING THE AUDIT PROFESSION

Abstract

Technological developments like automation, blockchain, and artificial intelligence (AI) are causing a significant upheaval in the audit field. AI lowers human error and enhances decision-making by enabling real-time fraud detection, comprehensive population testing in audits, and powerful data analytics. Accounting professionals can concentrate on advising and strategic responsibilities by using automation, especially robotic process automation (RPA), to streamline repetitive operations like payroll management, tax preparation, and bookkeeping. Notwithstanding these advantages, there are drawbacks to adopting these technologies, such as moral dilemmas, a lack of expertise, and high implementation costs. This essay examines the ways in which automation, blockchain, and AI are changing the Audit field, examining the ramifications for fundamental duties, moral dilemmas, and potential future positions. It concludes that although technology presents countless potential, adjusting to this digital revolution calls for ongoing education, strategic cooperation, and ethical awareness. The results emphasize that for Audit to be relevant in a changing professional environment, they must embrace innovation.

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Introduction

The profession of Audit, which has historically been based on careful analysis, regulatory compliance, and financial management, is undergoing considerable transition. In a world that is increasingly becoming more digitally connected, emerging technologies like automation, blockchain, and AI are changing the profession and the duties and responsibilities of Audit.

Advanced data analytics and predictive modeling made possible by AI have made it possible to conduct thorough audits, detect fraud, and anticipate finances with previously unheard-of accuracy (Deloitte, 2023). Blockchain transforms financial audits, reporting, and compliance procedures with its transparent and unchangeable ledger system, providing more security and confidence (PwC, Digital identity). Professionals can now concentrate on value-driven advising duties as automation, especially RPA, streamlines monotonous tasks like payroll and bookkeeping (Intuit, 2024).

But there are certain difficulties in integrating these technologies like high implementation costs, skill shortages, and ethical concerns, which call for proactive adaptation and ongoing education. To provide insights into the future direction of the Audit profession, this article examines how new technologies are changing the field, as well as the possible advantages and difficulties that come with their implementation.

The Impact of AI on the Audit Profession

The field of Audit is undergoing a revolution thanks to AI, which is changing essential tasks including financial analysis, fraud detection, auditing, and consulting services. AI allows Auditors to provide higher-value services with more accuracy and efficiency by automating repetitive processes and offering deep analytical capabilities.

- **Enhancing Audit Processes**

  Financial data is typically sampled manually during audits, which is a laborious procedure that allows for error. With the use of AI-driven tools, auditors can now examine complete datasets as opposed to samples, guaranteeing thorough examination. Real-time detection of anomalies and outliers by machine learning algorithms might highlight possible problems for additional research (Mitan, 2024). AI also speeds up the assessment of compliance paperwork and contracts. The time needed for manual review can be decreased by using Natural Language Processing (NLP) techniques to extract important information from long contracts.

- **Transforming Financial Analysis**

  Large datasets may be processed effectively by Auditors thanks to AI-powered analytics solutions like Tableau and IBM Cognos Analytics. AI also makes complex analytics more accessible to anyone. It makes financial reporting more approachable and practical by empowering non-technical workers to leverage data-driven insights through user-friendly interfaces (Estep, et al., 2024).

- **Fraud Detection and Risk Management**

  Real-time transaction monitoring is possible with AI-powered systems, which can spot questionable trends that point to fraud. As time goes on, machine learning algorithms get better at identifying subtler types of financial malfeasance (SAS, 2023).

- **Expanding Advisory Roles**

  Auditors can concentrate on strategic advising roles as AI automates repetitive work. They can now offer data-driven advice thanks to advanced analytics technologies, which improves their capacity to advise clients on matters like corporate strategy, tax planning, and investment choices.

- **Ethical Considerations and Challenges**

  Adoption of AI presents practical and ethical issues despite its advantages. Important issues include algorithmic bias, data privacy, and the requirement for decision-making to be transparent (World Economic Forum, 2024).

The Role of Blockchain in Transforming Auditing Practices

By bringing new levels of efficiency, security, and transparency to financial transactions and auditing procedures, blockchain technology is radically changing the field of Audit. It is a revolutionary instrument for guaranteeing data integrity and boosting confidence in financial institutions because of its decentralized and unchangeable nature.

- **Enhancing Audit and Assurance Services**

  Blockchain's potential to transform audit and assurance procedures is among its most important contributions to Audit practices. The distributed ledger technology of blockchain guarantees that every transaction is captured in real time and cannot be changed after the fact. This eliminates the need for manual reconciliation and large sampling by providing auditors with a single source of truth to directly check transactions.

- **Securing Financial Data**

  One of the most important issues with financial reporting is data security. Blockchain solves this by utilizing cryptographic techniques to guarantee data integrity and confidentiality. Since no single institution has unilateral authority over information, the technology's decentralized structure lowers the danger of fraud and data breaches (World Economic Forum, 2022).

- **Streamlining Taxation and Compliance**

  Blockchain technology is being used by governments and organizations to create transparent tax collecting and reporting systems. Blockchain can be used by Audit firms to improve tax compliance, lower errors, and minimize tax authority conflicts. By increasing productivity and lowering administrative workloads, these tools free up Auditors to concentrate on their advising work.

- **Facilitating Financial Reporting**

  Blockchain makes real-time financial reporting possible by giving all stakeholders access to a shared ledger. This promotes accountability and transparency by strengthening cooperation between companies, auditors, and regulators. Additionally, because data is easily accessible and updated regularly, blockchain shortens the time needed to create financial statements.

- **Challenges and Considerations**

  Blockchain adoption in the Auditing field is difficult, despite its benefits due to high implementation costs, the absence of standardization, and the professionals' poor comprehension of the technology.

Automation: Streamlining Routine Tasks

The profession of Audit is changing as a result of automation, which streamlines time-consuming, repetitive operations and frees up experts to concentrate on higher-value responsibilities like client consulting and strategic planning. Cloud computing, workflow automation tools, and RPA are examples of technologies that have greatly increased productivity, decreased errors, and streamlined resource allocation.

- **Automating Bookkeeping and Data Entry**

  Automation solutions are increasingly used to efficiently handle tasks like bank statement reconciliation, accounts payable and receivable management, and invoice processing. Automation of these repetitive procedures, freeing up time to concentrate on analyzing financial data and giving customers useful insights.

- **Tax Preparation and Compliance**

  Automation can transform the operations of tax preparation and compliance. To determine tax liabilities, find deductions, and accurate filings, tax software employs automation. Additionally, automated solutions make it easier to prepare for tax audits by maintaining audit trails and producing comprehensive tax reports.

- **Payroll Management**

  Automation has also made payroll management, which was once a labor-intensive procedure, more efficient. Salary computations, deductions, and labor law compliance are automated by programs. It allows Auditors to better manage payroll systems while focusing their skills on more comprehensive financial plans.

- **Workflow and Process Optimization**

  Workflow optimization for the Audit profession can be aided by robotic process automation. Multistep procedures including handling customer onboarding, completing regulatory filings, and creating financial reports can be automated with RPA bots.

Challenges in Adopting Technology

Automation, blockchain, and AI have the potential to completely transform the Audit industry, but there are drawbacks as well. These challenges include professional opposition, changing regulatory requirements, significant implementation costs, and data security issues. Comprehending these obstacles is essential to formulating tactics for effective adoption.

- **High Implementation Costs**

  For many accounting firms, the cost of using cutting-edge technologies is a major deterrent. Purchasing state-of-the-art hardware, software, and qualified staff can be too expensive. The financial strain is further increased by the continuous costs associated with upkeep, upgrades, and cybersecurity precautions.

- **Resistance to Change**

  Professionals used to traditional accounting processes frequently oppose the adoption of new technology. Fear of losing one's career, unfamiliarity with digital tools, and worries about the difficulty of incorporating technology into current processes are the main causes of this resistance.

- **Skill Gaps and Training**

  Auditors must learn new skills to stay relevant in the face of automation, blockchain, and artificial intelligence's rapid progress. To improve their employees, firm need to invest in training and development initiatives. One of the biggest issues facing the accounting sector is the shortage of technical skills.

- **Data Security and Privacy Concerns**

  Accounting businesses are more susceptible to cyberattacks as a result of their growing reliance on digital technologies. Although blockchain's immutability and transparency are beneficial, they can potentially provide privacy hazards in the event that private financial information is made public.

- **Regulatory and Ethical Issues**

  Adoption of new technologies brings up difficult moral and legal questions. For instance, the decentralized nature of blockchain makes regulatory monitoring difficult because its special features are difficult for current legal frameworks to handle.

- **Integration with Legacy Systems**

  Numerous accounting organizations still use antiquated systems that aren't compatible with contemporary technology. It can be expensive and technically difficult to integrate automation, blockchain, and artificial intelligence with these antiquated systems. This incompatibility frequently leads to inefficiencies and restricts businesses' capacity to fully capitalize on the advantages of emerging technologies.

Conclusion

An important turning point in the development of the Auditing profession has been reached with the incorporation of AI, blockchain, and automation, which presents previously unheard-of chances for efficiency and innovation. In addition to streamlining conventional accounting procedures, these technologies have expanded the profession's purview by moving the emphasis from manual, repetitive work to more strategic and analytical positions. But in order for individuals and companies to stay competitive and relevant, they must manage the advantages and difficulties that come with this shift.

In summary, the use of automation, blockchain, and artificial intelligence is not just a fad; rather, it is a fundamental change that is changing the Auditing profession. The potential advantages, such as improved decision-making skills, higher efficiency, and the capacity to provide clients with more strategic value, exceed the difficulties that may arise. In order to unlock a future where Auditors play an ever more crucial role in promoting company success and innovation, the profession must embrace technological innovations and solve related difficulties as it navigates this transformative journey. For the profession to prosper in a world that is becoming more digital and linked, integrating these technologies is not only a chance but also a requirement.

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LEVERAGING AI TO COMBAT FINANCIAL SHENANIGANS IN MODERN ACCOUNTING

Abstract

This paper examines the evolving landscape of financial reporting and the critical role of artificial intelligence (AI) in mitigating the pervasive threat of financial shenanigans. Traditional accounting practices, while fundamental, are increasingly challenged by the complexity and volume of modern financial data, rendering them susceptible to sophisticated manipulation. This paper delves into the nature of financial shenanigans, categorizing common deceptive practices, and subsequently explores how AI-driven technologies are revolutionizing accounting practices. It analyzes the application of machine learning, deep learning, and natural language processing in fraud detection, risk assessment, and compliance monitoring. Through case studies and analytical insights, this paper demonstrates AI's potential to enhance the integrity and transparency of financial reporting, ultimately strengthening corporate governance and investor confidence.

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1. Introduction

Accounting is often called the language of business. When spoken honestly, it communicates the true state of an organization's health. But when distorted, it becomes a tool for manipulation. Financial shenanigans—manipulative accounting techniques used to mislead stakeholders—have led to some of the largest corporate scandals in history. With increasing data complexity and regulatory demands, AI in accounting is no longer optional; it's becoming a necessity.

Financial Shenanigans & AI in Accounting: A Paradigm Shift

The integrity of financial reporting is the cornerstone of a healthy and transparent economic system. However, the prevalence of financial shenanigans—deliberate manipulations of financial statements—poses a significant threat to investor confidence and market stability. In an era marked by exponential data growth and intricate financial transactions, traditional accounting methods often fall short in detecting and preventing these deceptive practices. This paper explores the transformative potential of artificial intelligence (AI) in revolutionizing accounting practices, specifically in identifying and mitigating financial shenanigans.

Financial shenanigans, or manipulations of financial statements, have long plagued the accounting and corporate governance landscapes. These deceptive practices, ranging from earnings misrepresentation to fraudulent asset valuations, compromise the integrity of financial reporting and investor trust. In recent years, the proliferation of artificial intelligence (AI) in accounting has introduced powerful tools for detecting, preventing, and analyzing such manipulations. This article delves into the types and techniques of financial shenanigans, explores historical cases, and assesses the transformative role AI plays in modern financial scrutiny. From anomaly detection to predictive modeling, AI is gradually reshaping the landscape of forensic accounting, internal auditing, and regulatory compliance. While AI offers tremendous potential, its adoption also brings ethical and operational challenges. This article provides a comprehensive examination of how AI is redefining the fight against financial deception.

This article explores the dual narrative: the persistent menace of financial shenanigans and the rising promise of AI in mitigating them.

2. Understanding Financial Shenanigans

Financial shenanigans refer to deliberate efforts by company management to distort financial statements. These distortions may not always be illegal but are often unethical, designed to present a more favorable image of financial performance or position.

Motivations include: inflating stock prices, meeting analyst expectations, securing performance-based bonuses, and avoiding covenant breaches.

2.1 Common Types of Shenanigans

Financial shenanigans are not mere accounting errors; they are deliberate acts of misrepresentation designed to paint a misleading picture of a company's financial health. They often involve complex schemes that exploit loopholes in accounting standards and rely on the sheer volume of data to obscure fraudulent activities. Common categories of financial shenanigans include:

- **Revenue Recognition Manipulation:**
  - Premature recognition of revenue.
  - Recording fictitious sales.
  - Improper use of percentage-of-completion accounting.
- **Expense Manipulation:**
  - Capitalizing expenses to inflate earnings.
  - Deferring expenses to future periods.
  - Understating liabilities.
- **Asset and Liability Manipulation:**
  - Overvaluing assets.
  - Undervaluing liabilities.
  - Off-balance-sheet arrangements.
- **Cash Flow Misrepresentation:**
  - Misclassifying operating cash flows.
  - Inflating cash balances through financing activities.
  - Manipulating the statement of cash flows.

These manipulations can have severe consequences, leading to inflated stock prices, misleading financial analyses, and ultimately, significant financial losses for investors.

As outlined by Schilit and Perler (2010), there are seven broad categories:

1. Recording revenue too soon or of questionable quality
2. Boosting income using one-time or unsustainable activities
3. Shifting current expenses to a later period
4. Shifting future expenses to the current period

5. Employing techniques to hide liabilities
6. Shifting current revenue to a later period
7. Shifting future revenues to the current period

3. Historical Cases of Financial Shenanigans

3.1 Enron Corporation (2001): Used special purpose entities to hide debt (Healy & Palepu, 2003).

3.2 WorldCom (2002): Capitalized line costs to inflate earnings (Zekany et al., 2004).

3.3 Satyam Computers (2009): Overstated revenues and profits (Gupta & Gupta, 2015).

4. The Role of AI in Accounting

AI introduces capabilities for anomaly detection, natural language processing, predictive analytics, and robotic process automation. These tools assist auditors in uncovering financial misstatements faster and more efficiently (Moffitt et al., 2018).

The Rise of AI in Accounting:

The advent of AI has ushered in a new era of accounting, characterized by automation, enhanced analytics, and improved decision-making. AI technologies, including machine learning (ML), deep learning (DL), and natural language processing (NLP), are being increasingly deployed to address the limitations of traditional accounting practices.

- **Machine Learning (ML):**
  - ML algorithms can analyze vast datasets to identify patterns and anomalies that may indicate financial fraud.
  - Supervised learning models can be trained on historical data to predict the likelihood of fraudulent activities.
  - Unsupervised learning techniques, such as clustering and anomaly detection, can uncover hidden patterns in financial data.
- **Deep Learning (DL):**
  - DL, a subset of ML, is particularly effective in analyzing complex and unstructured data, such as financial documents and textual reports.
  - Neural networks can identify subtle patterns and relationships that are difficult for traditional statistical methods to detect.
  - DL models can be used to analyze financial statements for inconsistencies and discrepancies.
- **Natural Language Processing (NLP):**
  - NLP enables computers to understand and process human language, allowing for the analysis of textual data such as financial reports, news articles, and social media posts.
  - NLP can be used to identify sentiment and detect inconsistencies in financial disclosures.
  - NLP can also be used to scan large amounts of text for key words that might point to fraud.

AI-Driven Fraud Detection and Risk Assessment:

AI's ability to analyze large datasets and identify complex patterns makes it a powerful tool for fraud detection. Key applications include:

- **Anomaly Detection:**
  - AI algorithms can detect deviations from normal financial patterns, flagging transactions or entries that warrant further investigation.
  - For example, AI can identify unusual spikes in revenue, unexpected changes in expense ratios, or abnormal patterns in account balances.
- **Pattern Recognition:**
  - AI can identify complex patterns that may be difficult for humans to detect.
  - This can help uncover sophisticated financial shenanigans that involve multiple accounts or transactions.

- For example, AI can find patterns of round numbers in financial statements, which is a red flag for fraud.
- **Real-time Monitoring:**
  - AI can monitor financial data in real time, providing early warnings of potential fraud.
  - This allows companies to take immediate action to mitigate risks.
  - Continuous auditing is now possible with the aid of AI.
- **Risk Assessment:**
  - AI can assess the risk of financial irregularities by analyzing historical data and industry benchmarks.
  - This can help companies identify areas of vulnerability and implement preventive measures.
  - AI can take into account external factors like economic climate to produce a more precise risk assesment.

Enhancing Compliance and Auditing:

AI is also playing a crucial role in enhancing compliance and auditing practices.

- **Automated Compliance Monitoring:**
  - AI can help ensure compliance with accounting regulations by automating the review of financial documents.
  - This can reduce the risk of errors and omissions.
  - AI can keep up to date on regulation changes, and then apply those changes to the auditing process.
- **AI-Powered Auditing Tools:**
  - AI-powered auditing tools can automate the review of financial documents, increasing the efficiency and effectiveness of audits.
  - This can lead to a greater likelihood of finding discrepancies.
  - AI can perform sampling, and other auditing procedures faster and more accurately than a human could.
- **Continuous Auditing:**
  - AI allows for continuous auditing, which means that the books are being audited constantly, and not at the end of a financial period. This greatly decreases the amount of time that a fraud could go unnoticed.

5. AI vs Financial Shenanigans: A Practical View

Use Case examples:

- Revenue Recognition Fraud: AI identifies spikes in end-of-quarter sales.
- Expense Manipulation: Unsupervised learning flags reclassified expenses.
- Off-Balance Sheet Items: NLP detects contractual clauses in disclosures.

Case Studies and Analytical Insights:

Several real-world cases illustrate the potential of AI in detecting financial shenanigans. For example:

- AI algorithms have been used to analyze financial statements and identify red flags in companies that later faced accounting scandals.
- AI-powered tools have helped auditors detect fraudulent transactions and uncover hidden patterns in financial data.
- AI is being used to analyze social media and news articles to detect sentiment related to a company, which can be useful in detecting issues before they surface in the financials.

Analytical insights from these case studies highlight the importance of:

- Developing robust AI models that can adapt to evolving fraud techniques.
- Integrating AI into existing accounting systems to enhance efficiency and effectiveness.
- Ensuring that AI-driven solutions are transparent and auditable.

6. Benefits of AI in Combating Shenanigans

AI offers speed, scalability, consistency, and audit depth—analyzing complete datasets rather than samples (Issa et al., 2016).

7. Challenges and Risks in AI Implementation

Challenges include data bias, lack of explainability, ethical concerns, and the threat of adversarial manipulation of AI models (Ransbotham et al., 2018).

Despite its immense potential, the adoption of AI in accounting faces several challenges, including:

- Data quality and availability.
- The complexity of AI algorithms.
- The need for skilled professionals who can develop and implement AI solutions.

Ethical concerns around the use of AI.

8. Regulatory Landscape and AI

Global regulators like the SEC and RBI are piloting AI tools for fraud detection. Regulatory frameworks are adapting to ensure transparency and accountability.

9. The Future of AI in Accounting

Emerging technologies like Explainable AI, Blockchain, and Federated Learning will further strengthen AI's role in proactive financial risk management.

Future directions for research and development include:

- Developing more sophisticated AI models that can detect emerging fraud techniques.
- Integrating AI with blockchain technology to enhance transparency and security.
- Developing AI-powered tools that can provide real-time insights to financial analysts and investors.

10. Conclusion

AI offers a powerful counterforce to financial shenanigans. While technology won't replace ethical judgment, it strengthens governance frameworks by providing deeper insights into financial anomalies.

