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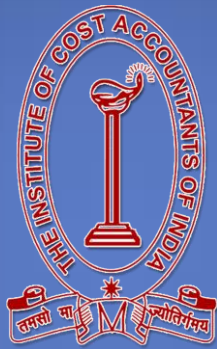


Behind every successful business decision, there is always a CMA

Institute of Cost Accountants of India

The Institute of Cost Accountants of India

(Statutory body under an Act of Parliament)



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA (erstwhile The Institute of Cost and Works Accountants of India) was first established in 1944 as a registered company under the Companies Act with the objects of promoting, regulating and developing the profession of Cost Accountancy.

On 28 May 1959, the Institute was established by a special Act of Parliament, namely, the Cost and Works Accountants Act 1959 as a statutory professional body for the regulation of the profession of cost and management accountancy.

It has since been continuously contributing to the growth of the industrial and economic climate of the country.

The Institute of Cost Accountants of India is the only recognised statutory professional organisation and licensing body in India specialising exclusively in Cost and Management Accountancy

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.

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

IDEALS THE INSTITUTE STANDS FOR

- to develop the Cost and Management Accountancy profession
- to develop the body of members and properly equip them for functions
- to ensure sound professional ethics
- to keep abreast of new developments

Behind every successful business decision, there is always a CMA

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From the Editor's Desk

Greetings!

Wish You and Your Beloved Happy Deepavali 2016 and Seasons Greetings.

The Members in Industry initiative of Orientation Program and Campus Placement at all four Regions have been completed with the involvement of Placement Directorate, Officials at all Regions and all concerned for the CMA passed outs. The Institute sincerely thanks each of the Corporate, Organisation and Companies who have participated and supported the Institute this time too.

The need to act for the budding CMAs, the guidance to the budding CMAs and the grooming of the budding CMAs is the responsibility of the Institute and to make this materialise the services of the experienced, knowledgeable and established members of our profession is the need of the hour. This will pave way for the growth of the Profession and the mother Institute. The opportunities before any professional and our professionals are also abundant – the scope and areas. The need is to update and exchange to enrich by all means to be a successful professional. The developments and changes taking place is fast and it is always for the professionals to be alert and get in tune with fast growth and changes to be successful and acceptable for sustainability. The Institute always aims at serving the stakeholders in line with their requirements at all times. The wings of the Institute – the Regions and the Chapters are organizing useful professional development programs of latest and relevant topics. It is the membership and student fraternity to utilize the services rendered effectively. Understanding the difficulties of time constraint the Institute is reaching the membership by way of organizing regular webinars on pertinent topics with experienced resource persons.

The E Bulletin team also requests the members and readers who have flair for sharing their knowledge in writing to contribute by way of articles and updates for others to benefit.

Warm Wishes and Seasons Greetings Once Again We Remain

Editor

E Bulletin Member In Industry – T & P



MESSAGE

It is a pleasure to know that another version of e-bulletin is ready to be delivered in your mail box. I am extremely happy to note that the purpose of issuing such a bulletin is being served well as the Committee is getting good feedback on this by the readers.

Friends, as Professional Accountants we act as creator, enabler, preserver and reporter of sustainable value for our organizations in both performance and conformance. On one hand we design the strategies, policies and plans to set the course for delivering sustainable value creation, while on other we guide the managerial and operational decision makers to implement these strategies. We preserve the value created by managing risk and ensuring compliance with regulations, standards, & good practice and also ensure transparent communication of the delivery of sustainable value to stakeholders.

Now, to achieve all this, a Professional Accountant needs intellectual, technical, functional, personal, interpersonal, communication, organizational and business management skills. To achieve these skills one has to constantly update oneself with latest developments and emerging issues. The Institute is helping the members in this regard by organising programs, seminars and workshops on important topics like GST, IBC and others and also by issuing e-bulletins like the one you are reading at the moment. I hope the Committee for Members in Service and Training & Placement will be continuing to come out with important knowledge packs to benefit the members.

I once again appreciate the efforts of the Committee for taking significant initiatives for dissemination of knowledge. I wish the readers happy reading. Please accept warm wishes for a very happy and prosperous Diwali.

(CMA Manas Kumar Thakur)

25th October 2016

Chairman's Communique



CMA P V BHATTAD

Chairman, Members in Industry –
Training and Placement, ICAI
Immediate Past President, ICAI

*From the desk of
Members in Industry Committee ICAI*

Friends, please accept my warm wishes for a bright and prosperous Diwali. I pray to almighty for the wellbeing and happiness of all the members and their families. I hope that the festive fervor will inspire you to perform with much more vigor with refreshed energy.