AI is transforming the landscape of accounting, providing powerful tools to combat financial shenanigans and enhance the integrity of financial reporting. By automating tasks, improving accuracy, and enhancing analysis, AI is empowering accountants and auditors to detect and prevent fraudulent activities. As AI technologies continue to evolve, they will play an increasingly vital role in maintaining the transparency and trust that are essential for a healthy and sustainable financial system.

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FINANCIAL SHENANIGANS & AI IN ACCOUNTING

Coca cola gallon pushing and Machine learning as a boon for fraud detection

Abstract

This case study analyses and discuss about the coca cola accounting fraud happened in the year of 1999 and 2000 where company pulled future sales and pushed inventory to Japanese bottler. It took years for it to conclude that the fraud happened in terms of non-disclosure of the facts. Which means data analytics and machine learning can come in to accentuate the future fiascos.

Coca cola sales volume is derived from two sources, First is from the selling of the liquid concentrate juices to the bottlers and second is from the finished product cases to the retailers. It all started during the year 1999 when coca cola pushed sales by pushing several shipments of concentrates to the Japanese bottlers. Coca cola was not owning these bottlers, instead coca cola (Japan) Co Ltd has agreement with the bottlers. Following is the excerpt from the below website. Which means that the inventory sold to the bottlers are not consolidated to the coca cola consolidated financial statement.

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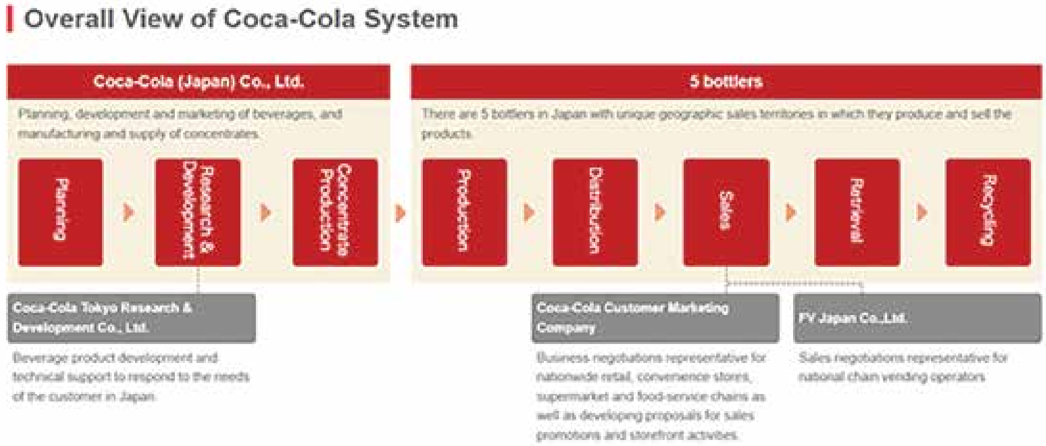


Source: Coca cola Japanese bottler structure

Coca cola shipped several million dollars of excessive concentrate to its Japanese bottlers. The inventories of these bottling companies are piling up in the future. The coke contractually and sometimes informally convinced bottlers based on the condition that they will help the bottlers to return the unused concentrate or help to transfer the excess concentrate inventory from Japanese bottlers to other bottlers. This is also evident from the financial report of 2001. Following is the excerpt from annual report which shows that the company highlighted that there were some inventory pileups, but this was not fully disclosed to the knowledge of shareholders.

"In 2000, certain bottlers reduced their concentrate inventory levels. This was based on a joint review performed by the Company and our bottlers around the world to determine the optimum level of bottler concentrate inventories. The joint review established that opportunities existed to reduce the level of concentrate inventory carried by bottlers in various regions of the world. During the first half of 2000, bottlers in these regions reduced concentrate inventory levels, the majority of which occurred during the first three months of 2000."

Source: Annual reports

In the year 2004, SEC confirmed in the press release that Coca cola failed in certain disclosure requirements as per US GAAP, Although Coca-Cola's accounting treatment for sales related to gallon pushing was deemed acceptable, the Commission determined that Coca-Cola's failure to disclose the impact of gallon pushing on both current and future earnings, along with the false statements and omissions in the Form 8-K, violated the antifraud and periodic reporting requirements of federal securities laws. Please refer to the press release

Source: SEC Press Release

As per press release from SEC confirmed that the accounting treatment was acceptable, but the disclosure requirements were not adhered. This needs to be further studied by looking into the conditions governing the FAS 48 of the US GAAP. Following are the conditions to be met

1. Fixed or Determinable Price: The price charged to the buyer must be fixed or determinable at the time of sale.
2. Payment Obligation: The buyer must be obligated to pay the seller, and this obligation should not be contingent on the resale of the product.
3. Risk of Loss: The buyer must assume the risks of ownership, including the risk of loss or damage to the product.
4. Economic Substance: The transaction must have economic substance, meaning it is not merely a financing arrangement.
5. Reasonable Estimation of Returns: The seller must be able to reasonably estimate the future returns.

If these conditions are not met, revenue recognition is postponed until they are satisfied

Source: GAAP reference

If you re-read the second condition buyer's obligation to pay seller is not contingent upon resale of the product, had not been met because Coke committed the bottlers that Coke will help the buyer to offload the inventory to other bottlers. Then this means that the condition of GAAP is not met. Also, the fifth condition of future returns has not been reasonably estimated, and this was disclosed anywhere in the financial statements or the from 8K filings.

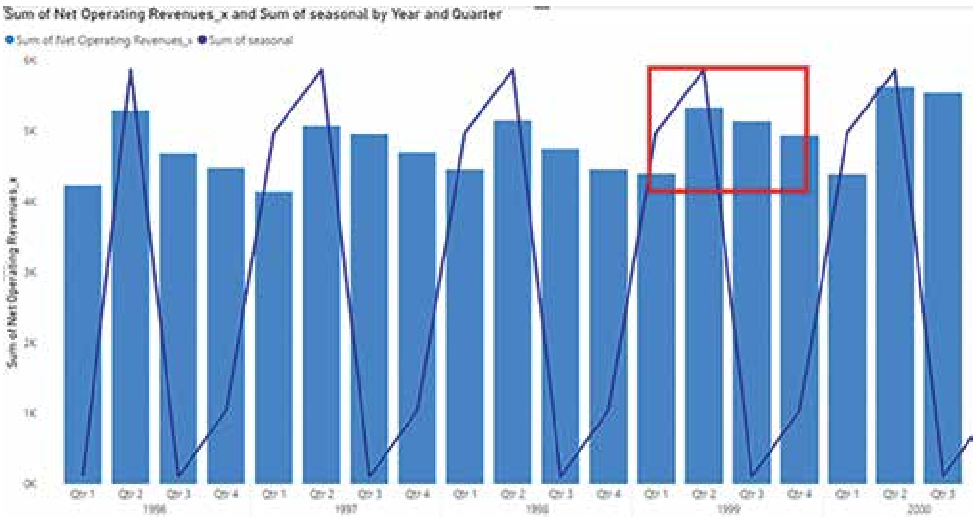
From the above study it has been construed that coke has grossly failed in disclosure norms and it has recognized revenue in its financial statements and not where in its financial reports it has done a dissection of the metrics to enlighten the shareholders that there is a risk of reversal of revenue and fall share price in the future.

Anomaly Detection using Seasonal Decomposition:

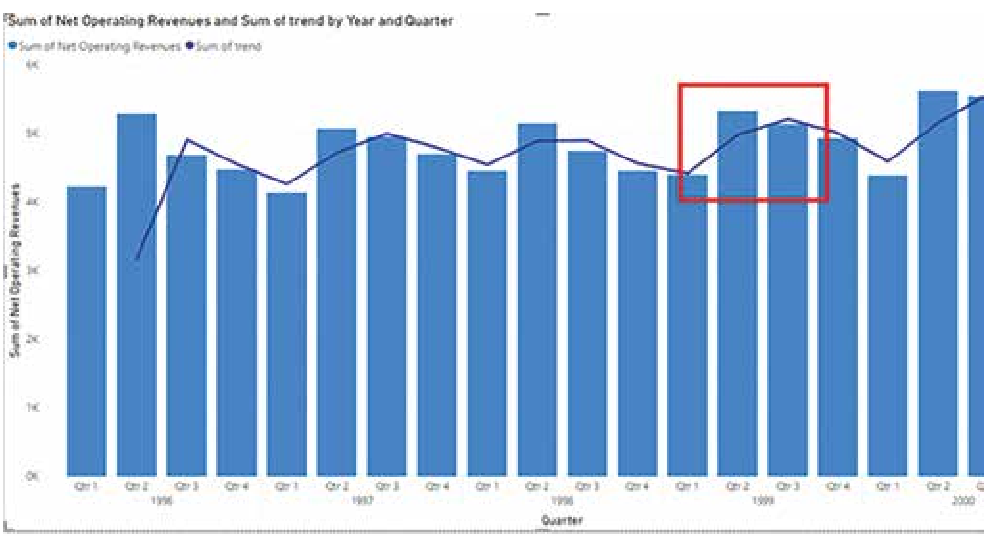
I will be using the Time series seasonal decomposition to break down the time series into various components. It will help in understanding the trend and seasonality of the metrics like Operating revenue, earning per share, Share price by quarter.

Explanation of the terms:

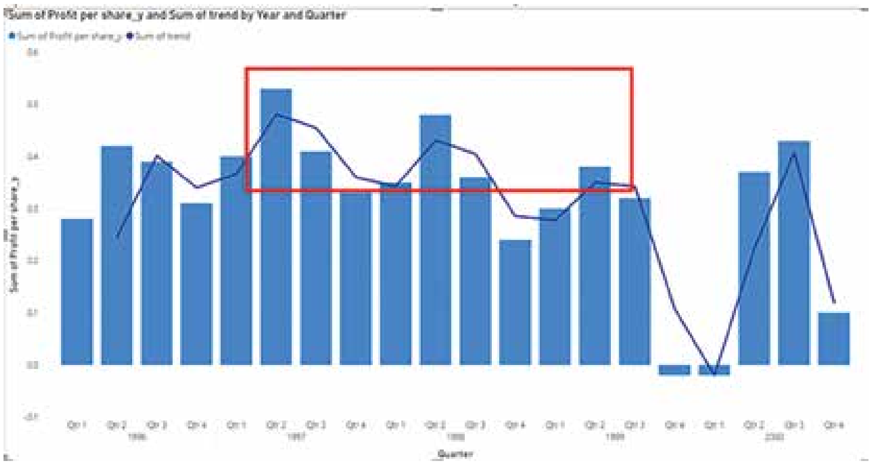
1. Trend: The long-term progression of the series, showing the overall direction (upward or downward) over time.
2. Seasonality: The repeating short-term cycle in the series, reflecting regular patterns that occur at specific intervals (e.g., monthly, quarterly).



The above chart decomposed the seasonal line and the original net operating revenue by quarter from year 1996 to 2000. There is a seasonality with upwards trend in Q2 every year. But the actual data (Bar chart) shows that in Q2 1999 the operating revenue is $ 5335 Mn compared to Q2 1998 $ 5151MN which is 4% increase again in Q3 1999 vs Q3 1998 there is a 8% increase subsequently there is 11% increase in Q4 1999 vs Q4 1998. This increase is a combination of the concentrate gallon pushing plus price increase and combination of Minute maid sales increase.



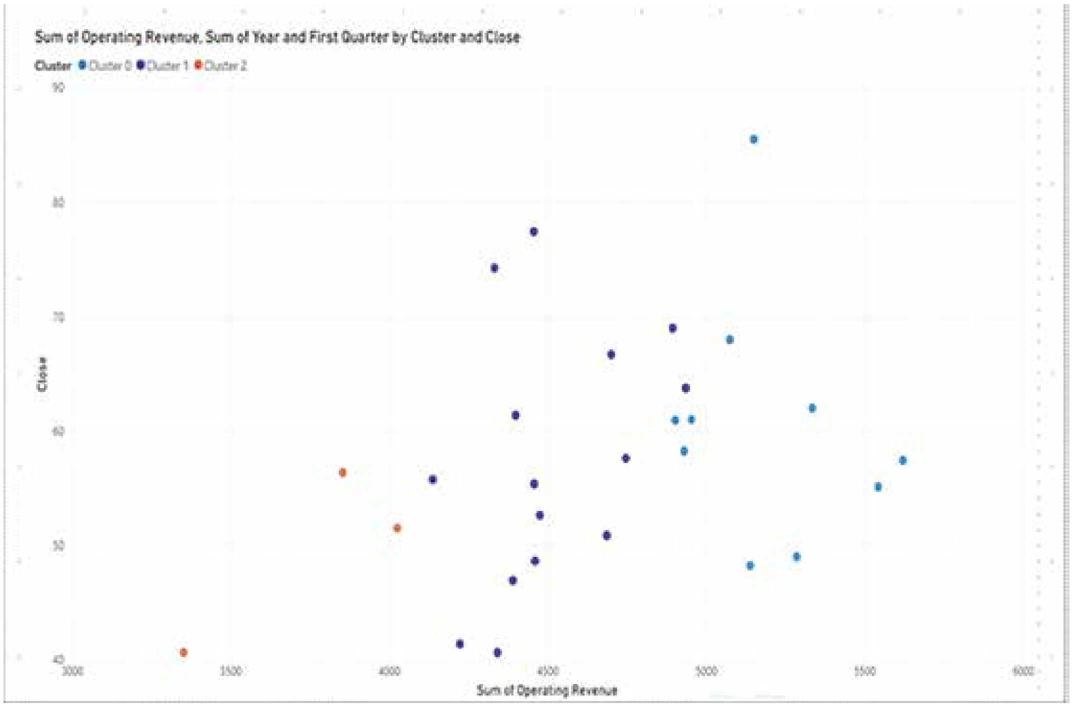
In the above chart, the trend line shows that there is an increasing trend in the operating revenue starting 1997. In Q2 1999 trend spiked due to gallon pushing and this is evident that at that time coke was facing many challenges as the company faced several challenges during the quarter, including a significant product recall in Europe and various geopolitical and economic issues. This would have alarmed as an anomaly to the analysts/investors as something is going wrong in the financials.



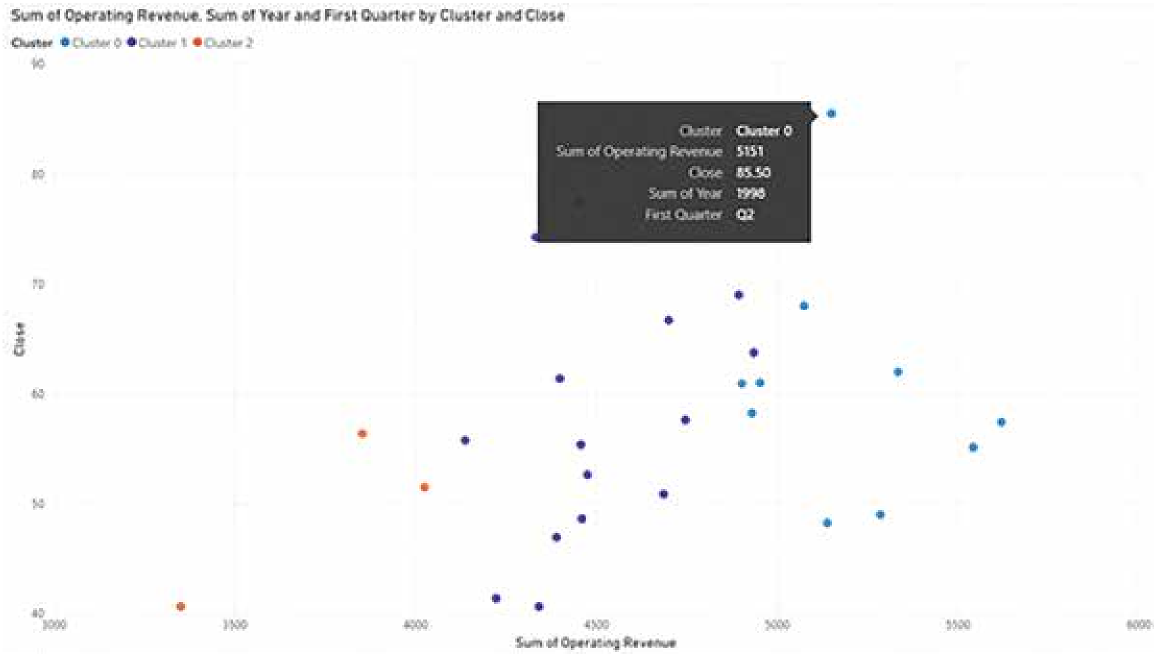
Above chart shows the profit per share from 1996 to 2000. I have excluded the seasonal trend as it was not construing any pattern, the trend reflects the exact story of what mentioned in the press release of security exchange commission. From 1997 to 1999, there is a diminishing profit per share. The company was facing economic pressures, still it tried to push the sales and profit by price volume mix, cost optimization and the most importantly gallon pushing. This would have revealed the investors much earlier that there is something wrong with the profit per share trend. The analysts would have taken a projection of the share price earlier after seeing this trend. In Q1 1999 and Q4 2000 the coca cola sales halted and the inventory at the bottlers piled up and this led to share price impacted. I will not attribute the Q4 1999 loss of profit per share to due to gallon pushing as this was due to an impairment charge happened in Russia and it is one time.

Anomaly Detection using Clustering:

I have taken the data from 1995 to 2000 and metrics like operating revenue, Gross profit, Share close price for each quarter. The analysis is done using the machine language algorithm called K Means clustering. The number of clusters used 3 clusters.

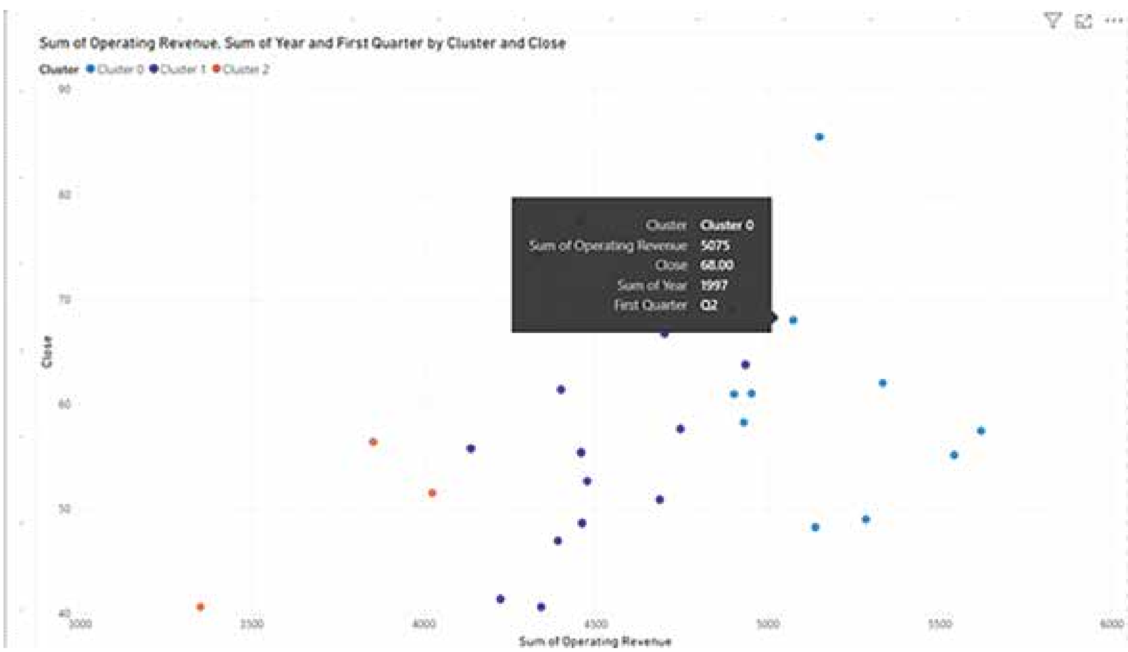


The first cluster (cluster0) light blue colour is the one where share prices are high not due to the gallon pushing but due to the fact there are some one of accounting treatments and market diversifications.



The above highlighted dot is for 1998 Q2, this is the period when there was high close price of $85.50 share price this was at the time when there was gain of approximately $191 million on the sale of our Italian bottling operations in northern and central Italy to Coca-Cola Beverages.

Source: Annual Report

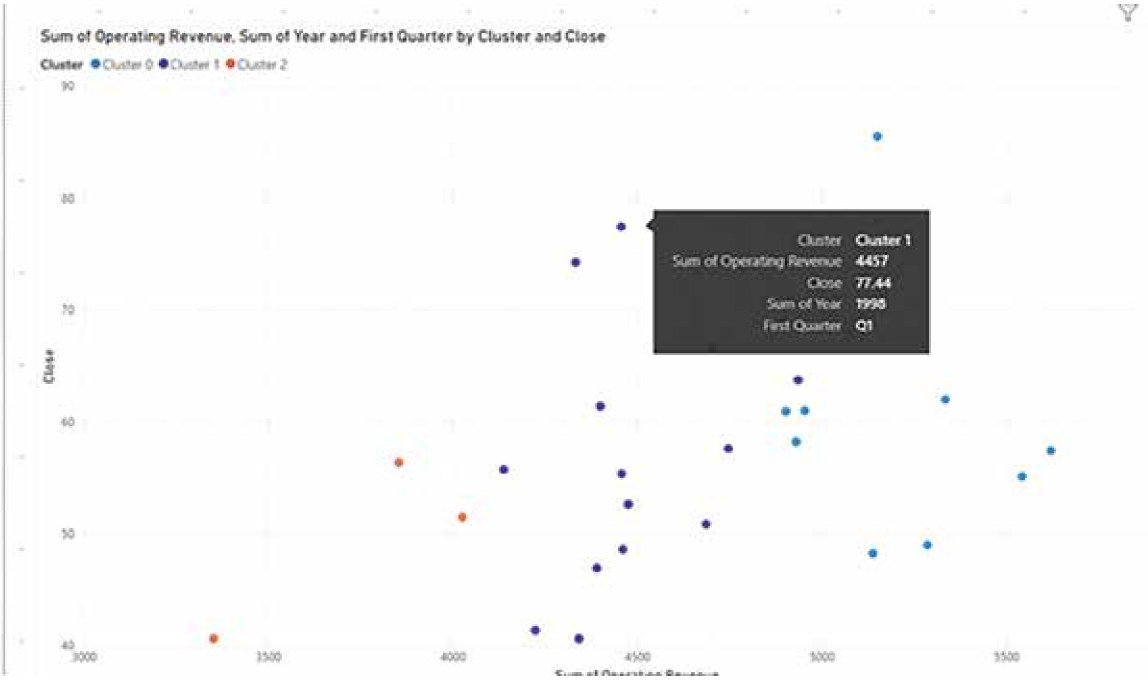


Another instance where the share price in 1997 Q2 was $68 at close. This was due to noncash gains on the issuance of stock by Coca-Cola Amatil of approximately $343 million. Secondly, there were provisions related to enhancing manufacturing efficiencies in North America of $60 million.

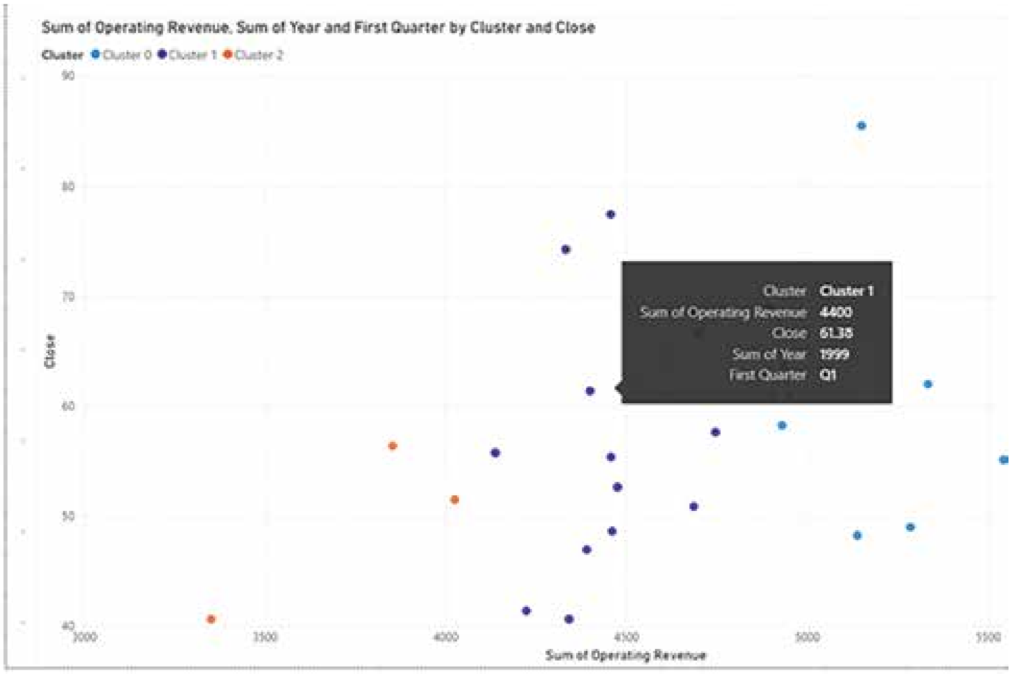
Source: Annual Report

Hence the clusters with light blue are not the pain points.

Now we delve into the dark blue clusters

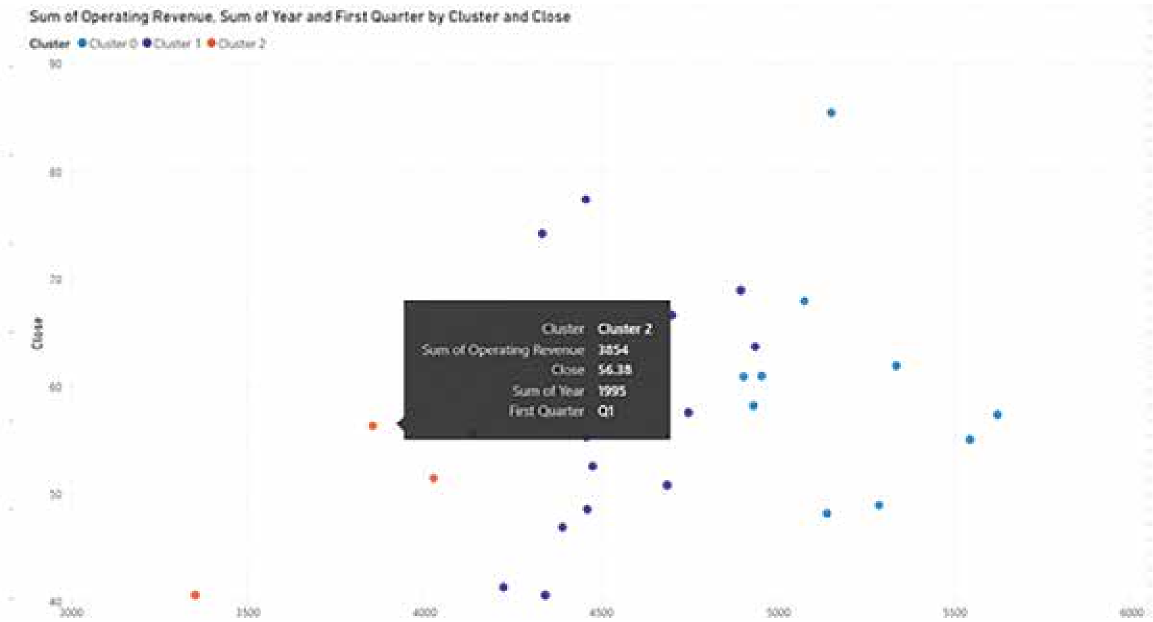


In 1998 Q1 the close price was $77.44, these was the time when the company was facing economic pressures, market pressures in US And Europe and also prices pressures. Also, there was no accounting adjustments made for any accounting profit treatment in the books. This was due to the Gallon pushing. This will give a clear indication to the analysts that there is an artificial pushing of sales and revenue.



Another example of 1999 Q1 close price 61.38 when coke was having declining sales and gallon pushing. Also, as per the 1999 annual report the concentrate sales were highest in the last three years compared to 1997, 1998.

The third cluster is about the growth phase. These are those years when the sales of the concentrates were growing in various markets. For example, in the above the 1995 close price was 56.38. This is the time when the US market and other regions were growing. In Japan, bottling partners had a competitive advantage of Coca-Cola National Sales Company.



Conclusion:

With the advent of SOX compliance from 2002 and coupled with IFRS implementation the revenue recognition got accurate and noosed. Nevertheless, all guidance gives importance to disclosure norms. It will be recommended to provide clear insights and numbers behind the picture to the investors to save the interest of shareholders. The above anomaly tests are few of the many available techniques to scrutinize the data available in annual reports. There are many more advance techniques like LLM, NLP available which can be applied to this arena for the benefit of the finance fraternity.

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FINANCIAL SHENANIGANS & AI IN ACCOUNTING:
A NEW ERA IN FINANCIAL INTEGRITY AND TRANSPARENCY

Abstract

The Indian economy is undergoing a transformative shift powered by technological innovations, particularly Artificial Intelligence (AI). By leveraging AI in auditing, businesses can improve transparency, reduce human errors, and build stronger internal controls, ultimately fostering greater trust in the Indian accounting ecosystem. This article delves into how AI is focusing on its role in detecting and preventing financial fraud, enhancing operational efficiency. It also discusses aiming to provide a comprehensive overview of AI's potential in modernizing accounting practices and mitigating financial misreporting risks.

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Introduction

The Indian economy, one of the largest and fastest growing in the world, is navigating a transformative era fuelled by technological advancements. Among these, Artificial Intelligence (AI) stands out as a game-changer, particularly in the field of accounting. However, with the rise of AI, there comes a looming question: Can AI address financial shenanigans that have long plagued the accounting industry in India? Financial shenanigans, which refer to misleading or fraudulent financial practices aimed at manipulating a company's financial statements, are a significant concern for investors, regulators, and the broader economy. In this article, we explore the interplay between financial shenanigans and AI in the Indian accounting landscape, considering both the challenges and potential solutions.

In this article, we will explore the role of financial shenanigans in the accounting profession and how AI can act as both a challenge and a solution for CMAs in India. We will also look at how CMAs can leverage AI tools to improve financial transparency and integrity while combating fraudulent financial practices.

Understanding Financial Shenanigans

Financial shenanigans, often referred to as accounting manipulations or fraud, involve the use of deceptive accounting practices designed to mislead stakeholders about a company's true financial performance. These shenanigans range from overstating revenue, inflating assets, hiding liabilities, to improper recognition of expenses.

Some common techniques include:

1. **Earnings Manipulation:** Companies may artificially boost their earnings by recognizing revenue prematurely or delaying expenses.
2. **off-balance Sheet Financing:** Liabilities or assets are kept off the balance sheet to present a healthier financial position.
3. **Window Dressing:** Companies may alter their financial statements before the reporting period ends to present a more favourable view to investors or regulatory bodies.

In many cases, financial shenanigans are motivated by a desire to meet market expectations, secure financing, or enhance stock prices. Unfortunately, these actions undermine the trust of investors, employees, regulators, and other stakeholders, leading to long-term financial and reputational damage.

The Role of AI in Addressing Financial Shenanigans

The rise of Artificial Intelligence (AI) offers a promising solution to combat these manipulative practices. By leveraging advanced data analysis, machine learning, and natural language processing, AI can assist accountants and auditors in identifying discrepancies and anomalies in financial records that might indicate fraudulent behaviour.

1. **Predictive Analytics:** AI can analyse past financial data and identify patterns that suggest fraudulent behaviour. By using machine-learning algorithms, AI can forecast potential future risks and flag them for further investigation.
2. **Anomaly Detection:** AI systems can automatically identify transactions or financial activities that deviate from normal patterns, such as unusual cash flows, irregularities in expense reporting, or abnormal revenue recognition.
3. **Natural Language Processing (NLP):** NLP algorithms can scan and analyse large volumes of financial documents, contracts, and communications to identify inconsistencies or misrepresentations. For example, AI can identify red flags in corporate filings, press releases, or even internal communications that might suggest deceptive practices.
4. **Continuous Monitoring and Auditing:** AI can provide real-time monitoring of financial transactions, ensuring that they align with organizational policies and regulatory standards. Automated audits can reduce human errors and uncover financial discrepancies that might otherwise go unnoticed.

AI and the Role of CMAs

For CMAs in India, AI represents both a challenge and an opportunity. While AI technology has the potential to automate many routine tasks in accounting, CMAs remain invaluable due to their expertise in interpreting financial data, strategic decision-making, and risk management.

How CMAs Can Leverage AI:

1. **Enhanced Decision-Making:** With AI, CMAs can access deeper insights from financial data, helping them make more informed strategic decisions. Predictive analytics, for instance, can assist in forecasting financial trends and identifying emerging risks.
2. **Risk Management:** AI can assist CMAs in identifying potential financial fraud or operational inefficiencies early on, enabling them to take proactive measures to mitigate risks.
3. **Improved Financial Reporting:** AI-powered tools can ensure that financial reports comply with international standards and regulations, reducing the risk of misrepresentation or errors in financial statements.
4. **Audit Automation:** CMAs can embrace AI to automate the audit process, allowing them to focus on high-level strategic analysis rather than spending time on routine tasks like data collection and report generation.

Building AI Literacy among CMAs:

To fully capitalize on AI's potential, CMAs must develop a certain level of AI literacy. Understanding how AI works and how to interpret the data generated by these systems will become increasingly important for CMAs. Organizations should invest in training and professional development programs to ensure that their management accountants are equipped with the necessary skills to navigate this new digital landscape.

Regulatory Framework and Ethical Considerations

As AI continues to reshape the accounting profession, regulatory bodies such as the Institute of Cost Accountants of India (ICAI) and the Institute of Chartered Accountants of India (ICAI) are developing frameworks to guide the ethical use of AI in accounting. The Indian government has also taken steps to introduce guidelines on digital accounting and financial reporting.

AI-driven accounting must adhere to ethical standards, ensuring that data privacy and confidentiality are respected. CMAs must maintain their commitment to integrity, transparency, and compliance, even as AI takes on a more significant role in financial reporting and analysis.

The Way Forward: Responsible AI Adoption

To ensure that AI remains a force for good in the fight against financial shenanigans, it is essential that its use be coupled with strong regulatory frameworks and ethical guidelines. The implementation of AI in accounting should not replace human expertise but rather enhance it. By combining the analytical power of AI with the judgment and intuition of trained professionals, the industry can create a more transparent, accountable, and efficient accounting environment.

Moreover, AI tools must be continuously monitored, updated, and refined to stay ahead of new forms of financial manipulation. As the regulatory landscape around AI in accounting develops, there should be an emphasis on creating standardized best practices for training, implementing, and auditing AI systems.

For accountants, financial professionals, and organizations at large, adopting AI responsibly means understanding both its strengths and its limitations. By doing so, AI can be a powerful ally in preventing financial fraud, reducing shenanigans, and ultimately restoring trust in the financial reporting process.

Conclusion

As AI continues to shape the future of accounting, its potential to prevent and uncover financial shenanigans is undeniable. However, this potential can only be fully realized through careful, responsible integration into existing accounting practices. By embracing AI's power while remaining vigilant to its risks, the accounting industry can pave the way for a future where financial integrity and transparency are the norm, not the exception. It is time to move beyond traditional auditing techniques and usher in an era of intelligent, real-time financial oversight.

AI & CMAs: FOILING FRAUD FOR CORPORATE EXCELLENCE

Abstract

Achieving corporate excellence, central to the CMA vision, demands unwavering financial integrity. However, sophisticated financial shenanigans pose a constant threat, undermining trust and value. This paper explores how Artificial Intelligence (AI) is revolutionizing accounting, offering powerful tools to detect and prevent these manipulations. By enhancing analytical capabilities and automating routine tasks, AI empowers CMAs to focus on strategic oversight and ethical governance, thus fortifying the path towards sustained corporate excellence.

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1. Introduction

Corporate excellence represents the pinnacle of organizational achievement – a state characterized by sustained financial health, ethical conduct, strategic agility, and robust governance. The vision promoted by Certified Management Accountants (CMAs) is intrinsically linked to this pursuit. CMAs champion data-driven decision-making, effective resource allocation, risk management, and, critically, the highest standards of financial integrity. However, the complex business environment is also fertile ground for "financial shenanigans" – deliberate actions taken by management to distort a company's reported financial performance or condition. These deceptive practices are the antithesis of corporate excellence, eroding stakeholder trust and potentially leading to catastrophic failures.

In recent years, the rapid advancement of Artificial Intelligence (AI) has begun to permeate the accounting profession. AI offers unprecedented capabilities in data analysis, pattern recognition, and automation. This paper examines the intersection of these critical elements: the CMA's pursuit of corporate excellence, the persistent threat of financial shenanigans, and the transformative potential of AI in accounting. It argues that AI, when strategically implemented and ethically governed, serves as a powerful ally for CMAs, enabling them to more effectively detect and deter financial misconduct, thereby strengthening the foundations of corporate excellence.

2. The Imperative of Corporate Excellence: A CMA Perspective

Corporate excellence is not merely about profit maximization; it encompasses a holistic view of sustainable success. From a CMA perspective, key pillars include:

- **Financial Health and Performance:** Accurate reporting, efficient operations, sound investment decisions, and effective cost management.
- **Ethical Conduct and Governance:** Adherence to laws, regulations, and ethical principles; transparency in reporting; strong internal controls; and accountability to stakeholders.
- **Strategic Management:** Forward-looking planning, effective risk management, alignment of resources with strategic goals, and adapting to market changes.
- **Value Creation:** Generating long-term value for shareholders, customers, employees, and society.

CMAs are positioned at the heart of the organization, translating data into actionable insights that drive these pillars. Their expertise in management accounting, financial planning and analysis (FP&A), internal controls, and ethics makes them crucial guardians and enablers of corporate excellence. Their vision emphasizes proactive management, ethical leadership, and a commitment to transparency and accountability – qualities directly threatened by financial manipulation.

3. Financial Shenanigans: The Antithesis of Excellence

Financial shenanigans refer to a broad range of deceptive accounting practices designed to mislead stakeholders about a company's true economic reality. Coined and popularized by Howard Schilit, the term highlights actions intended to distort financial reports, often to meet earnings targets, conceal problems, or inflate stock prices. Common categories include:

- **Recording Revenue Too Soon:** Recognizing revenue before it is earned (e.g., before goods are shipped or services fully rendered).
- **Recording Bogus Revenue:** Creating fictitious sales or inflating the value of legitimate transactions.
- **Boosting Income with One-Time Gains:** Selling undervalued assets or using non-recurring gains to mask operational weaknesses, often presented misleadingly.
- **Shifting Current Expenses to a Later Period:** Improperly capitalizing costs that should be expensed immediately (e.g., routine maintenance capitalized as an asset improvement).
- **Failing to Record or Improperly Reducing Liabilities:** Hiding obligations or using unrealistic assumptions to lower liability estimates (e.g., warranty or pension liabilities).
- **Shifting Current Revenue to a Later Period:** Deferring legitimate revenue to smooth earnings across periods ("cookie jar reserves").
- **Shifting Future Expenses to the Current Period:** Pre-paying future expenses or taking excessive write-offs ("big bath" accounting) to make future periods look better.

These practices fundamentally undermine corporate excellence. They destroy investor confidence, lead to misallocation of capital, damage company reputation, attract regulatory scrutiny and penalties, and can ultimately result in corporate collapse. For CMAs committed to ethical reporting and strategic integrity, preventing and detecting such activities is paramount.

4. The Rise of AI in Accounting: Transforming the Landscape

Artificial Intelligence, particularly machine learning (ML), natural language processing (NLP), and robotic process automation (RPA), is increasingly impacting accounting functions.

- **Robotic Process Automation (RPA):** Automates repetitive, rule-based tasks like data entry, reconciliation, and report generation, freeing up human accountants for higher-value work.
- **Machine Learning (ML):** Enables systems to learn from data without explicit programming. In accounting, ML can analyse vast datasets to identify patterns, anomalies, and trends, improving forecasting, risk assessment, and fraud detection.
- **Natural Language Processing (NLP):** Allows computers to understand and process human language. Applications

include analysing contracts, interpreting regulatory documents, and even sentiment analysis of management communications (e.g., earnings call transcripts).