The new professional issues are emerging at a very fast rate and we have to get hold of each of them to update knowledge and skills. One such issue is GST which is expected to ensure seamless and uniform indirect tax regime besides lowering inflation and promoting growth in the long run. With the implementation of GST in India CMAs would be in a much more professionally advanced stage as compared to peers.

This is only due to the valuation issues which are only possible based on cost information duly authenticated by CMAs. The Committee of Members in Service will be taking necessary initiatives to enrich the knowledge of the members in this important area. I urge all the members to come forward and get benefitted.

Friends, another appeal which I would like to make is that Institute's placement exercise is going on and already the placement activity has taken place in Delhi, Mumbai and Chennai. I urge members at helm of the activity to involve their organization in this activity and help the passed-out students of the Institute in getting properly placed. Your contribution in this aspect will be very significant in building the brand value of the profession and also giving the Institute much desired visibility.

I request members to give constructive suggestions to guide the Committee to perform in right direction with focused approach and also to take significant initiatives for the knowledge update of the members. I wish all of you a very successful future.

HAPPY DIWALI AND SEASONS
GREETING TO YOU AND YOUR
FAMILY

A handwritten signature in blue ink, appearing to read 'P V Bhattad', with a horizontal line underneath.

25th October 2016

AUDIT UNDER MODEL 'GST' LAW

CMA DR. M. GOVINDARAJAN



CMA Dr. M. GOVINDARAJAN

A taxable person is required to furnish proper explanation to the officer in case any discrepancy is detected in the return filed under model GST law ('law' for short). Such information is required to be furnished within 30 days of being informed. Such date may be extended further by the officer if sufficient cause is shown. If a taxable person does not furnish the required information within the time specified or does not take corrective action within a reasonable period after accepting the discrepancies, the Proper Officer may take recourse to any of the following provisions-

- To proceed to conduct audit under Section 49 of the law;
- To direct the conduct of a special audit under Section 50 which is to be conducted by a Chartered Accountant or a Cost Accountant nominated for this purpose by the Commissioner; or
- To undertake procedures of inspection, search and seizure under Section 60 of the law; or
- To initiate proceeding for determination of tax under Section 51 of the Act.

Audit under Section 49

Section 49(1) provides that the Commissioner of CGST/Commissioner of SGST or any officer authorized by his Commission by a general or specific order may conduct audit of the business transactions of any taxable

person for such period at such frequency and in such manner as may be prescribed. The manner of conducting audit will be given in the rules by the Board. The threshold limit as prevailing in service tax and central excise has not been is not given in the audit to be conducted under Section 39.

Section 49(2) provides that the audit may be conducted audit at the place of business of the taxable person and/or in their office.

Section 49(3) provides that prior intimation is required and the taxable person should be informed at least 15 working days prior to the conduct of audit.

Section 49(4) provides the time limit of conducting of audit. This section provides that the audit is required to be completed within three months from the date of commencement of audit. If the audit cannot be completed within three months from the date of 'commencement of audit' the Commissioner may, if he is satisfied, extend the period of audit for a further period not exceeding six months. The reasons for such extensions shall be reduced in writing. The term 'commencement of audit' is important because audit has to be completed within a given time frame in reference to the date of commencement. Commencement of audit means the later of the following-

- the date on which the records/accounts called for by the audit authorities are made available to them, or
- the actual institution of audit at the place of business of the taxpayer.
- Section 49(5) provides the obligations of the taxable person in the course of audit.

The taxable person is required to-

Section 49(5) provides the obligations of the taxable person in the course of audit. The taxable person is required to-

- facilitate the verification of accounts/records available or requisitioned by the authorities;
- provide such information as the authorities may require for the conduct of the audit; and
- render assistance for timely completion of the audit.

Section 49(6) provides that the proper officer must inform the taxable person without delay about his findings in the course of audit, the reasons for such findings and also the rights and obligations for the taxpayer.

Section 49(7) provides that where the audit conducted results in detection of tax not paid or short paid or erroneously refunded, or input tax credit erroneously availed, the proper officer may initiate action under Section 51 which deals with the determination of tax not paid or short paid or erroneously refunded.

Special audit under Section 50

Section 50(1) provides that a special audit can be instituted in limited circumstances where during scrutiny, investigation etc, it comes to the notice that a case is a complex or the revenue stake is high. If at any state of scrutiny, enquiry, investigation or any other proceedings before him, any officer not below the rank of Deputy/Assistant Commissioner, having regard to the nature and complexity of the case and the interest of the revenue, is of the opinion that the value has not been correctly declared or the credit availed is not within the normal limits, he may, with the prior approval of the Commissioner, direct such taxable person by notice in writing to get his records including books of account examined and audited. The special audit shall be carried out by a Chartered Accountant or the Cost Accountant nominated by the Commissioner.