These technologies promise significant benefits: increased efficiency, reduced errors, enhanced analytical capabilities, and improved compliance. However, the integration of AI also presents challenges, including the need for significant investment, data quality and security concerns, potential algorithmic bias, and the need for accountants to develop new skills in data science and AI oversight.

5. AI as a Bulwark against Financial Shenanigans

Perhaps one of the most compelling applications of AI in accounting is its potential to combat financial shenanigans. Traditional audit and control methods often rely on sampling and rule-based checks, which may miss subtle or novel forms of manipulation hidden within vast amounts of data. AI offers several advantages:

- **Anomaly Detection:** ML algorithms can analyse 100% of transactions (not just samples) to identify outliers and unusual patterns that deviate from established norms. This could flag suspicious journal entries, vendor payments, or revenue recognition patterns indicative of fraud.
- **Pattern Recognition:** AI can detect complex, non-linear relationships across different datasets (e.g., correlating sales data with production logs, shipping manifests, and customer payment histories) that might signal inconsistencies or manipulation.
- **Predictive Risk Scoring:** By learning from historical instances of fraud and incorporating various risk factors, AI can develop predictive models to score transactions, vendors, or even business units based on their likelihood of being associated with fraudulent activity.
- **Network Analysis:** AI can map relationships between entities (e.g., employees, vendors, customers) to identify potentially collusive behaviour or conflicts of interest.
- **Textual Analysis (NLP):** NLP can analyse management discussion and analysis (MD&A) sections of financial reports, earnings call transcripts, or internal emails for deceptive language, excessive use of jargon, or sentiment shifts that might correlate with financial misrepresentation.

By automating the detection of red flags and potential anomalies, AI allows CMAs and auditors to focus their investigative efforts more effectively, moving from reactive detection to proactive prevention.

6. Integrating AI: Empowering the CMA and Fostering Excellence

The advent of AI does not make the CMA obsolete; rather, it transforms and elevates the role. By automating routine tasks and providing powerful analytical tools, AI empowers CMAs to:

- **Focus on Strategic Insights:** Shift time from data gathering and reconciliation to interpreting AI-driven analyses, providing strategic guidance, and advising on business performance.
- **Enhance Risk Management:** Utilize AI's predictive capabilities to identify emerging risks earlier and develop more robust internal control systems.
- **Strengthen Ethical Oversight:** Leverage AI tools to monitor compliance and detect potential fraud, reinforcing the ethical foundation crucial to the CMA vision and corporate excellence. AI can serve as an unbiased 'second pair of eyes'.
- **Improve Decision-Making:** Base decisions on more comprehensive, real-time data analysis, leading to better resource allocation and strategic planning.

The synergy lies in combining AI's computational power with the CMA's professional judgment, ethical compass, business acumen, and communication skills. AI identifies potential issues; the CMA investigates, interprets the context, considers the ethical implications, and determines the appropriate course of action. This partnership is key to navigating the complexities of modern business and upholding the standards of corporate excellence.

7. Challenges and Ethical Considerations

Despite its potential, the deployment of AI in combating financial shenanigans is not without challenges:

- **Data Quality and Bias:** AI algorithms are only as good as the data they are trained on. Biased or incomplete data can lead to flawed analyses and potentially discriminatory outcomes.
- **Algorithm Transparency:** The "black box" nature of some complex ML models can make it difficult to understand *why* an algorithm flagged a particular transaction, hindering investigation and accountability.
- **Implementation Costs and Expertise:** Implementing sophisticated AI systems requires significant investment and access to specialized talent.
- **Ethical Use and Privacy:** Using AI for monitoring raises ethical questions about employee privacy and surveillance. Clear policies and ethical guidelines are essential.
- **Over-Reliance and Complacency:** There's a risk that professionals might become overly reliant on AI, potentially overlooking issues that algorithms miss or failing to apply necessary critical judgment.

Addressing these challenges requires careful planning, robust governance frameworks for AI deployment, continuous training for CMAs, and a commitment to ethical principles, ensuring AI serves as a tool for enhancement, not just automation.

8. Conclusion

The pursuit of corporate excellence, deeply embedded in the CMA vision, necessitates constant vigilance against the threat of financial shenanigans. Traditional methods of detection face limitations in the face of increasingly complex and data-intensive business environments. Artificial Intelligence offers a transformative opportunity, providing powerful tools to analyse vast datasets, detect subtle anomalies, and predict potential risks with unprecedented speed and scale.

By embracing AI, the accounting profession, and CMAs in particular, can significantly enhance their ability to safeguard financial integrity. AI automates the mundane, detects the suspicious, and provides deeper insights, freeing CMAs to focus on strategic interpretation, ethical leadership, and value creation. While challenges related to implementation, bias, and ethics must be carefully managed, the potential for AI to act as a bulwark against financial fraud and empower CMAs in their role as guardians of corporate excellence is undeniable. The integration of AI is not just a technological upgrade; it is a strategic imperative for fostering trust, transparency, and sustainable success in the modern economy.

AI APPLICATIONS IN COST MANAGEMENT – A PERSPECTIVE

Abstract

The Role of AI across sector and domains is increasing by the day. Going forward into the future, it is possible that only those manufacturing entities that are able to effectively deploy and use AI tools and applications in Total Cost Management (TCM) , can really be competitive and survive and grow. It is important for industries to build AI deployment competencies in this area, , and this paper explores, provides framework for the areas where total cost management can be influenced by AI.

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1. INTRODUCTION

The goal of total cost management (TCM), a methodical and structured approach to understanding an organization's costs, is to provide a comprehensive framework for cost control, reduction, and elimination. Creating more value at a reduced cost is the goal of cost management, which is a concept, mindset, and collection of methods. Information about cost management raises customer value in this highly competitive market.

2. OBJECTIVES OF STUDY

a. To understand the Role played by Total Cost Management in shaping the industry landscape and ability to reduce costs and improve profitability , sustain growth.

b. To examine the effectiveness of Role played by Cost Accountants in the process.

c. To create an operational framework for enhancing effective cost management using AI applications in corporates in the Indian scenario.

3. REVIEW OF LITERATURE

Banchi, E., Margherita, A., and others (2022) The methodical approach to managing resources, expenses, profitability, and risks across the course of any project, program, facility, business, product, or service is known as total cost management, or TCM. The strategic scope and applicative aspects of TCM are being impacted by a number of phenomena that are currently generating a new socio-technical landscape that is marked by rising uncertainties'. To take into consideration the conflicting and multifaceted interests of clients, staff, partners, and huge stakeholder ecosystems, are becoming more and more necessary. In order to create a conceptual framework and a research manifesto for the developing field of TCM, this article draws on the authors' involvement and combined subject-matter expertise. Nine key trends are classified in the study, and their effects on various TCM parameters are assessed. Additionally, it provides nine paths for academics and professionals working to advance TCM's development towards the novel concept of systemic value management (SVM). The research provides experts and practitioners with a foundation for implementing creative thought and approaches in the field of TCM and extends the present understanding of methods that can be sustainable and add value .B. Chen (2025).By solving the shortcomings of conventional Activity-Based Costing (ABC) systems in managing complexity and massive data volumes, the incorporation of new developing technologies into ABC systems signifies a revolutionary change in cost accounting methodology. Complex models, AI tools are used by AI-driven ABC systems to improve the accuracy of cost allocation, automate repetitive tasks, and offer useful insights into cost behaviours. The practical uses of AI-powered ABC systems in contemporary businesses are examined in this paper, with an emphasis on how they might enhance cost accuracy, maximise operational effectiveness, and aid in strategic decision-making, by dynamically adjusting to shifts in market conditions and business structures. This study shows how AI can produce quantifiable results, drastically alter cost management procedures, and support more general organisational goals like innovation, sustainability, and sustainable growth by analysing algorithmic frameworks and real-world case studies. Igwe, U. S., Mohamed, S. F.et al (2020) Information-driven technology is increasingly being used in the construction industry, particularly for efficient resource management and control. However, construction cost management has not fully benefited from the vast opportunities these technologies provide. In the present IR 4.0 era, when connected systems and digitisation are the prevailing trends in engineering and related fields, there are a lot of advances. In order to improve the efficiency of construction processes, the construction industry is implementing these advances. IoT, 5D-BIM, autonomous equipment, augmented and virtual reality, artificial intelligence and machine learning, and predictive analytics are some of the current trend areas. With a focus on construction project cost management, this article examines the uses and advantages of these emerging technical trends in construction project management.The article highlights applications of the most recent ICT advances that project cost managers and construction managers should take advantage of. Shou, W., Wang, J., et al (2021) The manufacturing and construction industries have made extensive use of lean production theory and techniques to increase process efficiency by decreasing waste and raising value in value streams. Turnaround maintenance (TAM) is a regular, all-inclusive maintenance program where the activities follow a specific maintenance procedure and offer a distinct work scope and context. A well-structured project management procedure is necessary to increase TAM's operational effectiveness. Lastly, a case study employing 4D building information modelling from an actual setting is used to validate the suggested methodology. The framework offers methodical instructions and factual support for applying lean to incorporate assessment and improvement into TAM project management.

Panjaitan, D. S., Bahagia, N. et al (2024) A great way to determine the actual cost of purchasing goods or services from a specific provider is to use the Total Cost of Ownership. This method takes into account the expenses incurred during the equipment lifecycle's operation and disposal stages in addition to the purchase price. Consequently, it is crucial to use the Total Cost of Ownership while choosing, negotiating, and assessing suppliers. The purpose of this study is to examine how TCO has evolved over the past ten years. To find and group TCO factors based on earlier studies, a thorough literature analysis has been carried out. Over the past ten years, the usage of TCO has changed from being helpful for choosing suppliers to being used for technology economic assessment, which is now frequently used to determine the financial costs of implementing electric vehicle technology.

4. METHODOLOGY

The study uses an exploratory methodology and examines past literature and contemporary industry practice and proposes a framework for effective TCM to be implemented in entities.

5. DISCUSSION:

a) To understand the Role played by Total Cost Management(TCM) in shaping the industry landscape and ability to reduce costs and improve profitability, sustain growth

TCM encompasses a wide range of systems that incorporate the entire cost of doing business with a particular provider in addition to the purchase price of a good or service. These expenses are mostly determined by the technical performance of the good or service, as well as the quality and delivery performance of the supplier. It also plays a key role in industries and help corporates to maintain costs within budget, access new markets, ensure decent return on investments and enable outcomes which are sustainable in form of value added products at market place at competitive prices .This impact is felt across industries, ranging from large projects in construction, manufacturing, engineering, heavy machineries, IT services and Retail and banking, financial services too. As such TCM has ebecome an integral part of today's industry and commerce irrespective of sector. With the availability of IT /AI tools, the deployment has become more critical and valuable in the process. TCM is thus crucial for any senior management of the industry and it is critical to deploy the various tools and approaches involved , along with the new emerging technologies with the economy going digital, to get the desired outcome in terms of survival profitability, and investor returns. The recent advent of US imposing Tariffs on China as well as Indian products will also now push the entities to go in for effective TCM , as there are compelling dynamic situation that will help us to get the ability to compete globally only when it is cost effective. TCM is a critical ingredient today in software services, auto-ancilliaries, retail trade, financial services which are facing severe competition with a changing landscape on day to day basis . All these further push the corporates to look at the value chain analysis aspect and look at cost reduction, cost control and value engineering programs on a time bound basis, to increase their competitiveness. It is here that TCM helps industry to sustain, generate profits and grow its market.

b) To examine the effectiveness of Role played by CMAs in the process:-

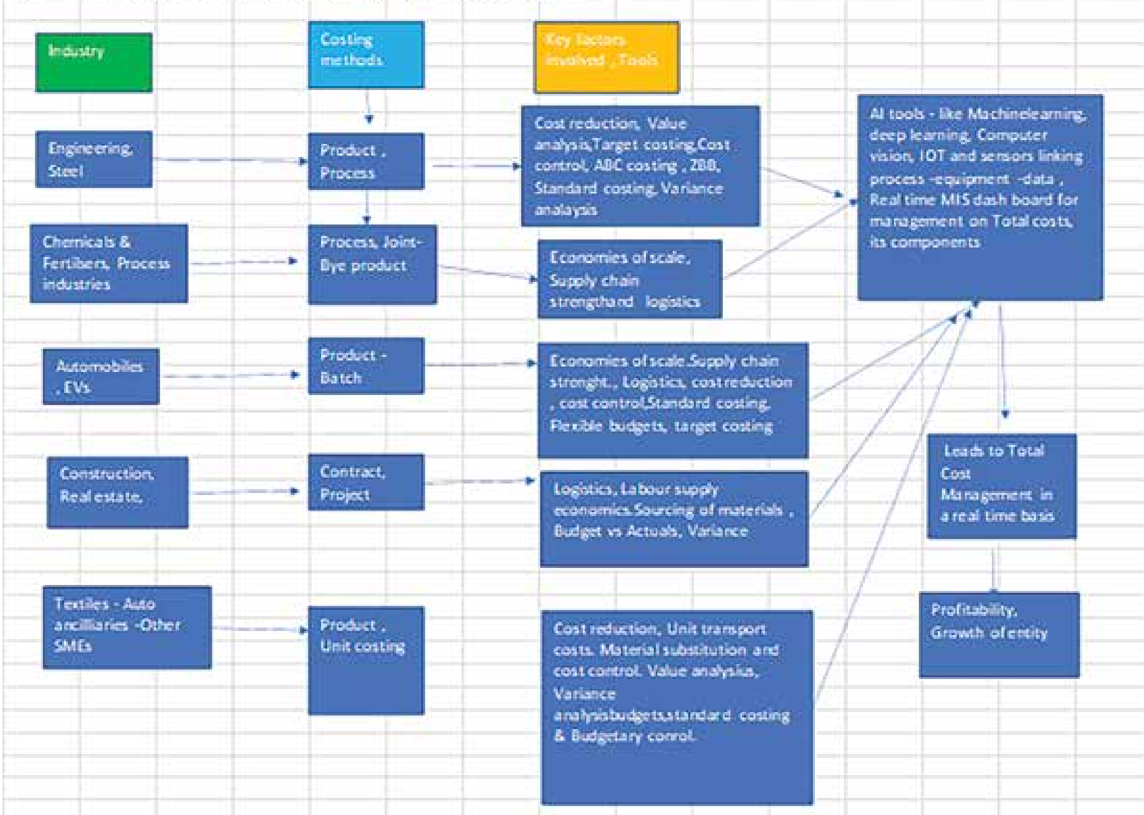
CMAs are skilled in cost analysis, management, and optimisation for a range of organisational functions, playing a key role by evaluating manufacturing, operational, and service-related costs, help reduce waste and increase revenue, they spot inefficiencies and suggest solutions. They also actively play role in forecasting and budgeting , performance evaluation , by comparing actual vs budget and analysis variances . CMA provides inputs to investment planning, pricing strategies, product mix decisions and help provide insight to senior management to attain organisational goals. CMA plays a key role in cost management, inventory control , enable overall costs are within budgets and assist the senior management in attaining profit -:-improvement plans .Simply, put CMAs are essential to TCM because they promote productivity, profitability, and sustainability in businesses.

c) To create an operational framework for enhancing effective cost management using AI applications in corporates in the Indian scenario.

The authors propose a framework showing the linkage between the TCM across industries and what costing systems and methods can be utilised and the key factors involved and AI , ML , and other technologies can help increase the profitability of entities and accelerate its growth by following the total cost management approach .Each industry follows a specific type of costing and it is getting aligned to the key principles involved in ensuring a TCM. With higher computing power and use of AI tools, and large chunks of data to be fed on, it is possible to develop cost based control models to effectively target at cost reduction and cost control at the granular level at the plants – product-wise which can be quite useful for generating profit improvement plans and enable better control and provide effective solutions specific to industry.

Diagram

Fig -1 Flow diagram for Total Cost Management and its applications using AI



d) LIMITATIONS OF STUDY

This study is exploratory and does not consider any empirical data, except for some in Literature review.

e) CONCLUSION

Deployment of TCM is even more critical in today's economic order and global scenario where Tariff wars break out and supply chains get affected , increasing the dependency to manage costs on a continuous basis and this has been made possible by emerging technologies AI , ML etc which can crunch numbers faster, spot patterns in cost relationships, increase quality of MIS reports to management. CMAs are thus likely to be at the fore-front of tackling competition, market uncertainties and assist boards to make a relevant and timely decision which can affect long term survival and growth.

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UNMASKING FINANCIAL SHENANIGANS: AI's TRANSFORMATIVE ROLE IN ACCOUNTING AND CORPORATE EXCELLENCE

Abstract

Financial shenanigans, encompassing fraud and manipulative practices, threaten corporate integrity globally. Analyzing cases like Enron and Satyam, the study investigates how Artificial Intelligence (AI) serves as both a transformative tool for detecting financial statement fraud and a potential facilitator of sophisticated scams. It further outlines strategies for Cost and Management Accountants (CMAs) to ethically leverage AI technologies, emphasizing alignment with the दिव्य–दृष्टि (divine vision) framework to enhance corporate governance and operational excellence.

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Introduction: The Dual Frontiers of Trust and Technology

Financial shenanigans, a term that encapsulates deceptive practices like creative accounting and fraudulent financial reporting, have long posed a threat to corporate integrity. From the collapse of Enron in the United States, which wiped out $74 billion in shareholder value, to the Satyam scandal in India, where accounts were manipulated by Rs 7000 crore, these practices have inflicted severe economic damage and shattered investor confidence. In India, the situation is particularly concerning, with 59% of companies reporting financial fraud in the past 24 months, compared to a global average of 41%. As India's economy grows at 6.5% (IMF, 2025), the stakes for maintaining financial integrity are higher than ever.

The advent of AI in accounting and auditing has opened new frontiers in combating these deceptions. AI offers unprecedented capabilities to detect anomalies, automate processes, and predict fraudulent activities, enabling a proactive approach to financial integrity. However, AI's potential is a double-edged sword—it can also be exploited by bad actors to perpetrate more sophisticated frauds, such as deepfake scams and synthetic data generation.

The Global Landscape of Financial Shenanigans

The history of financial misreporting is marked by high-profile scandals that have reshaped corporate governance. In the early 2000s, Enron's collapse in the US, driven by the use of off-balance-sheet entities to hide debt and inflate profits, resulted in an estimated $74 billion loss in shareholder value. Shortly after, WorldCom inflated its assets by $11 billion, marking one of the largest accounting frauds in history. These events led to the introduction of the Sarbanes-Oxley Act of 2002, aimed at strengthening internal controls and auditor oversight. More recently, in 2020, Germany's fintech company Wirecard admitted that €1.9 billion on its balance sheet likely never existed, leading to insolvency and exposing regulatory oversights.

Financial statement fraud, though less frequent than other types of fraud, is disproportionately costly. A 2024 global fraud study revealed that while financial statement fraud accounts for only 5% of fraud cases, it causes the highest median losses—approximately $766,000 per case, a 30% increase from two years prior. In contrast, asset misappropriation, which occurs in 89% of cases, results in a median loss of $120,000. The study also highlighted systemic weaknesses, with 51% of frauds resulting from poor internal controls (32%) or management override of controls (19%). In 43% of cases, whistleblower tips were crucial in exposing wrongdoing, underscoring the challenges in detecting financial shenanigans through traditional means.

Financial Shenanigans in India: A Persistent Challenge

India has not been immune to financial deception, with several high-profile cases highlighting the scale of the problem. The Satyam scandal of 2009, often dubbed "India's Enron," involved chairman Ramalinga Raju falsifying cash balances and inflating revenues by roughly Rs 7,000 crore (approximately $1.5 billion). The revelation led to a plummeting share price and a government-facilitated takeover to salvage the company, prompting a re-examination of corporate governance norms and the introduction of stricter provisions in the Companies Act, 2013, as well as the formation of the Serious Fraud Investigation Office (SFIO).