Section 50(2) provides that the Chartered Accountant or Cost Accountant shall within 30 days, submit a report of such audit duly signed and certified by him to the Deputy/Assistant Commissioner mentioning therein such other particulars as may be specified. The proper officer may extend the time limit of special audit by another ninety days on the application of the Chartered Accountant or Cost Accountant on behalf of the taxable person or for any material and sufficient reason.

Section 50(3) provides that the special audit shall have effect notwithstanding that the accounts of the taxable person have been audited under any other provisions of this law or any other law for the time being in force or otherwise.

Section 50(4) provides that the taxable person shall be given an opportunity of being heard in respect of any material gathered on the basis of special audit which is proposed to be used in any proceedings under this law or rules made there under.

Section 50(5) provides that the expenses for examination and audit including the remuneration payable to the auditor will be determined and borne by the Commissioner.

Section 50(6) provides that where the special audit conducted results in detection of tax not paid or short paid or erroneously refunded, or input tax credit erroneously availed, the proper officer may initiate action under Section 51.

Conclusion

The provisions for special audit give opportunities for practicing Cost Accountants for conducting special audit. This opportunity shall be availed properly by our members.

Financial Propriety Overrides Business Considerations

CMA.R.Veeraraghavan FCMA

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CMA.R.Veeraraghavan

To understand financial propriety, one should be able to comprehend how finance is vital for sustenance and growth, only then will he/ she will be able to address the issue of financial propriety.

Often financial propriety is pointed as a domain of public finance, this narrow thought leads one to believe that what is not governance, is business or is it a sectoral domain and of exclusivity to public finance.

Financial management and financial propriety are atleast in sync , since one cannot manage finance well if one does not scrupulously adhere to cannons of propriety . what is propriety then? Propriety is a proper way of doing things, which is often predetermined -for instance, general propriety demands that in a society every human being are decently dressed.Cannons of financial propriety are well laid out principles either that which are customary , regulatory , standardised for contemporary and emerging issues .Often propriety is attached to highest moral values in dealing with finance.

Thus financial propriety in all appropriateness finds a critical place in public finance. Unfortunately the term public finance is attributed to the narrow domain of government and governance , while in reality Business and charity revolves its enterprise heavily through the domain of public finance, for instance concessions of state , tax holidays, Loans from banks and other institutions , interest subsidies all goes to making an enterprise successful , moreover to think of business as one man show is absurd and the environment it acts and bears are all in public domain. Hence it is in that order financial propriety pitches for its highest place in business decisions.

Many successful enterprise fails because of its decisions that overlooked cannons of financial propriety, that may have resulted in huge frauds, as has happened in the UTI, SATYAM, ENRON. Well laid out policy or cannons of financial propriety leads to risk aversion and mitigation paradigm seamlessly and checks failure.

Here is where the expertise of professional accountants is expected, as a business partner, while the professional accountants focus on Accounting and reporting , various other compliances, he/she also is privy to financial decisions and as a path finder he/ she needs to advice CEOs on the business proposition and its sync with well laid out cannons of financial propriety, often financial propriety is misunderstood as a personal belief , In fact financial propriety is impersonal and system and process centric and a root cause analysis should evidence the proper path adherence.

Business proposition may fail, by adherence to financial propriety, but business sustenance is on a strong foundation , specially with the awareness of responsibility in the sphere of people, planet and profit , but when one ignores or sidesteps the financial cannons and advances the causes of business proposition, the chances of building a failure ground, is more than evident at least in a medium and surely in the long run, many huge business exposed their inability to sustain, like the private airlines in India which ran schemes of Zero Fare to customers , who were they appeasing and what was their focus.

Thus it can be seen financial propriety is the foundation of business governance and charity and the cannons themselves are not static they are evolving and dynamic only the handlers should precisely recognise the same and lay emphasis for the same in all strategic, managerial and operational decisions of the enterprise governance and charity.

CMAs and professional accountants are right placed to aid advise and adhere to these principles rules formats in order to make economic and social sense of existence and sustenance.



“Transformation of CMA to CFO”

CMA Zitendra Rao

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Prelude

Way back in 2003; I was in my last employment as a Financial Controller. Till such time – I have been reporting to my superiors who were designated as GM or VP or Director. In this last employment my boss designated himself as CFO. In my journey in 2006 - incidentally I read some content provided by my last employer in their website www.themanagementor.com. I preserved some points which are relevant for a CMA-cum-CFO which are also included in this write up. Now in 2016 we have CFOs in every organization. What should be the role of CFO in the present arena? He appears to be a speed Breaker – but actually is a **Torch Bearer** for the internal stakeholders and as well the **Risk Bearer** for the external stakeholders. Companies Act 2013 confirms the Risk aspects.