Despite these measures, financial misconduct persists. The IL&FS crisis of 2018 revealed a Rs 9,600 crore loss instead of the previously reported Rs 1,869 crore profit, exposing significant book-cooking that led to criminal charges against executives and auditors. The Nirav Modi-PNB fraud, uncovered in 2018, involved fraudulent Letters of Undertaking worth over Rs 14,000 crore, exploiting weaknesses in internal controls. A 2024 PwC survey found that 59% of Indian companies experienced financial or economic fraud in the past 24 months, a marked increase from prior years, with procurement fraud (50%) overtaking traditional accounting fraud and bribery as the dominant concern. The COVID-19 pandemic further exacerbated vulnerabilities, with 95% of Indian companies encountering new fraud typologies, such as fake invoices and illicit related-party deals, during the disruption.

Indian regulators have responded robustly. The Securities and Exchange Board of India (SEBI) has strengthened disclosure rules and adopted AI for market surveillance and investigations into malpractices. The National Financial Reporting Authority (NFRA) has also cracked down on audit failures, penalizing auditors involved in lapses. These efforts reflect a broader push toward corporate excellence, recognizing that transparent financial reporting is fundamental to an ethical business ecosystem.

Understanding the Mechanics of Financial Deception

Financial shenanigans typically manifest through deliberate manipulations designed to mislead stakeholders. Howard Schilit's foundational research identifies seven common categories: recording revenue too soon or of questionable quality, recording bogus revenue, boosting income with one-time gains, shifting current expenses to later periods, failing to record or reducing liabilities, shifting current revenue to later periods, and shifting future expenses to the current period as special charges. These tactics are often driven by motivations such as performance-linked compensation, the need to raise capital by portraying favorable financial health, and pressure to maintain unsustainable growth rates. A 2024 study emphasized that personal financial need increases the risk of shenanigans, while strong corporate governance acts as a deterrent.

The AI Revolution in Accounting: A Double-Edged Sword

Artificial Intelligence is fundamentally transforming accounting practices, with the global AI-in-accounting market projected to grow at a 41.2% CAGR, reaching $88.2 billion by 2033. In India, adoption is accelerating, with 23% of businesses having implemented AI and 73% planning to expand its use in 2025, surpassing the global average of

52%. AI applications in accounting include automated transaction processing, natural language processing (NLP) for analyzing unstructured data, predictive analytics for forecasting trends, continuous auditing for real-time monitoring, and blockchain integration for tamper-resistant records. These capabilities enhance efficiency, accuracy, and scalability, allowing accountants to focus on strategic decision-making.

However, AI's role in financial integrity is paradoxical—it serves as both a powerful deterrent and a potential enabler of fraud. As a guardian, AI excels at detecting financial shenanigans through advanced techniques. Machine learning algorithms analyze entire datasets to identify anomalies, such as unusual expense patterns or irregular journal entries, with tools like EY's Helix GLAD detecting fraud in 2 out of 10 companies in a pilot study. Predictive analytics forecasts high-risk transactions, enabling proactive prevention, while NLP scans textual data like emails and contracts for inconsistencies. Automated auditing streamlines the review process, reducing manual effort and improving accuracy. Globally, AI-driven fraud detection systems have recovered over $4 billion in fraudulent payments, and in India, SEBI's use of AI in investigations exemplifies its potential.

Conversely, AI can be misused by fraudsters to perpetrate sophisticated scams. Adversarial AI systems can evade detection by studying and bypassing control mechanisms, while generative AI produces convincing forged documents, such as invoices and bank statements, that are difficult to detect. Deepfake technology enables scams like the $243,000 CEO voice cloning fraud, and AI-driven synthetic data generation creates fictitious transactions that appear legitimate. Deloitte predicts that AI-enabled fraud losses in the U.S. could rise from $12 billion in 2023 to $40 billion by 2027 if countermeasures lag. This technological arms race underscores the need for continuous innovation in fraud detection and robust regulatory frameworks.

AI-Driven Tools and Regulatory Initiatives

The accounting industry and regulators are actively leveraging AI to combat financial shenanigans. Continuous auditing platforms embedded in ERP systems cross-verify ledger entries in real-time, while tools applying Benford's Law detect unnatural number distributions in financial figures. NLP tools analyze contracts and emails for dubious language, and computer vision verifies the authenticity of scanned documents. Over 74% of financial organizations globally use AI to detect fraud risks, with systems like Deloitte's analytics platforms enabling 100% transaction testing. In India, fintech companies like StashFin use machine learning to identify fraudulent borrower activities, ensuring secure lending practices in a sector projected to reach $150 billion by 2025.

Regulators are also adapting to the AI era. SEBI's 2023 consultation paper proposed accountability for AI-driven decisions by market intermediaries, ensuring "algorithmic accountability." Internationally, the U.S. Securities and Exchange Commission (SEC) uses an Accounting Quality Model to score financial statements for earnings manipulation risk, while the U.S. Treasury's FinCEN has identified hundreds of millions in fraud through machine learning. The Reserve Bank of India collaborates with banks to flag suspicious transactions under anti-money laundering rules, complementing efforts to catch accounting fraud. However, a gap persists—20% of companies globally do not use data analytics to detect procurement fraud, highlighting organizational hurdles in adoption.

Challenges and Ethical Considerations

AI's integration into accounting brings significant challenges. Over-reliance on AI risks diminishing professional skepticism, as auditors may assume systems will catch all issues. AI models can miss novel fraud schemes or generate false positives, desensitizing staff to alerts. Bias in AI training data may lead to unfair targeting or oversight, and the opacity of "black box" algorithms complicates accountability in audit trails. Privacy and data security are also concerns, as AI systems require large datasets, necessitating compliance with privacy laws and robust data governance to prevent breaches that could aid fraudsters.

Ethical questions arise around AI-generated financial content. If management uses AI to draft annual reports or create synthetic financial statements, there's a risk of glossing over inconvenient truths, with executives potentially blaming AI for errors to evade responsibility. The Institute of Cost Accountants may need to issue guidelines requiring disclosure of AI use in financial reporting and mandating human review. High-profile AI-assisted frauds, like deepfake scams, could erode stakeholder trust if not addressed, emphasizing the need for a strong ethical culture alongside technological adoption.

The Evolving Role of Cost and Management Accountants

CMAs are uniquely positioned to champion financial integrity in this AI-driven landscape. Their role at the intersection of operations and finance provides a holistic view of how numbers are generated, enabling them to design robust internal controls in high-risk areas like pricing, procurement, and budgeting. By leveraging AI tools, CMAs can monitor key metrics—such as cost variances and revenue trends—flagging potential earnings management, such as consistent marginal tweaks to meet targets.

CMAs must also embrace upskilling, becoming conversant in AI, data analytics, and forensic techniques. The Institute of Cost Accountants of India can support this by incorporating AI and blockchain modules into professional development programs. CMAs who can collaborate with data scientists or interpret AI outputs will bridge the gap between technology and decision-making in boardrooms. In budgeting and performance evaluation, CMAs can promote realistic target-setting to reduce pressures that drive misreporting, validating AI-generated forecasts to ensure they are attainable without ethical compromises.

In governance, CMAs can formulate policies for AI use in finance, such as requiring human review of AI-flagged journal entries and overseeing robotic process automation to prevent unintended errors. They can also lead in ethical conduct, setting a tone of transparency by insisting on proper reconciliations and timely variance explanations, even under pressure. By responding swiftly to red flags—whether from AI alerts or employee tips—CMAs reinforce a zero-tolerance stance on malfeasance, combining management vision with divine insight to ensure financial numbers reflect reality.

The Indian Context: Opportunities and Challenges

India's rapid digitalization and growing fintech ecosystem present unique opportunities and challenges. The Indian Cybercrime Coordination Centre reported digital financial frauds worth Rs 1.25 lakh crore over the last three years, with bank frauds exceeding Rs 139 billion in FY 2024. Platforms like Clari5 demonstrate AI's relevance in managing financial crime risks, while the fintech sector's projected growth to $150 billion by 2025 underscores the need for robust fraud detection. India's strong IT foundation, government-led digitization initiatives, and young, skilled workforce position it to develop indigenous AI solutions for accounting.

However, challenges persist. Many Indian companies, especially MSMEs, struggle with standardized, digitized financial data, with 67% of accounting professionals citing data quality as a primary barrier to AI implementation. A skills gap exists, with only 8% of CMAs possessing advanced data science skills, and infrastructure limitations and high implementation costs (averaging Rs 1.2 crores) hinder adoption, particularly for smaller firms. Despite these hurdles, India's diverse business landscape offers opportunities to tailor AI solutions across market segments, supported by regulatory frameworks like SEBI's AI and Machine Learning Guidelines for Financial Markets (2024).

The Future Vision: AI-Enhanced Fraud Detection

Emerging trends will shape AI's role in combating financial shenanigans. Advanced analytics, including sentiment analysis of management communications, will enhance fraud detection, while blockchain integration promises transparent, tamper-proof financial records. Regulatory technology will help meet complex reporting requirements, reducing fraud risk. In India, initiatives like the National Strategy for Artificial Intelligence and ICAI's CA GPT platform, trained on 5,000 companies' financial data, position the country as a leader in AI-powered financial integrity. The Institute of Cost Accountants of India's AI Task Force, established in 2025, fosters collaboration among professionals, tech providers, regulators, and academia to create a robust ecosystem.

Conclusion: A Path to Corporate Excellence

Financial shenanigans remain a persistent threat, but AI offers a transformative opportunity to create transparent, accountable organizations. By investing in AI-driven controls and fostering ethical leadership, companies can balance technological vigilance with human oversight. Boards must prioritize integrity over short-term gains, asking not just "Are we hitting our numbers?" but "How are we hitting them?" Regulators should continue updating standards to ensure innovation in fraud detection keeps pace with deception.

For CMAs, this is a moment of empowerment. By mastering AI tools and grounding their work in ethical principles, they can provide a 360-degree vision—presenting financial results alongside AI-generated risk dashboards and actionable insights to preempt issues. This proactive governance epitomizes the CMA Vision, contributing to corporate excellence. While financial shenanigans may never be fully eradicated, vigilant professionals armed with AI can drastically reduce their impact. By embracing technology as a divine lens to foresee risks and reinforce ethical frameworks, CMAs can lead the journey toward a transparent, excellent corporate world, fulfilling the aspiration of "दिव्य–दृष्टि – Corporate Excellence – CMA Vision."

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fn0;&–f"V - CORPORATE EXCELLENCE - CMA VISION

Abstract

Corporate governance refers to the system of rules, practices, and processes by which companies are directed and controlled. It ensures transparency, accountability, and fairness in a company's relationship with all its stakeholders—shareholders, management, customers, government, and the community. The role of Cost and Management Accountants (CMAs) in enhancing corporate governance has become increasingly significant in today's dynamic business environment. Their expertise in financial analysis, cost control, risk management, and strategic planning uniquely positions them to contribute to good governance practices.

The **CMA vision** for corporate governance emphasizes ethical leadership, strong internal controls, performance management, and stakeholder engagement. CMAs act as strategic partners in value creation by ensuring efficient use of resources and promoting a culture of compliance and sustainability. Their analytical insights help organizations align corporate objectives with ethical practices and regulatory frameworks, thereby enhancing investor confidence and long-term sustainability.

CMAs also play a critical role in Enterprise Risk Management (ERM), identifying and mitigating financial and operational risks. Through their detailed costing techniques and performance measurement tools, they ensure that corporate strategies are both economically viable and socially responsible.

Furthermore, the CMA vision advocates for continuous professional development and technological adaptation to meet emerging challenges in governance. By integrating digital tools such as data analytics and AI into decision-making processes, CMAs can offer deeper insights and ensure governance structures remain agile and resilient.

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Introduction

The barometer of long-term success rests greatly on the measure of a business's performance termed "corporate excellence". There is an unprecedented shift in organizational focus and priorities regarding profit making and sustainability, ethical governance relations, innovation, and even stakeholder engagement. Shifting towards this level of corporate excellence requires vision, leadership, sound strategy, and perhaps most importantly, financial and managerial insight, hence the term 'Cost and Management Accountant' (CMA). The CMA vision for corporate excellence combines value creation and ethical stewardship, operational efficiency, and sustainable business practices.

This essay aims to expand on corporate excellence as a concept and as a lifestyle. It discusses the CMAs instrumental role in corporate excellence and how the strategic vision and professional insight of CMAs can drive the future of business on an international scale.

Understanding Corporate Excellence

Unlike financial performance, corporate excellence is multi-dimensional incorporating to embody attempts toward achieving goals such as:

Strategic Vision – Innovation driven market analysis and long term focus.

Operational Efficiency – Effective resource allocation along with streamlined processes.

Financial Strength – Comprehensive financial assessment, forecasting, and budgeting.

Ethical Governance – Compliance, transparency, and stakeholder trust.

Innovation and Adaptability – Readiness to adapt to technological changes and competitive dynamics.

Sustainability and Social Responsibility – Commitment to environmental, social, and governance (ESG) standards.

Achieving this level of excellence requires cross-functional synergy, where finance, operations, marketing, and governance operate in harmony.

The CMA Profession: A Strategic Enabler

A CMA is defined as having a comprehensive understanding of all aspects of cost management, financial strategy, performance management, internal controls, business analytics, and business intellect. Unlike accountants, who emphasize recording and reporting on an organization's historical records, CMAs facilitate planning, controlling, and decision-making by helping management look forward and strategize.

As far as cost cutters and business enhancers go, CMAs most certainly can do the following:

Cost Optimization: Recognizing the factors that lead to higher cost, eliminating useless activities with little positive impact, and optimizing enhancement.

Performance Measurement: Setting up and measuring KPI outputs.

Strategic Planning: Imbedding insight into market movements, psychology behind price setting, and competition.

Risk Management: Assessing financial and operational risks and suggesting ways to eliminate them.

Sustainability Accounting: Estimating the effect of businesses actions on eco-friendly and social variables.

By employing these competencies into the organizational processes, CMAs craft and influence organizational strategies and serve as a driver for corporate excellence.

CMA Vision for Corporate Excellence

Vision of CMA community is to be considered as one of the most sustainable economic showcasing businesses alongside organizational excellency. This vision is based on transparency, accountability, efficiency, innovation, and many more. Go forward, let us breakdown this vision components.

1. Value Creation through Cost and Performance Management

Every company today competes to offer better value for services and products. Cost Management Accountants possess the unique skills that allow them to evaluate the cost-benefit relation on each business activity performed. They assist in organizational waste reduction and customer value increase through activity based costing, lean management, and value chain analysis.

CMAs are able to accomplish and monitor strategic objectives through operational execution with the help of performance management tools such as the Balanced Scorecard.

2. Strategic Decision Support

Corporate decision making is the fulcrum towards attaining excellence in any domain of the business. Data analysis, predicting future trends, business forecasting, and scenario planning are some of the means used by CMAs to assist the top management with achieving the necessary objectives. Be it entering a new market or launching a new product, changing the complete organizational structure or establishing the new business units, CMAs clear the view from the financial side and along with the necessary guidance help from the business angle.

By analyzing the raw data and transforming it into data-rich information, available intelligence, and turning it into strategic intelligence helps the organization take quick and evidence-based decisions which aid in achieving the success goal.

3. Sustainability and ESG Leadership

Today you cannot claim business excellence without having sustainability. Sustainability caps off corporate excellence. Business have increasingly come under the scrutiny of investors, regulators, and consumers. CMAs have integrated reporting, carbon accounting, and measuring business performance against sustainability goals.

Employing sustainability costing, CMAs manage the negative impacts of environmental damage or social non-compliance to ensure that businesses adopt social responsibility to help sustain the planet.

4. Corporate Governance and Ethics

Governance failures and corporate scandals have affected many companies, thus raising the need for ethical leadership and internal controls. As watchful stewards of the organization's integrity, CMAs ensure that laws, standards, and codes of conduct are comply with. They assist in the formulation and implementation of internal control systems aimed at fraud prevention and risk minimization while fostering accountability.

The vision of the CMA incorporates ethical aspects of performance alongside profit as a corporate measure.

5. Technology Integration and Innovation

Digitization is transforming industries. As such, CMAs have integrated ERP systems, AI, blockchain, and robotic process automation to refine financial functions. These technologies enable CMAs to automate mundane activities, allowing them to engage in strategic evaluation and innovative initiatives.

Data governance, cyber risk assessment, and fintech adoption are other initiatives led by CMAs that position businesses at the forefront of the digital economy.

Global Perspective and the Role of CMAs

CMAs are globally accepted as professionals and major players capable of adding strategic value across industries. In the economy such as the US, the UK,

Internationally, CMAs collaborate with global bodies like:

IFAC (International Federation of Accountants)

IMA (Institute of Management Accountants)

CIMA (Chartered Institute of Management Accountants)

This global integration enhances knowledge exchange and strengthens the global vision of corporate excellence.

In India, the Institute of Cost Accountants of India (ICAI-CMA) plays a pivotal role in shaping national economic policies, advising the government, and promoting cost competitiveness.

CMA-Driven Strategies for Achieving Corporate Excellence

To translate vision into reality, CMAs drive specific strategies:

1. Enterprise Risk Management (ERM)

Identifying and managing enterprise-wide risks—from supply chain disruptions to currency fluctuations—is critical. CMAs develop ERM frameworks that provide a structured approach to anticipating and mitigating risks.

2. Strategic Cost Management

CMAs implement advanced cost management tools to align cost structures with business models. These include:

Target costing

Life cycle costing

Throughput accounting

Such techniques enable companies to maintain profitability in competitive environments.

3. Business Process Reengineering (BPR)

CMAs are involved in redesigning processes for greater efficiency. By analyzing workflows, removing redundancies, and implementing automation, they help in transforming business operations.

4. Sustainability Reporting and Compliance

CMAs facilitate compliance with frameworks like:

Global Reporting Initiative (GRI)

Integrated Reporting (<IR>)

Sustainability Accounting Standards Board (SASB)

This promotes stakeholder trust and enhances corporate image.

5. Capacity Building and Talent Development

CMAs contribute to building a culture of excellence by mentoring teams, promoting learning, and upskilling employees in financial literacy and performance metrics.

Challenges and the Path Forward Although CMAs are key players, the following challenges arise:

Changing Regulatory Environment: Ever-changing taxation rules, ESG compliance, and financial reporting principles necessitate on-going learning.

Digital Disruption: Coping with AI, big data, and analytics requires being tech-aware.

Globalization: Navigating cross-border complexities and currency variations.

Pressure from Stakeholders: Walking a tightrope between shareholder pressures and environmental and social considerations. To overcome them, CMAs need to adopt a growth mindset, engage in lifelong learning, and encourage interdisciplinary collaboration.

Conclusion

Corporate excellence is not a destination but an ongoing journey of value creation, innovation, and accountability. On this journey, CMAs are the guides—armed with the tools of cost management, financial strategy, ethics, and technology. The CMA vision fits the new definition of corporate excellence, where profit meets purpose and strategy meets sustainability.

As organizations confront greater complexity and disruption, CMAs are stepping up to the challenge—not only as accountants, but as strategic business leaders. With their vision-driven mindset and dedication to ethical excellence, CMAs are critical to creating corporations that are resilient, respected, and responsible. In the years ahead, the synergy between CMA strengths and corporate aspirations will shape the new frontier of excellence—a future where businesses don’t merely succeed but inspire.

CORPORATE EXCELLENCE AMID FINANCIAL SHENANIGANS AND THE RISE OF AI IN ACCOUNTING

Abstract

In the high-stakes world of corporate success, the pursuit of excellence often dances a fine line with financial creativity—sometimes veering into outright shenanigans. Meanwhile, artificial intelligence (AI) is reshaping accounting, promising precision and transparency while introducing new complexities. This article explores how companies strive for greatness, occasionally flirt with financial mischief, and leverage AI to navigate the turbulent waters of modern accounting.

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The Quest for Corporate Excellence

Corporate excellence is more than a buzzword; it's a relentless drive to outperform competitors, delight stakeholders, and dominate markets. It demands innovation, efficiency, and adaptability—qualities exemplified by firms like Apple, which redefined consumer tech, or Toyota, with its lean manufacturing revolution. But excellence isn't just about products or processes; it's about trust. Stakeholders expect consistent growth, ethical governance, and, crucially, financial integrity.

Yet, the pressure to deliver can tempt companies to bend the rules. Financial shenanigans—creative accounting, revenue inflation, or off-balance-sheet maneuvers—often emerge when ambition outpaces reality. These tactics may burnish short-term results but risk long-term ruin, as history shows.