Strategy partner

- “I would like to sail with you” says a CMA.
- “What do you mean?” Anxiety filled voice of Owner resounds
- **Cma** replies “ I am a Cost and management Accountant. I see a bright opportunity for the growth of your enterprise in line with the growth of Indian Economy. I intend to be a team member of your organisation and act as a catalyst in the strategy formulation of your organization”
- **Cma** goes on : “The strategy is for every entity irrespective of its size. Strategy will evolve a vision. Vision drives the Mission and sets the objectives which are truncated into Milestone. Thus one can work towards the achievement of the said milestone or goal”
- **Cma** concludes “Finally - Strategy formulation and reviewing is a habit and practice. CMAs are equipped with these qualities. Give us a chance to prove.

The plan

CMAs need to guide the Entrepreneurs to prioritize tasks and ensure that important issues such as product development and market research are given due priority along with other matters. Planning helps a company to gear up for the future. For instance, what will the company do if it loses a major customer? What if the cost of goods suddenly increases? Planning also helps companies to

resolve problems like situations like huge inventories, bad debts etc., and this theory holds good for every organization irrespective of its size of operations.

Train & Gain

CMAs should also influence the thought process of their employers in such a way that the employer feels that Training is an integral part of business strategy. In a factory there could be a concern that the competitor has eaten into its market by delivering the same product at a better quality. Studies may reveal that the LINE STAFF manning a particular machine were making basic errors. By organizing a training programme both the quality and productivity can get enhanced. Similarly even the STAFF side of the organization also need to take part in regular training programmes. Companies must encourage employees to attend conferences and workshops that would keep them contemporary. Companies should realize that creativity plays a role in every aspect of the company ranging from Production, marketing to administration. An organization may dedicate two weeks annually for its Team and management to meet and brainstorm on various aspects of the company. The best business solutions lie in the thought process of the firm’s hidden assets...**its employees**.

Need of the hour

Typically CFOs are in their 40s as they assume this critical function. Few may have certain shortcomings in terms of handling technology or keeping themselves abreast of what is happening in and around the global economy. There is no age bar for learning new techniques and skills. Continuous Education is the need of the hour. Thanks to the technology. Information is just a click away from anybody. One may browse websites of relevance to their industry or trade on say weekly basis to start with.

Finally..

A CMA/CFO should be bold enough to convince their Chief Operating Officer (COO) and Chief Marketing Officer (CMO) and seek their support to ensure Compliance to the law of the land - something that should not be compromised under any circumstances. This will give lot of confidence to all the stakeholders and enable the entity to build up its Corporate Image. Look at TATAs..

Role of Professionals in Risk Management

V R Sridhar



“The biggest risk is not taking any risk”

By Mark Zuckerberg

Introduction:

Risk management is an integral part of company's business process. There is no simple mechanism to measure the risk. Two decades ago, risk management associated with purchase of Insurance, but today's scenario enterprise has its own business risk for eg., strategic risk, market risk, operational risk, technology risk, reputation risk, currency risk, financial risk and so on. Enterprises that choose to manage risk in two different ways: it can manage one risk at a time, or it can manage all of its risks in integrated approach. This approach refers to Enterprise Risk Management (ERM). Risk Management gains importance significantly due to recent financial crisis in the corporate world. Risk management has been used in corporate as a strategy and key management tool. The risk management process is essentially part and parcel of the operations and management functions of industrial unit. Each department and the executives therein are directly or indirectly involved in the risk management function. Hence the effectiveness of the “Risk Management” therefore, depends how efficiently handled by each manager in the various departments. The challenge to boards is to balance with acceptable reward. Corporate governance involves creating business value while managing risk. It is the board's responsibility to recognize, understand, and accept risk profile inherent in their corporate strategies.

What is Risk Management?

- Dealing with uncertainty
- Better understanding of potential liability

Guide for responding to undesirable event

Why Risk Management required?

- Sustainable business growth
- Increase customer base
- Gain efficiencies (real or perceived)

Risk can be divided into two namely:

- (i) Internal: Arises from the business operation within the enterprise.
- (ii) External: Risk associated with National & International market forces.

Type of Risk:

- a. Corporate strategic risk - Threats from outside the company.
- b. Operational risk - Loss of power, fire, explosion, flood and theft.
- c. Management risk – management of weakness, shortages of skilled, experienced staff.

The analysis of risk in an organization involves a number of iterative phases as follows.