Financial Shenanigans: A Perilous Shortcut

The corporate graveyard is littered with cautionary tales of financial missteps. Enron's collapse in 2001 remains the poster child, with its labyrinth of off-shore entities and mark-to-market accounting that hid billions in debt. WorldCom followed, inflating revenues through fraudulent entries until its $11 billion scandal unraveled. More recently, Wirecard's 2020 implosion exposed a €1.9 billion hole in its books, masked by fabricated profits and lax oversight.

These cases share a pattern: executives under pressure to meet lofty targets, exploiting accounting loopholes to paint a rosy picture. Techniques like "channel stuffing" (flooding distributors with excess inventory to book sales) or "cookie-jar reserves" (stashing profits for lean times) can temporarily fool markets. But when the truth emerges, stock prices crater, lawsuits pile up, and reputations shatter.

The irony? These firms often started with genuine excellence—innovative products, bold strategies—before hubris and greed led them astray. The lesson is clear: sustainable success hinges on transparency, not sleight-of-hand.

AI in Accounting: A Double-Edged Sword

Enter artificial intelligence, a game-changer for corporate accounting. AI's ability to process vast datasets, detect patterns, and automate tasks is revolutionizing how companies manage their books. But it's not a silver bullet—it brings both unprecedented opportunities and new risks.

The Promise of AI

1. **Accuracy and Efficiency**: AI-powered tools like BlackLine or Xero automate reconciliations, reducing human error. Machine learning algorithms analyze transactions in real time, flagging anomalies that might indicate mistakes—or fraud.
2. **Predictive Insights**: AI models forecast cash flows, optimize budgets, and identify cost-saving opportunities. For instance, IBM's Watson has been used to streamline tax planning, saving corporations millions.
3. **Compliance**: With regulations like IFRS and GAAP growing more complex, AI ensures adherence by cross-referencing entries against global standards. It's like having a tireless auditor who never sleeps.
4. **Fraud Detection**: AI's pattern recognition outshines traditional methods. A 2023 study by the Association of Certified Fraud Examiners found that organizations using AI detected fraud 30% faster than those relying on manual audits.

These capabilities empower companies to uphold financial integrity, aligning with the ethos of corporate excellence. Smaller firms, once priced out of sophisticated accounting systems, can now access cloud-based AI tools, leveling the playing field.

The Pitfalls

Yet, AI isn't foolproof. Overreliance on algorithms can breed complacency. If poorly designed, AI systems may miss nuanced fraud—like Enron-style schemes that exploit loopholes beyond coded parameters. Data quality is another hurdle; garbage in, garbage out. A 2024 PwC report noted that 40% of AI accounting errors stemmed from flawed input data.

Moreover, AI can be weaponized for shenanigans. Sophisticated algorithms can manipulate financial models to obscure losses or inflate valuations, evading detection by less advanced auditors. Imagine a rogue CFO using generative AI to craft plausible but fictitious transactions—harder to spot than a forged ledger.

Ethical concerns loom large. Who's accountable when AI missteps? The programmer? The CFO? Bias in AI models—say, prioritizing short-term gains over long-term stability—can also skew decision-making, echoing the same pressures that fuel financial misconduct.

Balancing Act: Excellence, Ethics, and AI

To achieve true corporate excellence, companies must harness AI's potential while guarding against its risks and resisting the lure of financial shortcuts. Here's how:

1. **Robust Governance**: Boards must prioritize ethical accounting, with independent audits to complement AI systems. Regular stress-testing of AI tools ensures they catch fraud, not enable it.
2. **Transparency**: Clear, jargon-free financial reporting builds trust. AI can help by generating stakeholder-friendly dashboards, demystifying complex data.
3. **Human Oversight**: AI is a tool, not a replacement. Skilled accountants must interpret its outputs, challenging anomalies and questioning overly optimistic projections.
4. **Continuous Learning**: As regulations and fraud tactics evolve, so must AI models. Companies should invest in

training both staff and algorithms to stay ahead of the curve.

Complex Landscape from CMA's Lens

Cost and management accountants (CMAs) are the unsung navigators of corporate success, steering businesses through financial complexities to achieve excellence. Their focus on cost control, performance analysis, and strategic decision-making places them at the heart of balancing profitability with integrity. However, the temptation of financial shenanigans—manipulative accounting practices—can undermine their efforts, while the rise of artificial intelligence (AI) in accounting offers transformative tools alongside new challenges. This article dives deeper into these dynamics from a CMA's viewpoint, building on the interplay of corporate ambition, ethical pitfalls, and technological disruption.

From a cost and management accountant's lens, corporate excellence is a delicate balance of efficiency, integrity, and foresight. Financial shenanigans—whether misallocated costs or padded budgets—distort the clarity CMAs strive for, threatening sustainable growth. AI offers a lifeline, automating grunt work and sharpening insights, but it's no panacea. Without vigilant oversight, it can amplify errors or enable new forms of manipulation.

CMAs stand at a pivotal juncture. By harnessing AI to optimize costs, detect fraud, and inform strategy—while guarding against its misuse—they can drive their firms toward true excellence. The path isn't easy; it demands technical savvy, ethical courage, and a relentless focus on value creation. But for CMAs who rise to the challenge, the reward is clear: a legacy of steering businesses to prosperity, not through shortcuts, but through principled precision.

AI in Accounting: A CMA's Ally and Adversary

AI is reshaping cost and management accounting, offering tools to enhance precision and foresight. For CMAs, it's a double-edged sword: a powerful ally for driving efficiency, but a potential adversary if misused or misunderstood.

Opportunities for CMAs

1. **Cost Optimization**: AI algorithms analyze procurement data to identify cost-saving opportunities, like negotiating better supplier contracts. For example, SAP's Ariba uses AI to streamline purchasing, helping CMAs reduce material costs by up to 15%, per a 2024 Deloitte study.
2. **Real-Time Variance Analysis**: Tools like Oracle Net embodiments enable continuous monitoring of standard vs. actual costs. CMAs can pinpoint inefficiencies—like excessive machine downtime—instantly, rather than waiting for month-end reports.
3. **Predictive Budgeting**: Machine learning models, such as those in Adaptive Insights, forecast demand and cost trends with 90% accuracy, per a 2023 Gartner report. This empowers CMAs to craft dynamic budgets that adapt to market volatility.
4. **Activity-Based Costing (ABC)**: AI refines ABC models by allocating overheads with granular precision. For instance, a CMA at a logistics firm could use AI to assign fuel costs based on real-time route data, improving pricing accuracy.
5. **Fraud Detection**: AI flags suspicious cost entries—like inflated vendor invoices—faster than manual checks. A 2024 IMA study found that AI reduced cost-related fraud losses by 25% in adopting firms.

These tools free CMAs from mundane tasks, letting them focus on strategic roles like advising on product mix or capital budgeting. Small and mid-sized enterprises, often constrained by lean accounting teams, benefit most, as cloud-based AI platforms like QuickBooks Advanced democratize access to sophisticated analytics.

Challenges for CMAs

Despite its promise, AI poses challenges that CMAs must navigate:

- **Data Dependency**: AI's accuracy hinges on clean data. If a firm's ERP system is riddled with errors—say, mislogged production costs—AI outputs will mislead CMAs, amplifying mistakes in cost allocation or forecasting.

- **Overreliance Risk**: Blind trust in AI can dull a CMA's skepticism. For example, an algorithm might miss contextual fraud, like a manager disguising personal expenses as R&D costs, which a seasoned CMA might catch through intuition.
- **Manipulation Potential**: Unscrupulous managers could exploit AI to hide shenanigans. By tweaking input parameters—say, inflating projected yields in a cost model—AI could generate falsely optimistic reports, deceiving stakeholders and CMAs alike.
- **Ethical Dilemmas**: If AI flags a cost anomaly, who decides whether it's fraud or a legitimate variance? CMAs must balance algorithmic insights with professional judgment, ensuring fairness without slowing decision-making.

The Road Ahead

Corporate excellence thrives on integrity, innovation, and adaptability—qualities that AI can amplify when wielded wisely. Financial shenanigans, while tempting, are a dead end; they erode trust and invite ruin. AI in accounting offers a path to precision and accountability, but only if companies remain vigilant against its pitfalls.

The future belongs to firms that blend cutting-edge technology with old-school ethics. By embracing AI as a partner—not a crutch—and rejecting the shortcuts of creative accounting, corporations can achieve lasting excellence, not fleeting glory. In a world where trust is the ultimate currency, that's a balance sheet worth celebrating.

In 2025, corporate excellence hinges on the ability of cost and management accountants to harness AI's potential while guarding against financial shenanigans. AI offers a pathway to precision and accountability, with benefits like automation and predictive analytics transforming accounting practices. Yet, its misuse could enable deceptive practices, undermining trust. The evidence leans toward a future where AI and human expertise synergize, with CMAs leading the charge by upholding ethical standards and leveraging technology responsibly.

By embracing AI as a partner—not a crutch—and rejecting the shortcuts of creative accounting, accountants can drive their firms toward sustainable success. The path demands technical savvy, ethical courage, and a relentless focus on value creation, ensuring that financial practices remain a cornerstone of corporate excellence.

fn0;&–f"V CORPORATE EXCELLENCE - CMA VISION FOR A PROGRESSIVE INDIA

Abstract

The Pivotal Role of Cost and Management Accountants
in
Fostering Corporate Excellence in India

Cost and Management Accountants (CMAs) play a crucial role in driving corporate excellence and economic resilience in India. This article highlights their impact on financial prudence, strategic cost management, sustainability integration, ethical governance, and the adoption of technological innovations. [1] Through analysis and real-world examples, it demonstrates how CMAs shape corporate strategy, foster ethical practices, and promote sustainable growth, positioning them as vital architects of global competitiveness.

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Introduction

Corporate excellence is an evolving concept, encompassing economic profitability, ethical governance, stakeholder satisfaction, and long-term sustainability. India, positioned as an emerging global leader, requires corporate structures that balance financial success with socioeconomic contributions.

CMAs, trained in financial strategy, cost efficiency, audit frameworks, and compliance, have a unique vantage point in shaping India's corporate future. Their दिव्य–दृष्टि —a visionary perspective—enables organizations to optimize resources, mitigate risks, and integrate sustainability into long-term planning.

Defining Corporate Excellence

Corporate excellence is not merely a function of profitability but involves:

1. Financial Prudence : Cost efficiency and resource allocation.
2. Sustainability & ESG Compliance : Integration of environmental, social, and governance principles.
3. Ethical Governance : Transparent leadership and adherence to regulatory frameworks.
4. Technological Advancement : Adoption of AI, blockchain, and data analytics for efficient management.
5. Global Competitiveness : Strengthening Indian corporations' adaptability in international markets.

My article is attempting to highlight these above identified five pillars using empirical evidence and the real-world applications of CMA-led strategies.

The Role of CMAs in Corporate Excellence

CMAs are increasingly viewed as custodians of corporate success, steering businesses toward financial resilience and strategic agility.

1. Strategic Cost Management: Enhancing Financial Efficiency

Cost optimization remains one of the fundamental contributions of CMAs to corporate success. By employing ActivityBased Costing (ABC), Lean Management, and Total Cost of Ownership (TCO), CMAs help firms minimize waste, improve efficiency, and reduce overheads.

Case Study: Reliance Industries' Cost Optimization Strategies

Reliance Industries, one of India's largest conglomerates, revamped its cost structure through lean methodologies and ABC costing models, reducing operational inefficiencies by 18%. CMAs played an instrumental role in evaluating production bottlenecks and implementing resource allocation strategies.

Statistical Insight

A 2024 study conducted by ICMAI revealed that companies with structured cost management frameworks experienced an increase in profit margins by 20% and a decrease in cost leakages by 15%.

Diagram 1

A comparative analysis of profitability trends between firms employing ABC costing versus traditional accounting methods.

2. Sustainability and ESG Integration

Today's corporations are increasingly judged on their environmental and social impact. CMAs contribute significantly to ESG reporting, ensuring compliance with SEBI's Business Responsibility and Sustainability Reporting (BRSR) mandates.

Case Study: Tata Steel's Sustainability Leadership

Tata Steel implemented Green Accounting with CMAdriven ESG frameworks, reducing carbon emissions by 30% in four years. Its sustainability reporting, designed by CMA professionals, became a model for ESG transparency.

Global Benchmarking

CMAs in Europe and the US are spearheading carbon pricing models, a practice Indian firms must embrace. According to PwC's 2024 report, companies integrating ESG in financial decisionmaking observed a 25% higher investor trust and an 18% improvement in brand reputation.

Diagram 2

Bar graph showcasing the ESG compliance growth among Indian corporations from 2021 to 2024.

3. Governance and Ethical Compliance

Corporate governance drives investor confidence and stakeholder trust. CMAs ensure risk mitigation, internal audits, fraud detection, and ethical leadership.

Case Study: Infosys' Governance Framework

Infosys has been at the forefront of ethical leadership. With CMAs leading financial governance models, its fraud prevention mechanisms improved transparency, reducing regulatory concerns.

Statistical Insight

A comparative study indicated that companies with CMAled governance frameworks witnessed a 30% increase in investor inflow and a 22% improvement in corporate stability.

Diagram 3

Flowchart representing CMA contributions to governance and risk mitigation.

4. Technological Empowerment: The Digital CMA

CMAs today operate in a datadriven, AIassisted business environment. Technologies like Blockchain, Predictive Analytics, and RPA (Robotic Process Automation) are transforming financial strategy.

Case Study: HDFC Bank's AI Implementation

HDFC Bank deployed AIdriven financial forecasting models, integrating CMA expertise into risk assessments. Predictive analytics improved the bank's efficiency by 25%, making fraud detection 40% faster.

Diagram 4

Process map showcasing AI and Blockchain applications in corporate financial management.

5. PublicPrivate Partnerships (PPPs) and MSME Support

CMAs play a crucial role in bridging the gap between government policies and corporate adaptability. MSMEs, which contribute 30% to India's GDP, require CMAled initiatives for financial literacy and sustainability.

Case Study: Odisha's PPP Model

Under the Odisha government's PPP framework, CMAs worked with policymakers to develop costefficient infrastructure financing, benefiting industries like mining and tourism.

Challenges in Achieving Corporate Excellence

While CMAs are instrumental in reshaping corporate structures, they face several challenges.

Key Obstacles

1. Limited Awareness SMEs and startups underutilize CMA expertise.
2. Technological Disruptions Continuous skill upgradation is required.
3. Regulatory Complexities Navigating international standards demands CMA adaptation.

Future Roadmap: CMA Vision for 2030

1. Strengthening Global Collaborations Aligning CMA practices with International Financial Reporting Standards (IFRS).
2. Accelerating ESG Implementation Creating Sustainability Accounting Standards for Indian corporations.
3. Expanding Technological Adoption Integrating AI and blockchain into costing models and risk mitigation strategies.

Conclusion

The दिव्य–दृष्टि of CMAs embodies a futuristic, strategic vision for corporate excellence. By integrating cost optimization, sustainability, governance, technological empowerment, and PPPdriven financial literacy, CMAs will continue to play a transformational role in shaping India's corporate landscape. As India progresses toward a $10 trillion economy, the CMA community's contributions will define how businesses measure success in a globally competitive and ethically responsible manner.

The दिव्य–दृष्टि (divine vision) of Cost and Management Accountants (CMAs) represents a forward-looking, strategic perspective that aligns with the evolving needs of India's corporate and economic landscape. This vision transcends traditional accounting roles, positioning CMAs as key drivers of corporate excellence through a multifaceted approach. At the heart of this vision lies cost optimization—not merely reducing expenses, but fostering efficiency, value creation, and sustainable profitability.

Sustainability is another cornerstone, as CMAs champion responsible business practices that balance economic growth with environmental stewardship and social accountability. By embedding sustainability into financial decision-making, CMAs help businesses align with global ESG (Environmental, Social, Governance) standards, enhancing long-term resilience and reputation.

Governance remains pivotal in this vision, with CMAs upholding transparency, ethical conduct, and compliance across corporate processes. Their role in ensuring accountability strengthens investor confidence and stakeholder trust, both vital for global competitiveness. Technological empowerment further enhances this vision, as CMAs leverage data analytics, AI, and automation to drive insightful decision-making and real-time reporting, transforming financial management into a strategic function.

Additionally, CMAs play a critical role in fostering financial literacy, especially through Public-Private Partnerships (PPP). By bridging knowledge gaps among businesses and communities, they contribute to inclusive economic participation and grassroots enterprise development.

As India charts its path toward becoming a $10 trillion economy, the CMA community stands poised to redefine corporate success—not solely in terms of financial gains, but through a holistic blend of competitiveness, ethics, sustainability, and social impact. Their दिव्य–दृष्टि will continue to shape a more responsible and resilient corporate India.

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RECIPE OF REPORTING: BLENDING IND AS, BRSR & ESG FOR SUSTAINABLE SUCCESS

Abstract

Financial reporting today goes beyond just numbers and financial statements, as it now incorporates values like responsibility, transparency, and trust. This shift has led to the integration of three key frameworks: ***Ind AS (Indian Accounting Standards), BRSR (Business Responsibility and Sustainability Reporting),*** and ***ESG (Environmental, Social, and Governance),*** which together provide a more comprehensive view of a company's performance. These standards ensure that companies report not only their financial health but also their commitment to sustainability, governance, and social responsibility.

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INTRODUCTION

Financial reporting once involved simply balance sheets and profit & loss statements. ***In today's world, business growth is not merely about bottom-line. It's about responsibility, transparency, and trust.***

Nowadays, stakeholders such as investors, customers, and even governments are demanding more. This need gave rise to an evolution in financial reporting, which combines:

- **Ind AS (Indian Accounting Standards)**
- **BRSR (Business Responsibility & Sustainability Reporting)**
- **ESG (Environmental, Social, and Governance)**

Collectively, they form an overall picture of a company's performance, not merely in figures, but in values, impact, and sustainability.

THE INGREDIENTS

Indian Accounting Standards (Ind AS):

Ind AS are a set of accounting principles issued by the Ministry of Corporate Affairs, India, that are largely converged with International Financial Reporting Standards (IFRS). ***They provide a uniform framework for preparing and presenting financial statements of companies in India, ensuring consistency, transparency, and comparability.***

Ind AS, is a India's version of IFRS, provides the **base layer of transparency** in financial reporting. It ensures that financial statements reflect true and fair views of an entity's performance and position. Key features include:

- **Fair Value Measurements**
- **Substance over Form**
- **Comprehensive Disclosure Requirements**

However, Ind AS focuses primarily on financial - what can be measured in numbers. *It tells the story of **what has happened**, not necessarily why or how it aligns with long-term sustainability goals.*

Benefits of Ind AS

- **Enhanced Comparability**: By aligning with IFRS, Ind AS enables investors and stakeholders to compare Indian companies with their global peers seamlessly.
- **Improved Transparency:** Fairvalue measurements and robust disclosures present a clearer picture of an entity's financial position and performance.
- **Investor Confidence**: Consistent, highquality reporting attracts foreign investment and boosts confidence among lenders and analysts.
- **Reduced Reporting Gaps**: Convergence minimizes the need for reconciliations between Indian GAAP and IFRS, lowering compliance effort and cost for multinational entities.
- **Better DecisionMaking**: Principlebased guidance encourages management to reflect the economic reality of transactions, aiding more informed business decisions.

Example:

1. https://www.wipro.com/content/dam/nexus/en/subsidiaries/2023-2024/the-capital-markets-company-bv-belgium.pdf
2. https://www.wipro.com/content/dam/nexus/en/investor/annual-reports/2023-2024/integrated-annual-report-2023-24.pdf

Business Responsibility and Sustainability Report (BRSR):

The BRSR is a standardized disclosure framework introduced by India's Securities and Exchange Board (SEBI). It replaces the erstwhile Business Responsibility Report (BRR) and aligns Indian listed companies' nonfinancial disclosures with global best practices on environmental, social and governance (ESG) performance.