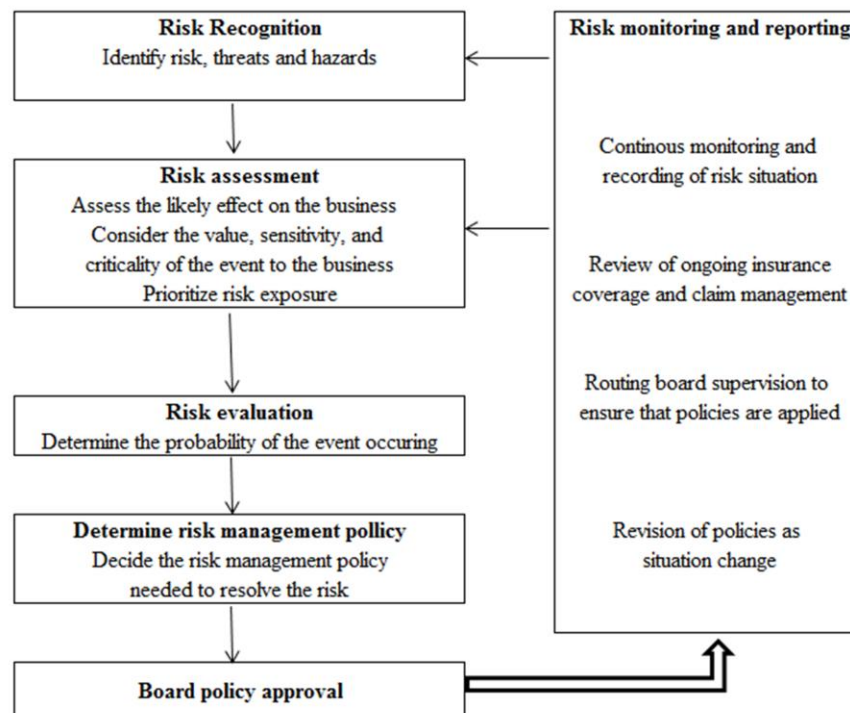


Fig. 1 - Risk analysis and management process*

*Source: Bob Tricker, (2012), "Corporate Governance-Principles, Policies and Practices, Oxford University Press.

Examples of some common risk in organizations:

- Mismanagement
- Financial crisis
- Quality Management failure
- Failure to recognize and take advantage of opportunities
- Fraud
- Dissatisfied customers
- Deficiencies in financial controls and reporting
- Threat to physical safety

Effectiveness of Risk Management:

- Good Market reputation
- Alternative sources of capital and raw material
- Supports on-going business activities
- Fewer shocks and unwelcome surprises
- Flexible market to meet the customer demands
- Sustainable business growth
- Competitive advantage
- Profitability targets achievements through optimum utilization of resources and preventing loss

Classification of Risks

- a. Strategic Risk
 - New product development
 - Pressure from competitors
 - Reputation risk
 - Terrorism or political actions
 - Customer's activities
 - Other external events or risks
- b. Operational Risk
 - Shortage of manpower
 - Misuse of company's assets
 - Sub-contract outsourcing
 - Research and Development risk
 - Loss of skilled personnel
 - Obsolete technology

- c. Management risk
 - Management level fraud
 - Loss of efficient management
- d. Compliance Risk
 - Polluting environment
 - Insider trading
 - Non-compliance to SEBI and other various laws
- e. Financial Risk
 - Inappropriate accounting policies
 - Credit rating risk
 - Investment risk
 - Treasury risk
 - Poor acquisition strategy
 - Product-recall liability risk
 - Foreign currency risk
- f. Political Risk
 - Fiscal/Monetary reforms
 - Global or local economic problems
 - Elections
 - Risk of war
- g. IT Risk
 - Technical vulnerability risk
 - Inadequate security policy & Assess controls
 - Lack of system audit
- h. Legal Risk:
 - Judicial risk
 - Insurance risk
 - Contract risk
 - Contractual Liability
- i. Disaster Risk:
 - Man-made risk arising under Factories Act, Mines Act, etc.
 - Natural risk like fires, floods, earthquakes, etc.

Risk Mitigation Strategies:-

In establishing the company's risk policies, every board faces four possible responses to risk:-

1. **Risk Avoidance:** It is impossible to avoid a risk completely. In Harrigan's words it can involve "either absolute inconvenience or drastic action" and generally risk avoidance is possible at the planning stage of an operation.

2. Risk reduction: Mitigate the risk by making capital investments or incurring ongoing expenditure, for example by investing in standby equipment, duplicate\triplicate critical components, staff training, risk policies such as requiring top executives to travel in different cars and planes, or never building on flood plains or in typhoon\hurricane locations.
3. Risk Transfer: Transferring the risk elements to the insurance company, while recognizing that some risks may be uninsurable. Create derivative instruments-that is, agreements with financial institutions that transfer risk to third parties.
4. Risk Retention: Self-insuring is an approach adopted by many governmental organizations. This risk strategy-what some commentators call the firm's risk appetite-needs to be made at board level.