The introduction of BRSR by SEBI (mandatory for top 1000 listed entities) marks India's regulatory leap into integrated reporting. **BRSR gives structure to non-financial disclosures across 9 principles of the National Guidelines on Responsible Business Conduct (NGRBC),** such as:

- **Ethics & Transparency:** Operate with integrity, transparency, and accountability.
- **Product Responsibility:** Ensure sustainability and safety of products across their lifecycle.
- **Employee Well-being:** Promote and protect the well-being of all employees.
- **Stakeholder Engagement:** Be responsive to all stakeholders, especially the vulnerable.
- **Human Rights:** Respect and uphold human rights across operations.
- **Environmental Care:** Protect, restore, and sustain the environment.
- **Responsible Advocacy:** Influence policy in a responsible and transparent way.
- **Inclusive Growth:** Support equitable development and community welfare.
- **Customer Centricity:** Provide value responsibly and transparently to consumers.

It acts as the **nutritional label** of the corporate dish, telling investors and stakeholders about the quality of governance, environmental care, and social responsibility behind financial numbers.

Benefits of BRSR

- **Enhanced Transparency:** Investors, lenders and other stakeholders gain a clear, comparable view of a company's ESG risks and performance.
- **Improved Access to Capital:** Demonstrating sound sustainability practices can lower borrowing costs and attract ESGfocused funds.
- **Risk Mitigation:** Systematic reporting helps identify and manage environmental and social risks before they crystallize.
- **Regulatory Compliance:** Aligns with global norms (e.g., GRI, TCFD) and satisfies SEBI's mandatory requirements, reducing the need for parallel disclosures.
- **Stakeholder Trust:** Publicly committing to responsible business practices strengthens brand reputation among customers, employees and communities.
- **Strategic DecisionMaking:** Data from BRSR enables management to benchmark performance, set meaningful targets, and track progress over time.

Example:

1. https://www.tatasteel.com/media/21242/business-responsibility-and-sustainability-report.pdf
2. https://www.wipro.com/content/dam/nexus/en/sustainability/sustainability_reports/wipro-sustainability-report-fy-2023-2024.pdf
3. https://www.infosys.com/investors/reports-filings/annual-report/annual/documents/2022-23/business-responsibility-and-sustainability-report.pdf

Environmental, Social and Governance (ESG)

ESG stands for **Environmental, Social, and Governance**—three key dimensions used to evaluate a company's sustainability practices and ethical impact. Rather than focusing solely on financial returns, ESG looks at how a business manages risks and opportunities related to environmental stewardship, social responsibility, and the quality of its leadership and controls.

ESG reporting, though voluntary in many cases, is increasingly driven by **investor appetite and global benchmarks** (like GRI, SASB, TCFD). ESG adds:

- **Forward-looking narratives**
- **Risk management insights**
- **Stakeholder capitalism principles**

While BRSR is India-specific and structured, ESG allows flexibility to adapt to global best practices. ***It's the garnish that gives color and appeal to the main financial dish—especially for international investors and global sustainability indices.***

Benefits of Adopting ESG Practices

- **Risk Management**: Proactively identifies and mitigates environmental and social risks (e.g., regulatory fines, supplychain disruptions) before they escalate.
- **Access to Capital**: Companies with strong ESG profiles often enjoy lower cost of capital and broader funding opportunities, as many investors now integrate ESG criteria into their decisionmaking.
- **Enhanced Reputation & Brand Loyalty**: Demonstrating genuine commitment to sustainability and ethics builds trust with customers, employees, and communities—boosting loyalty and competitive positioning.
- **Operational Efficiency**: Environmental initiatives (like energy or water conservation) and stronger governance controls can lead to cost savings, streamlined processes, and reduced waste.

- **Regulatory Compliance & Preparedness**: Staying ahead of evolving ESG regulations—both in India and globally—reduces the risk of penalties and ensures a smoother path when new standards emerge.
- **LongTerm Value Creation**: Companies that balance profit with purpose are better positioned for sustainable growth, attracting longterm investors and driving shareholder value over time.

Example:

1. https://www.tatasteel.com/sustainability/esg-indicators-factsheet
2. https://www.wipro.com/content/dam/nexus/en/investor/annual-reports/2023-2024/wipro-esg-dashboard-fy23-24.pdf
3. https://www.infosys.com/content/dam/infosys-web/en/about/corporate-responsibility/esg-vision-2030/index.html

WHY THESE THREE ARE THE NEW "RECIPE"

In the evolving world of finance, the recipe for effective financial reporting is no longer limited to the traditional ingredients of accounting standards and regulatory compliance. Today, stakeholders demand a dish that is richer, more insightful, and infused with sustainability.

The perfect blend involves three key ingredients:

Ind AS (Indian Accounting Standards),

BRSR (Business Responsibility and Sustainability Reporting), and

ESG (Environmental, Social, and Governance) disclosures.

A truly appetizing financial report integrates all three ingredients:

- Use **Ind AS** for robust financials,
- Apply **BRSR** for structured sustainability alignment, and
- Embed **ESG** for global resonance and value storytelling.

Example: A Listed Manufacturing Company

- **Ind AS**: Disclosed reduced profits due to higher depreciation from green machinery.
- **BRSR**: Highlighted reduced carbon emissions and improved employee safety scores.
- **ESG**: Shared roadmap for net-zero targets by 2040, winning investor confidence and increasing market cap.

CASE STUDIES EXAMPLES

WIPRO

Wipro, as a global leader in IT services and consulting, has embedded transparency and sustainability into its core reporting and operational strategies. If you see at their portal [https://www.wipro.com/investors/annual-reports], the company published the Annual Financial Report as well as ESG/Sustainability report for FY 2024-25.

ABOUT THE REPORT

We are happy to present our 10th Integrated Annual Report. This Report includes financial and non-financial performance of our IT business and is aligned to principles of Integrated Framework (updated January 2021), now part of IFRS Foundation.

Reporting Framework

In addition, this Report is aligned to the Integrated Reporting Framework by the International Sustainability Standards Board (ISSB), Sustainability Accounting Standards Board (SASB), ISO 14064, United Nation Global Compact (UNGC), WEF Stakeholder Capitalism metrics and Business Responsibility and Sustainability Report (BRSR) requirements of Securities and Exchange Board of India (SEBI). The Climate Risk and Environmental Sustainability sections of this report includes the recommendations set out by the Task Force on Climate-related Financial Disclosures (TCFD) and the IFRS S1/S2 standards.

Reporting Scope and Boundary

The Report complies with financial and statutory data requirements of the Companies Act, 2013 (including the Rules made thereunder), Accounting Standards, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Secretarial Standards, as may be applicable.

Wipro's **Integrated Annual Report 202425 -Integrated-annual-report-2024-25.pdf (https://www.wipro.com/content/dam/nexus/en/investor/annual-reports/2024-2025/Integrated-annual-report-2024-25.pdf)**.

The company demonstrates this through:

- **Integrated Reporting Framework (Ind AS + IFRS-based Integrated Framework)**
- **Business Responsibility & Sustainability Report (BRSR)**
- **ESG & Sustainability Highlights**

Value Creation & Financial Resilience (FY 2024–25 financial review):

- On a standalone basis, your Company's sales increased to Rs.672,928 million for the current year as against Rs.667,924 million in the previous year, recording an increase of 0.75%. Your Company's net profit increased to Rs.107,924 million in the current year as against Rs.91,186 million in the previous year, recording an increase of 18.36%.
- The economic interest of two-thirds of the Company's shares is earmarked for philanthropy through the Azim Premji Foundation, working towards developing a just, equitable, humane, and sustainable society. Wipro is globally appreciated for our unwavering commitment to sustainability. As a founding member of 'Transform to Net Zero', the Company aims to achieve the goal of zero-carbon emissions worldwide by 2040.
- WIPRO monitor 7 ESG goals and report them every quarter to the Wipro Executive Committee. The goals address the following: • Climate • Water • Employee training and well-being • Community-related targets on access to education and healthcare • Governance-related targets on cybersecurity and training Our climate targets are science-based and ambitious: • Net Zero on Scope 1, 2 and 3 emissions by 2040 • 100% renewable energy by 2030, as per RE 100 commitments.
- The MD&A Report provides a consolidated perspective of economic, social and environmental aspects material to Company's strategy and its ability to create and sustain value to its key stakeholders and includes aspects of reporting as required by Regulation 34 of the Listing Regulations on Business Responsibility and Sustainability Report.
- Company provides the prescribed disclosures in new reporting requirements on Environmental, Social and Governance ("ESG") parameters called the Business Responsibility and Sustainability Report ("BRSR") which includes performance against the nine principles of the National Guidelines on Responsible Business Conduct and the report under each principle which is divided into essential and leadership indicators.

Legal Framework, Notifications & References:

1. Indian Accounting Standards (Ind AS)

Ind AS is governed and enforced under the **Companies Act, 2013**, and aligned with **International Financial Reporting Standards (IFRS)**.

Governing Authorities:

- **Ministry of Corporate Affairs (MCA)**
- **National Financial Reporting Authority (NFRA)**
- **Institute of Chartered Accountants of India (ICAI)** – assists in formulation and guidance.

Key Provisions:

- **Section 133 of the Companies Act, 2013** empowers the Central Government to prescribe accounting standards. (https://www.mca.gov.in/Ministry/pdf/CompaniesAct2013.pdf)
- Ind AS is **notified by MCA** under Companies (Indian Accounting Standards) Rules, 2015. (https://www.mca.gov.in/Ministry/pdf/Notification_20022015.pdf)
- Applicable in a **phased manner** based on company net worth and listing status.

Mandatory for:

- Listed companies and unlisted companies with a net worth ≥ ₹250 crore.
- Holding, subsidiary, associate, and joint venture companies of such companies.

2. Business Responsibility and Sustainability Reporting (BRSR)

Legal Framework

BRSR is part of **SEBI's Listing Obligations and Disclosure Requirements (LODR)** regulations.

Governing Authority:

- **Securities and Exchange Board of India (SEBI)**

Key Notifications:

- Circular SEBI/HO/CFD/CMD-2/P/CIR/2021/562 dated **10 May 2021**. https://www.sebi.gov.in/legal/circulars/may-2021/business-responsibility-and-sustainability-reporting-by-listed-entities_50096.html
- BRSR replaces the earlier **Business Responsibility Report (BRR)**. https://www.nseindia.com/resources/research-initiative-corporate-governance-integrated-guide-brsr?utm_source=chatgpt.com

Mandatory for:

- Top 1,000 listed companies (by market capitalization) from **FY 2022–23** onwards.
- Voluntary adoption encouraged for others.

Legal Reference:

- **Regulation 34(2)(f)** of the SEBI LODR Regulations, 2015 requires BRSR disclosures as part of the Annual Report. https://www.sebi.gov.in/legal/regulations/jul-2023/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-regulations-2015-last-amended-on-july-4-2023-_74143.html

Alignment:

- With **NGRBCs** (National Guidelines on Responsible Business Conduct)
- Global sustainability frameworks like **GRI, SASB, TCFD**.

3. Environmental, Social, and Governance (ESG)

Legal and Regulatory Landscape

ESG in India is not yet governed by a dedicated ESG law but is integrated via multiple legislations, guidelines, and sectoral regulators.

Key Legal Touchpoints:

Companies Act, 2013 – CSR provisions under **Section 135** (closely aligned with 'S' in ESG). https://www.mca.gov.in/Ministry/pdf/CompaniesAct2013.pdf

- **SEBI Regulations** – ESG disclosures via **BRSR**, ESG-themed mutual funds, and rating frameworks.
- **Environment Protection Act, 1986** – mandates environment-related compliance. https://cpcb.nic.in/env-protection-act/
- **Energy Conservation Act, 2001** https://powermin.gov.in/sites/default/files/uploads/ecact2001.pdf
- **Factories Act, 1948**, **Labour Laws**, **POSH Act**, etc. – covering social and governance aspects.

https://labour.gov.in/sites/default/files/factories_act_1948.pdf

https://clc.gov.in/clc/acts-rules/acts-and-rules-0 ,

https://www.indiacode.nic.in/bitstream/123456789/2104/1/A2013-14.pdf

SEBI Initiatives:

- Proposal for a **framework for ESG Rating Providers (ERPs)** – to bring consistency and transparency. https://www.sebi.gov.in/sebi_data/meetingfiles/apr-2023/1681703013916_1.pdf
- Encouraging **ESG investing** through thematic mutual funds. https://www.sebi.gov.in/legal/circulars/jul-2023/new-category-of-mutual-fund-schemes-for-environmental-social-and-governance-esg-investing-and-related-disclosures-by-mutual-funds_74186.html

Voluntary Frameworks Encouraged:

- **UN Principles for Responsible Investment (UNPRI)** https://www.unpri.org/
- **Task Force on Climate-related Financial Disclosures (TCFD)** https://www.fsb-tcfd.org/
- **Global Reporting Initiative (GRI)** https://www.globalreporting.org

CONCLUSION:

The **future of financial reporting** lies in integration. It's no longer enough to show numbers; businesses must **show values**—transparently and responsibly.

The trio of **Ind AS + BRSR + ESG** isn't just a compliance burden—it's a **recipe for sustainable success**.

The combination of **Ind AS**, **BRSR**, and **ESG** reporting creates a more holistic view of a company's operations, going beyond financial figures to include its impact on society, the environment, and its governance practices. By integrating these frameworks, companies can improve transparency, attract investments, and build trust with stakeholders. Companies that adopt these practices are better positioned for sustainable growth, with improved access to capital, enhanced reputation, and long-term value creation. Through case studies such as Wipro, it is clear that these frameworks help companies not only meet regulatory requirements but also align with global best practices in sustainability and corporate responsibility.

CORPORATE EXCELLENCE THROUGH CMA VISION: TACKLING FINANCIAL SHENANIGANS WITH AI

Abstract

This article explores the critical role of CMAs in combating financial shenanigans through ethical vigilance and AI integration. It highlights manipulative practices in financial reporting, the evolving regulatory landscape, and the importance of unified global oversight. Emphasizing CMAs' strategic position, it calls for transparency, real-time analytics, and continuous professional accountability as cornerstones of corporate excellence and stakeholder trust.

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Introduction: A Call to Confront Deception in Financial Reporting

Corporate excellence today is not defined merely by growth metrics but by how honestly those metrics are reported. The trust of investors, lenders, regulators, and the general public hinges on the belief that financial statements tell the truth. However, the rise of financial shenanigans—intentional manipulations designed to mislead, it has brought this trust into question. These practices aren't just accounting lapses; they are strategic distortions, often subtle, but with serious implications. As the finance ecosystem becomes more interconnected, the fallout from such misreporting grows exponentially, undermining the credibility of the entire corporate sector.

Financial Shenanigans: Anatomy of a Persistent Threat

One particularly deceptive technique involves the deliberate creation of undue provisions. While provisions serve as prudent safeguards for potential losses, their manipulation can be used to distort financial results strategically. By overstating provisions in one period, companies can suppress profits, only to reverse them in future periods to inflate earnings artificially. This practice not only misrepresents the true financial health of the company but also misleads stakeholders about the stability and sustainability of earnings. Stakeholders relying on key metrics like EBITDA, net income, or EPS may make misinformed decisions, believing the entity to be more conservative or more profitable than it actually is. Furthermore, excessive provisioning without transparent justification may also signal underlying inefficiencies or attempts to create a financial cushion for future reporting periods. CMAs, with their deep understanding of cost behavior and accrual dynamics, play a vital role in identifying and challenging such irregularities, ensuring that provisions are aligned with reasonable estimates and economic reality.

Financial shenanigans are more than creative accounting, they are calculated attempts to deceive. Early recognition of revenue, shifting of expenses to future periods, inflating asset values, under-provisioning for receivables, and one-time gains reported as recurring income are all classic signs. These tactics offer a temporary facelift to financials but at the cost of long-term integrity. Such misstatements harm capital allocation decisions, manipulate stock prices, and erode investor confidence.

Stakeholders are often the ultimate victims. Lenders may disburse credit based on artificially strong balance sheets. Investors may commit funds expecting consistent returns, only to face restatements later. Even employees, whose incentives or ESOPs are tied to reported profits, become collateral damage. CMAs, with their sharp analytical skills and training in cost behavior, variance analysis, and internal control, are strategically placed to detect these irregularities early. Their role is instrumental in bridging the operational data with financial reporting to maintain fidelity.

Another concerning example of financial shenanigans involves the siphoning of funds through royalty payments to promoter-linked entities. In such cases, promoters establish intellectual property or trademark holding companies and channel excessive royalty payments from the main business to these entities. While these payments appear legitimate on paper, they often far exceed the market value of the services rendered, effectively diverting company profits to promoters. What exacerbates stakeholder discontent is the absence of corresponding dividend payouts, despite significant profits being reported. Instead of rewarding shareholders, the remaining earnings are retained within the company, inflating reserves without improving investor returns. This practice distorts the economic substance of transactions and undermines trust in corporate governance. Cost and Management Accountants, by assessing transfer pricing rationality, benchmarking royalty rates, and linking them to performance outcomes, are instrumental in flagging such redirection of wealth and protecting stakeholder interests.

Moreover, shenanigans have evolved in sophistication. Companies use cross-border subsidiaries, shell vendors, and deferred agreements to sidestep conventional audit trails. This not only complicates detection but also necessitates a stronger financial reporting ecosystem.

Global Manipulations and the Call for Unified Oversight

Internationally, BEPS (Base Erosion and Profit Shifting) practices, hybrid mismatches, and thin capitalization strategies continue to mask the real financial position of multinational entities. These aren't mere tax planning tools, they're financial shenanigans at scale. Shifting profits to low-tax jurisdictions, misclassifying debt as equity, or routing dividends as interest to exploit tax treaties mislead not only tax authorities but all stakeholders relying on true profitability.

OECD's Pillar One and Pillar Two proposals have tried to put a cap on such practices. Pillar One seeks to reallocate taxing rights to countries where value is actually created. Pillar Two introduces a global minimum tax. These efforts reflect global recognition of the damage shenanigans can cause. CMAs involved in global finance operations must understand these frameworks, flag violations, and realign reporting mechanisms to meet both ethical and regulatory expectations.

Multinational companies often operate under layered legal structures. Without unified oversight, discrepancies remain hidden across geographies. Therefore, CMAs with cross-border financial exposure are expected to act as gatekeepers of integrity, ensuring reconciliations aren't just mathematical but meaningful.

AI: From Forensic Assistant to Predictive Enforcer

Artificial Intelligence is no longer a futuristic concept in finance. It is a critical enabler. AI tools can detect discrepancies faster and more thoroughly than humanly possible. They analyze invoice trails, payment patterns, revenue cycles, and provision histories in real-time. An AI system can flag transactions that don't align with historical behavior or industry benchmarks.

Machine learning algorithms, once trained on past cases of manipulation, can proactively identify red flags be it recurring journal entries around quarter close, sudden changes in vendor relationships, or excessive manual overrides. Natural language processing helps interpret contracts and board minutes to find obligations that haven't been disclosed.

AI is especially powerful when guided by a CMA's domain knowledge. The CMA provides context knowing which provisions are historically justified, what cost behaviors are typical, and when a fluctuation is driven by policy change versus manipulation. Together, they make a formidable line of defense against misreporting. AI also enables scenario simulation and predictive forecasting, giving decision-makers early alerts before shenanigans impact results.

Lessons from the Past, Strategies for the Future

The collapses of Enron, Satyam, and Wirecard weren't just audit failures, they were the result of systemic negligence in identifying and correcting financial shenanigans. In each case, numbers looked perfect—until they didn't. Hidden liabilities, fictitious revenues, and manipulated ledgers passed undetected for years.

These failures triggered major reforms in global accounting and auditing practices, but the key lesson remains: manipulation begins when oversight ends. The integration of AI, supported by CMAs, now offers a way forward real-time checks, smart alerts, and data-backed transparency.

Organizations should promote a culture of whistleblowing, make forensic reviews part of internal audits, and mandate CMA-led periodic diagnostics of high-risk areas. Emphasis on board-level training on shenanigan detection can also go a long way in boosting governance.

CMAs at the Forefront of Ethical Finance

CMAs today are no longer confined to audit and compliance roles, they are business partners in governance. Their deep involvement in planning, execution, and monitoring enables them to catch manipulations at the source. They influence pricing strategies, assess working capital gaps, and evaluate investment viability, all areas vulnerable to misrepresentation.