Role of professionals:

The role of professionals plays vital role in improving the risk management system. Many major companies now have specialist risk managers to oversee the company-wide risk assessment systems and procedures, who can advise the board on risk issues. Professionals can make valuable contributions in the following important areas:

- Complying with legal and regulatory framework
- Complying with disclosures requirements under accounting/financial standards and securities laws
- Identifying external threats and opportunities and suggesting risk management techniques
- Devising appropriate internal audit and control systems to evaluate the effectiveness of the risk management system.
- Putting in place a simple and effective consumer disputes redressal system for prompt resolution of consumers' disputes.
- Can advise companies on buying appropriate insurance covers complying with their terms and conditions, particularly disclaimer clauses.

Effectiveness of Corporate Governance as a part of Risk Management process

Corporate Governance involves creating business value while managing risk. The above study stressed the importance of Corporate Governance which plays vital role in the affairs of the companies to ensure the interests of the stakeholders are protected to the best management's ability. Risk Management significantly contributes to good corporate governance by providing reasonable assurance to Boards and senior management that the organizational objectives will be achieved within a tolerable degree of risk. World over, many corporate governance codes and companies' law now call for boards to give assurances that systems are in place to handle corporate risk in their regular corporate governance reports to shareholders. Directors need to understand where value is needed within their business, at which points the company is critically exposed to risk, and where the most sensitive areas are in which the very survival of the business

could be threatened. Boards need to face up to those risks and to develop relevant risk strategies and policies. Such responsibilities call for a formal system to ensure that risk is properly assessed and considered at board level and then professionally managed throughout the company.

Some practical case studies:

Corporate risk arises at every level in organizations – operational, managerial, and strategic. At the operational and managerial levels, the directors' responsibility is to ensure that appropriate policies and control systems are in place and are effective throughout the organization. The board is acting in a supervisory role, overseeing management policies, systems, and performance. Many boards delegate such responsibilities to their audit committee; indeed this is recommended by some stock exchange listing rules. Critical strategic risk, however, is another matter. Following are a few excerpts of boards' failure in foreseeing the risk.

- a. Toyota Car Company: It had developed a worldwide reputation known for innovation and quality. The board built up highly successful company using tight Japan-centered management oversight and control. Unfortunately, the directors failed to foresee the risks when they expanded the company's supply chains and manufacturing locations around the world. The price they paid was massive product recalls of entire ranges of automobiles with problem brakes, steering and electronics which resulted in huge loss to the company and the effect on its reputation was worse.
- b. Enron: The merger of Houston Natural Gas and InterNorth in 1985 created a new Texas energy company called Enron. Enron switched strategy from energy supplier to energy trader, effectively becoming a financial institution with an increased profile. The board of the company failed to understand the company had moved beyond being a supplier of energy to a business trading in financial derivatives. In effect, Enron had become a financial institution with a totally different risk profile. The outside directors also seemed to be unaware of the high risks that their executive directors were talking.
- c. BP plc: The board of the company faced a strategic catastrophe when the collapse of the Deepwater Horizon oil rig led to massive pollution in the Gulf of Mexico. The disaster, which had been treated as operational or managerial risk by the board, had political and economic impacts that more than halved the company's market capitalization and even put its survival at risk.

Companies Act, 1956 Vs New Companies Act, 2013:

Description	Companies Act, 1956	Companies Act, 2013
Risk Management – Whether Mandatory?	No	Yes. There are specific requirements that a company need to comply with.
Financial Statement, Board's Report, etc.	Not required.	BoD report must include a statement indicating development and implementation of risk management policy for the company including identification of element of risk, if any, which in the opinion of the board may threaten the existence of the company.
Role & functions of the Audit committee	Sec.292A prescribes no such evaluation on risk management.	Sec.177 prescribes evaluation of internal financial controls and risk management systems.

Compliance to Listing Agreement: Disclosure requirements

Every listed company in India is required to disclose their “Risk Management Policy” adopted by them. This disclosure is through “Management Discussion and Analysis” which is part of the Annual Report of listed companies. As per existing Listing Agreement Clause 49 Part IV (C) makes it mandatory for every company to inform Board members about the risk assessment and minimization procedures. These procedures have to be periodically reviewed to ensure that executive management controls risk by means of a properly defined framework. The company has to adopt appropriate risk management policies, commensurate with its size and requirement of business, and review these periodically in the light of changing economic and corporate scenario. However, new Clause 49 (VI) of Listing agreement issued by SEBI on 17th April, 2014, Top 100 listed companies by market capitalization as the end of immediate previous financial year required to constitute a Risk Management Committee.

In a major crackdown against listed firms not complying with regulatory disclosure norms, NSE and BSE have imposed fines or suspended trading in over 1,100 cases of non-compliance, involving nearly 600 companies. Despite the new norms coming into effect from the quarter ended December 31, 2013, the exchanges have come across at least 1,107 cases of non-compliance by hundreds of companies for the three-month period.

The companies found to be non-compliant to one or more provisions for disclosures required for the quarter ended December 31, 2013, include Consolidated Construction Consortium, Samtel, Crest Animation Studios, MVL, PTC India, LCC Infotech, NEPC India, Simplex Infrastructures, Jindal Poly Films, Zylog Systems, Clutch Auto and Birla Cotsyn. These also include Amar Remedies, Ankur Drugs, Blue Bird India, Edserv Softsystems, Koutons Retail, SBI Home Finance, Taksheel Solutions, Teledata Technology Solutions, Anu's Laboratories, Akzo Nobel India, Samtel India, Amtek Auto, Amtek India, Arvind International, Hanung Toys, Nirlon Ltd, Venus Remedies, Birla Shloka Edutech, Asahi Infrastructure, Encore Software, Force Motors, Ind-Swift and Tulip Telecom. Under the new mechanism, the initial penal action would be a minimum fine of Rs. 1,000-5,000 per day depending on the violation, while repeated offences would lead to actions like transfer to restricted-trade category, freezing of promoter shares and overall suspension on trading in company shares.

Conclusion:

Effective risk management can bring far-reaching benefits to all enterprises, whether small or large, private or public, listed or non-listed companies. The directors ensure that the firm's risk management policies are in place, but they should also assure themselves that the framework or system for risk management is effective, regular updating and induction training to directors and senior management staff should form part of the firm's risk management programme. James Millar, CEO of Ernst & Young, Australia, pointed out that ".....risk is a fundamental part of any business activity and how companies manage these risks, indeed "master" them, to a great extent, determines how well they will succeed in their undertakings and in accomplishing their overall objectives". Overall the board should handle risk professionally, as part of their corporate governance activities, the need of the hour for CEO to focus on the Risk Management

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ECONOMY UPDATES - OCTOBER 2015

CMA Dr. M. GOVINDARAJAN



SERVICE TAX

Notification No. 41/2016(ST), dated 22.09.2016 - Seeks to exempt taxable service provided by State Government Industrial Development Corporations/ Undertakings by way of granting long term (thirty years, or more) lease of industrial plots to industrial units from so much of service tax which is leviable on the one time upfront amount (called as premium, salami, cost, price, development charges or by any other name) payable for such lease

Notification No. 42/2016 (ST), dated 26.09.2016 - the Central Government directs that the service tax payable under [section 66B](#) of the [Finance Act, 1994](#), on the service by way of advancement of Yoga provided by entities registered under [section 12AA](#) of [Income-tax Act, 1961 \(43 of 1961\)](#) in the said period, but for the said practice, shall not be required to be paid.

Notification No. 43/2016 (ST), dated 28.09.2016 - Amendments in Half Yearly Return - Form ST-3 in relation to KKC.

Notification No. 44/2016 (ST), dated 28.09.2016 - Seeks to amend Notification No. 20/2005-Service Tax dated 10th August, 2005 – powers of Central Excise Officers in adjudication.

Notification No. 45/2016 (ST), dated 30.09.2016 - Service of transportation, by educational institutions to students, faculty and staff

Circular No. 201/11/2106, dated 30.09.2016 - Guidelines for arrest in relation to offences punishable under the Finance Act, 1994 and Central Excise Act, 1944

CENTRAL EXCISE

Notification No.44/2016-CE (NT), dated 16.09.2016 - Seeks to amend Form ARE-2-reg

Notification No. 45/2016-CE (NT), dated 20.09.2016 - Seeks to amend Cenvat Credit Rules, 2004 so as to amend the requirement of enclosing photocopies of the railway receipts (RRs) with the STTG certificate.

Notification No. 46/2016-CE (NT), dated 26.09.2016 - Seeks to amend Notification No. 20/2016-CE (NT) dated 01.03.2016 [Central Excise (Removal of Goods at Concessional Rate of Duty for manufacture of Excisable and other Goods) Rules, 2016]

Notification No. 47/2016-CE (NT), dated 28.09.2016 - Seeks to amend Notification No. 30/2014-CE (NT) dated 14th October, 2014

Notification No. 48/2016-CE (NT), dated 07.10.2016 - Seeks to amend Notification No. 27/2014-Central Excise (NT), dated 16.09.2014 which deals with the jurisdiction of Central Excise Officers.

Circular No. 1046/34/2016-CX, dated 16.09.2016 - Supply of goods manufactured by EOUs without payment of Central Excise Duty against Advance Licence/Authorization.

Circular No. 1047/35/2016-CX, dated 16.09.2016 - Rebate of duties paid on raw materials used in manufacture or processing of export goods and admissibility of duty drawback in such cases.