Essential training empowers them to design internal controls that are both preventive and detective. For instance, integrating automated approval matrices, reconciliation dashboards, and cross-ledger matching tools, all under CMA oversight, greatly reduces the room for shenanigans. CMAs can establish risk matrices based on operational indicators, making financial oversight a continuous function rather than a periodic review.

They are also key contributors to audit committee presentations, investor briefings, and statutory filings. Their ethical compass plays a crucial role in shaping a culture of transparency within the organization.

Conclusion: Toward Stakeholder-Centric Financial Excellence

Financial shenanigans have emerged as one of the most pressing threats to stakeholder confidence and sustainable corporate performance. Addressing them requires more than rules, it requires vigilance, ethics, and innovation. The tightened Corporate Governance policy and the global anti-BEPS movement, and the rise of AI tools all point in the same direction: a need for smarter, sharper, and more ethical financial oversight.

CMAs are the stewards of this transition. When paired with AI, their capabilities are amplified. Together, they can ensure that corporate excellence is not merely a slogan but a measurable, verifiable standard. In this new era, integrity is not optional, it is the foundation on which trust and growth must be built.

Finally, it is imperative that professionals involved in the preparation of financial reports undergo periodic evaluations to ensure they possess not only the necessary knowledge and technical skillset, but also the ethical commitment required to uphold their responsibilities. This ongoing assessment is critical to building a sustainable culture of accountability and reinforcing the profession's integrity.

If corporate excellence is the destination, then transparency, ethical vigilance, and accountability must be its compass. And the CMA, empowered by AI and guided by professional discipline, is its most trusted navigator.

GREEN COAL REPORT: PATHWAYS TO SUSTAINABLE MINING CONSIDERING CARBON TO CARE: CSR AND SUSTAINABILITY IN INDIAN COAL INDUSTRIES AND MINING SECTORS

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Introduction

India's energy sector relies heavily on coal. It powers more than half of the country's electricity needs. Coal plays a vital role in driving economic growth and ensuring energy security. However, it also brings significant environmental and social challenges. These issues require a more responsible and sustainable approach to coal extraction and use.

As the world shifts toward climate-conscious development, India's coal industry must adopt strong **Corporate Social Responsibility (CSR)** and **sustainability** practices. This **"Green Coal Report"** outlines key strategies for sustainable mining. It is guided by the concept of **"Carbon to Care"**—where carbon-intensive industries take active steps to protect the environment and support community well-being.

1. The Role of Coal in India's Energy Mix

Coal provides about 60–65% of India's electricity. It is also essential for industries like steel and cement. India is one of the top three coal-producing countries in the world. Public sector companies, such as **Coal India Limited (CIL),** lead coal production in the country.

However, coal mining has serious environmental impacts. It causes land degradation, water pollution, air pollution, and greenhouse gas emissions. These issues create long-term risks for the environment and public health. To address them, the industry must urgently improve its operations, engage stakeholders responsibly, and strengthen sustainability reporting.

Recognizing the long-term impact of coal on the environment, CIL is investing in **renewable energy projects,** particularly **solar power generation.** The company has also started exploring **coal gasification,** which produces cleaner fuels from coal with lower emissions. In addition, CIL is using reclaimed mining land for solar parks and afforestation. These initiatives reflect Coal India's commitment to reducing its carbon footprint while ensuring energy security for the nation. The shift marks a crucial step in balancing economic growth with environmental responsibility.

2. From Carbon to Care: A Strategic Mindset Shift

The concept of **"Carbon to Care"** represents a significant change in how coal companies approach their responsibilities. It emphasizes the need for these companies to take full accountability for their carbon emissions and actively engage in protecting the environment, supporting community development, and promoting sustainable growth. This includes reducing emissions through afforestation, renewable energy investments, and carbon capture initiatives. It also involves strengthening Corporate Social Responsibility (CSR) efforts by investing in healthcare, education, skill development, and infrastructure for local communities. Furthermore, companies are expected to adopt scientific mining methods and carry out proper land reclamation to minimize environmental disruption. This strategic shift helps coal enterprises align industrial progress with long-term environmental and social responsibility.

3. CSR in the Indian Coal Sector: Legal Framework & Implementation

Under **Section 135 of the Companies Act, 2013,** Indian companies that meet specific financial criteria are mandated to allocate **2% of their average net profits** from the previous three years toward **Corporate Social Responsibility (CSR)** initiatives. Coal companies, especially Public Sector Undertakings (PSUs), often exceed this statutory requirement, demonstrating a strong commitment to inclusive development. The key focus areas of CSR in the coal sector include **health and sanitation,** with the establishment of hospitals, mobile medical units, and access to clean drinking water; **education,** through building schools, offering scholarships to tribal and underprivileged students, and promoting digital learning; **skill development,** via vocational training for youth and communities affected by mining; and **environmental protection,** including afforestation, water conservation, and biodiversity initiatives. Additionally, **livelihood generation** is a major focus, with support provided to self-help groups (SHGs), women's empowerment programs, and small-scale enterprises. **Coal India Limited (CIL),** the largest coal producer globally, has led several impactful CSR projects, significantly improving the quality of life in remote and tribal regions across India.

CSR Statutory Requirement vs. Expenditure for CIL (HQ) and CIL (Consolidated)

Fiancial Years	**2018-19**	**2019-20**	**2020-21**	**2021-22**
CSR Actual Expenditure - CIL (Consolidated) (Rs. Crores)	416.47	587.84	553.85	583.32

Source -https://www.coalindia.in/departments/csr/statistics

4 Sustainability Reporting: Moving Beyond Compliance

Sustainability reporting is now a vital part of corporate governance. It helps companies share their Environmental, Social, and Governance (ESG) performance. In India, coal companies are adopting global standards like

a) Global Reporting Initiative (GRI) , b)Sustainability Accounting Standards Board (SASB)

c) Integrated Reporting (IR) and **d) Business Responsibility and Sustainability Report (BRSR),** required by SEBI for the top 1,000 listed companies .

Why Sustainability Reporting Matters

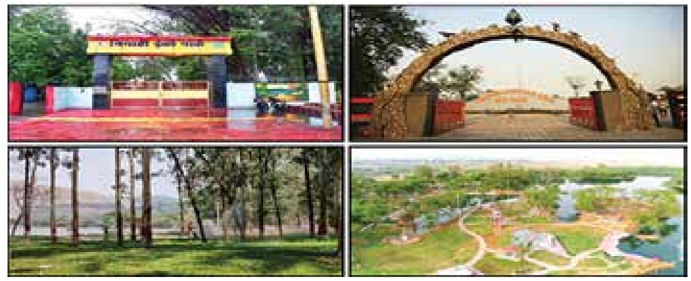
- **Builds Trust:** Transparent reporting enhances credibility with investors, customers, and communities .
- **Attracts Investment:** Ethical investors prefer companies with clear ESG disclosures.
- **Improves Risk Management:** Disclosing climate and social impacts helps identify and address risks.
- **Drives Continuous Improvement:** Regular reporting encourages better environmental and social practices.

In other wards we can say sustainability reporting is more than a legal requirement. It fosters trust, attracts investment, and drives continuous improvement in corporate practices.

5. Environmental Management: Pathways to Sustainable Mining

To achieve “Green Coal,” Indian mining must adopt eco-friendly practices. Key strategies include:

- **Land Reclamation and Biodiversity:** Restoring mined land is essential. This involves backfilling pits, treating soil, replanting vegetation, and repurposing land for community use, such as parks or farming.
- **Water Management:** Mining can disrupt groundwater. Companies should install rainwater harvesting systems, recycle water in operations, and prevent pollutants from leaching into nearby water bodies.



- **Air Pollution Control:** Measures include using dust suppression systems on haul roads, mechanized loading/unloading to minimize particulate matter, and real-time air quality monitoring in mining and residential areas.
- **Mine Closure Plans:** Every mining lease must include a scientifically prepared Mine Closure Plan, ensuring safe dismantling, land reclamation, and community resettlement.

6. Transitioning to Clean Energy: Coal’s Role in a Green Future Promoting Renewable - Moving towards net zero carbon-

In order minimize the carbon footprints of mining and to progress towards the goal of net zero carbon emission, coal/lignite companies are keen on promoting renewables. Coal companies are going for both roof top solar and ground mounted solar projects. It has also been envisaged to develop solar parks in some of the reclaimed mining areas.

As on 26.05.2023, Coal/lignite PSUs have installed solar capacity of about 1656 MW and wind mills of 51 MW. Total Renewable energy is planned to install 5570 MW of renewable capacity by 2030.

Coal India Limited (CIL) is currently installed 11 MW as rooftop solar power. Coal India, a fossil fuel producer has aligned itself and is committed to become a Net Zero Energy Company and is in the process of implementing 3 GW solar power program by 2025-26. Total 398.8 MW capacity will be developed in FY2024, 1443 MW in FY2025 and 1158 MW in FY2026. NLCIL is the first CPSU to achieve installation of 1 GW of Renewable Energy. NLCIL already installed 1421 MW of Renewable and Generated Highest Ever 2.2 BU in FY 2022-23 which is Highest among CPSU Coal companies. By 2030 NLCIL will be +6 GW Renewable power Company.

Although coal will remain in India’s energy mix for decades, the sector can still contribute to the green transition by:

- Investing in solar and wind power at mined-out locations.
- Establishing hybrid energy parks that combine coal, solar, and biomass in energy clusters.
- Promoting Carbon Capture, Utilization, and Storage (CCUS) technologies.
- Supporting the production of coal gasification and coal-to-liquid fuels, which are cleaner than direct coal burning.

7. Social Sustainability: Building Resilient Communities

Mining regions in India often suffer from poor infrastructure, health issues, and economic displacement. Corporate Social Responsibility (CSR) plays a crucial role in turning these challenges into opportunities. Key initiatives include:

- Displacement to Development (D2D) programs for project-affected people.

- Investment in rural infrastructure, such as roads, electricity, and sanitation.
- Creating employment opportunities for local youth to reduce dependency on external labor.
- Implementing healthcare interventions to address malnutrition, maternal care, tuberculosis, and occupational diseases.

The "Care" in "Carbon to Care" emphasizes the need to humanize industrial development, ensuring that economic growth does not leave behind the most vulnerable.

8. Technology & Innovation: Enabling Sustainable Coal Mining

To reduce the environmental impact of mining, companies are adopting advanced technologies like:

- Drone-based mine monitoring.
- Internet of Things (IoT)-enabled real-time environmental sensors.
- Automated conveyor systems to reduce emissions.
- Artificial Intelligence (AI)-based mine planning for efficient resource utilization.
- Use of Geographic Information Systems (GIS) for land-use mapping.
- Such innovations make mining more data-driven, safer, and environmentally conscious.

Practical Example :-

Coal India Limited (CIL) is embracing modern technologies to enhance safety, efficiency, and sustainability in its mining operations. These innovations are transforming traditional practices and aligning with global standards.

Drone-Based Monitoring

CIL's subsidiary, Mahanadi Coalfields Limited (MCL), has introduced drone technology for environmental monitoring, volume measurement, and photogrammetric mapping of mines. This initiative, supported by the web-based portal 'VIHANGAM', aims to digitize mining processes and improve operational efficiency.

IoT-Enabled Safety Systems

Northern Coalfields Limited (NCL), another CIL subsidiary, has implemented IoT-based safety systems to monitor environmental factors such as temperature, humidity, and toxic gases. These systems enhance worker safety by providing real-time data and alerts.

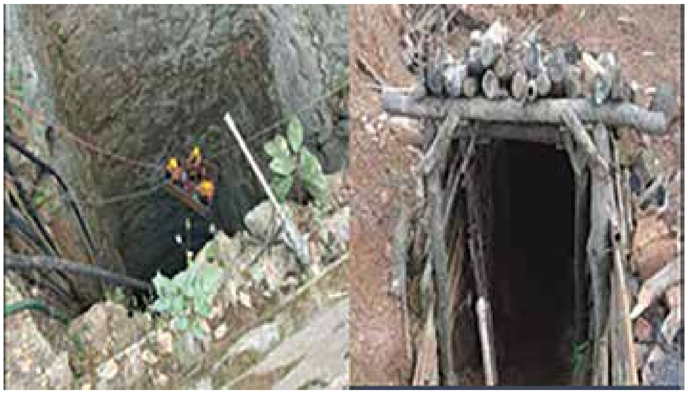
AI and GIS for Mine Planning

CIL is integrating Artificial Intelligence (AI) and Geographic Information Systems (GIS) to optimize mine planning and land reclamation. These technologies enable efficient resource utilization and support sustainable mining practices.

Collaborations for Technological Advancement

CIL is collaborating with institutions like IIT Roorkee to develop and deploy drones for open-cast mine surveillance. These partnerships aim to accelerate the digitalization of coal mines and improve safety and efficiency.

9. Challenges to Sustainable Mining in India



India faces several challenges in making coal mining more sustainable. One major issue is the high emissions from coal, which contribute significantly to pollution and climate change. Regulatory delays in project approvals and mine closures further complicate efforts to implement cleaner practices. Social unrest arises due to displacement and land acquisition issues, as communities often lose their homes and livelihoods.

Additionally, smaller private companies are slow to adopt Environmental, Social, and Governance (ESG) standards, hindering overall progress. Limited availability of green financing for coal-based projects also restricts the implementation of eco-friendly technologies. Addressing these challenges requires comprehensive policy reforms, stronger enforcement of regulations, and collaboration across sectors.

10. Policy Support & Institutional Framework

The Indian government has introduced several policies to promote responsible mining. The National Mineral Policy of 2019 emphasizes sustainable mining and benefit-sharing with communities. The District Mineral Foundation (DMF) channels mining revenue into local welfare initiatives. Environmental clearances and mine closure guidelines ensure compliance with environmental standards. Additionally, the promotion of transparent e-auctions and accountability mechanisms enhances governance in the mining sector. These measures aim to balance economic growth with environmental sustainability and social responsibility.

The detail of Collection of State-wise Royalty, DMF and NMET paid by Coal Companies from 2018-19 to 2022-23 (Prov.) (Value in crores rupee)

Collection of State-wise Royalty, DMF and NMET paid by Coal Companies from 2018-19 to 2022-23(Prov.)(Value in crores rupee)

Name of State	Name of the Company	2020-21			2021-22			2022-23(Prov.)		
		Royalty	DMF	NMET	Royalty	DMF	NMET	Royalty	DMF	NMET
ASSAM, ODISHA, WB,UP,TELENA,UP ETC	form CIL& NON CIL	13131.91	3947.47	268.59	13914.31	4117.64	278.31	22465.1	5231.54	352.05

Source- https://www.pib.gov.in/PressReleasePage.aspx?PRID=1982347

Conclusion: Toward a Responsible Mining Future

India's coal sector is at a pivotal juncture, striving to balance energy needs with environmental stewardship. The "Green Coal Report" marks a shift from traditional mining practices to a more sustainable and inclusive approach.

The "Carbon to Care" philosophy reimagines coal as a catalyst for positive change, focusing on community welfare, technological advancement, and environmental responsibility. By integrating comprehensive Corporate Social Responsibility (CSR) initiatives, transparent sustainability reporting, and eco-friendly mining practices, India can set a global example in responsible resource management.

As the nation aims for a net-zero future by 2070, a greener coal industry—anchored in care, community, and commitment—can bridge the gap between legacy practices and transformative progress.

Source Discloser Reference –

1. *https://coal.gov.in/en/sustainable-development-cell/promoting-renewable*
2. *https://coal.gov.in/sustainable-development-cell/eco-tourism-in-mining-area*
3. *https://www.tatasteel.com/sustainability/environment/sustainable-mining/*
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THE USE OF AI IN FINANCIAL SECURITIES VALUATION

Abstract

In today's rapidly evolving financial landscape, artificial intelligence (AI) is revolutionizing how analysts and investors approach securities valuation. Traditional valuation methods, while still relevant, often fall short in addressing the complexity and volume of modern financial data. AI, with its powerful analytical capabilities, offers a sophisticated alternative that enhances precision, efficiency, and insight in valuing securities.
This article delves into how AI is being leveraged in securities valuation, the benefits it brings, the challenges it poses, and its implications for the future of investment management.

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What Is Securities Valuation?

Securities valuation involves determining the fair market value of financial instruments such as stocks, bonds, derivatives, or other tradable assets. Traditional methods include:

- **Discounted Cash Flow (DCF) Analysis**
- **Comparable Company Analysis (Comps)**
- **Precedent Transactions**
- **Asset-Based Valuation**
- **Dividend Discount Models (DDM)**

While these models rely heavily on financial statements, ratios, and market trends, they often involve subjective assumptions and can be time-consuming and limited in scope.

How AI Enhances Securities Valuation

AI technologies such as **machine learning (ML), natural language processing (NLP),** and **deep learning** are significantly advancing the valuation process in multiple ways:

1. Data Collection and Processing

AI can aggregate vast amounts of structured and unstructured data—financial statements, news articles, earnings calls, social media sentiment, and macroeconomic indicators—and process it in real time.

- **Example:** NLP algorithms can parse through earnings transcripts and flag positive or negative sentiments that might affect a stock's valuation.

2. Predictive Modeling

Machine learning models, especially ensemble models like **Random Forests** or **Gradient Boosting Machines,** can predict stock prices or intrinsic values based on historical data, market trends, and complex nonlinear relationships.

- **Use case:** AI models can forecast a company's future cash flows more accurately than traditional models by incorporating alternative data sources.

3. Quantitative Analysis

AI algorithms can recognize patterns and correlations in financial markets that are not easily identifiable by humans. This includes anomalies, arbitrage opportunities, and hidden risk factors.

- **AI-powered factor models** go beyond classic CAPM or Fama-French models by identifying nontraditional factors affecting asset prices.

4. Real-Time Valuation Updates

AI systems can dynamically update valuation models in real time based on breaking news, economic indicators, or geopolitical events, providing more agile decision-making.

5. Risk Assessment and Scenario Analysis

AI can simulate thousands of economic or market scenarios to evaluate the sensitivity of a security's value to various conditions, thereby improving risk management.

Applications Across Asset Classes

Equity Valuation

- AI predicts earnings, revenue growth, and price movements using vast data sources.
- NLP processes corporate communications to assess tone and sentiment.

Fixed Income Valuation

- AI models assess credit risk using alternative data (e.g., satellite images, ESG scores).
- Deep learning models simulate yield curves and bond pricing under different scenarios.

Derivatives and Structured Products

AI is used to price complex instruments using advanced simulations like **Monte Carlo methods** enhanced with ML.

Helps in identifying mispriced options or arbitrage opportunities.

Benefits of AI in Valuation

- **Speed and Efficiency:** Automates tedious and time-intensive tasks.
- **Accuracy and Precision:** Reduces human biases and errors.
- **Scalability:** Handles large portfolios or asset classes without additional manual input.
- **Customization:** AI models can be tailored for specific sectors, geographies, or risk profiles.

Challenges and Limitations

Despite its promise, AI in securities valuation is not without obstacles:

- **Data Quality:** Poor or biased data can mislead models.
- **Interpretability:** Complex models (e.g., deep neural networks) lack transparency
- **Regulatory and Ethical Concerns:** Use of sensitive data and automated decision-making raises compliance and ethical questions.
- **Overfitting:** Models that perform well on historical data may not generalize to future market conditions.

The Human-AI Collaboration

AI does not replace human judgment—it augments it. Analysts use AI to filter noise, spot patterns, and generate valuation insights, but the final investment decisions still require domain knowledge, intuition, and regulatory awareness.

The Future Outlook

The future of securities valuation will likely be a hybrid model where AI systems and financial professionals work in tandem. As technology advances:

- **Explainable AI (XAI)** will help increase trust in model predictions.
- **Greater integration** with trading systems will enable real-time valuation-driven strategies.
- **Democratization of AI tools** will allow even retail investors to leverage advanced valuation techniques.

Conclusion

AI is not just a buzzword in finance—it's a transformative tool that reshapes how we understand and value financial assets. By augmenting traditional valuation frameworks with data-driven intelligence, AI empowers investors to make more informed, timely, and strategic decisions. As adoption continues to grow, those who embrace AI in their valuation practices will likely gain a competitive edge in an increasingly complex market environment.

NOTES

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Behind Every Successful Business Decision, there is always a CMA