Circular No. 1048/36/2016-CX, dated 20.09.2016 - Service Tax Certificate for Transportation of goods by Rail (STTG Certificate).

Circular No. 1049/37/2016-CX, dated 29.09.2016 - Revised Monetary Limits for adjudication of Show Cause Notice in Central Excise and Service Tax.

Instruction No. F.No. 275/29/2016-CX.8A, dated 21.09.2016 - Non compliance of the sub-section 2 of Section 32K of Central Excise Act, 1944 also made applicable to Service Tax matters by virtue of Section 83 of the Finance Act, 1994 and sub-section 2 of Section 127H of the Customs Act, 1962-Immunity granted to a person from prosecution, penalty and fine.

CUSTOMS

Notification No. 121/2016-Cus (NT), dated 15.09.2016 - Rate of exchange of conversion of the foreign currency with effect from 16th September, 2016

Notification No. 122/2016-Cus (NT), dated 22.09.2016 - Rate of exchange of conversion of the foreign currency with effect from 23rd September, 2016

Notification No. 123/2016-Cus (NT), dated 30.09.2016 - Tariff Notification in respect of Fixation of Tariff Value of Edible Oils, Brass Scrap, Poppy Seeds, Areca Nut, Gold and Silver-Reg.

Notification No. 124/2016 – Cus (NT), dated 06.10.2016 - Rate of exchange of conversion of the foreign currency with effect from 7th October, 2016.

Notification No. 125/2016-Cus (NT), dated 13.10.2016 - Amendments in Notification No. 63/94-Customs (NT), dated the 21st November, 1994, which deals with land customs stations and routes for import and export of goods by land or inland water ways.

Notification No. 126/2016-Cus (NT), 14.10.2016 - Tariff Notification in respect of Fixation of Tariff Value of Edible Oils, Brass Scrap, Poppy Seeds, Areca Nut, Gold and Silver- Reg

Notification No. 50/2016-ADD, dated 06.10.2016 - Seeks to impose anti-dumping duty on Narrow woven Fabrics [Hook and Loop Velcro Tapes] of specified types, originating in or exported from People's Republic of China for a period of five years

Notification No. 49/2016-Cus, dated 16.09.2016 - Seeks to further amend notification No.12/2012-Customs, dated 17.03.2012 so as to increase the effective rate of Basic Customs Duty for Marble and Travertine blocks, Marble slabs and Granite slabs with effect from 01.10.2016.

Notification No. 50/2016-Cus, dated 22.09.2016 - Rate of exchange of conversion of the foreign currency with effect from 23rd September, 2016

Notification No. 51/2016-Cus, dated 23.09.2016 - Seeks to further amend notification No.12/2012-Customs dated the 17th March, 2012, so as to: 1. Reduce import duty on potatoes from 30% to 10% up to 31.10.2016. 2. Reduce import duty on wheat from 25% to 10% up to 29.02.2017. 3. Reduce import duty on palm oil from 12.5% to 7.5% for crude palm oil of edible grade, and from 20% to 15% for refined palm oil of edible grade

Notification No. 52/2016-Cus, dated 23.09.2016 - U/s 25(1) in Customs Act 1962 Amendments in various Notifications

Notification No. 53/2016-Cus, dated 29.09.2016 - Seeks to further amend notification No.12/2012-Customs dated the 17th March, 2012, so as to retain the basic customs duty on ghee, butter and butter oil at 40% beyond 30.09.2016, for a further period up to 31.03.2017.

Notification No 54/2016-Cus, dated 03.10.2016 - Includes two ICDs in list of Customs stations from where Export/Import under EP schemes can take place

Notification No. 55/2016-Cus, dated 03.10.2016 - Seeks to further amend notification No.12/2012-Customs, dated 17.03.2012.

Notification No. 56/2016-Cus, dated 03.10.2016 - Amendment in Notification No. 57/2000-Customs, dated the 8th May, 2000.

Notification No. 57/2016-Cus, dated 03.10.2016 - Amendment to Notification No.94/96-Customs, dated the 16th December, 1996.

Notification No.58/2016-Cus, dated 05.10.2016 - Amendments in Notification No. 157/1990-Customs, dated the 28th March, 1990

Notification No.2/2016-Customs (NT/CAA/DRI), dated 13.10.2016 - Appointment of Common Adjudicating Authority by DGRI.

Circular No. 12/2016, dated 19.09.2016 – Implementation of Rabate of State Levies (ROSL) Schemes.

Circular No. 44/2016, dated 22.09.2016 - Setting up of 'Customs Clearance Facilitation Committee' (CCFC) for Land Customs Stations and Inland Container Depots.

Circular No. 45/2016, dated 23.09.2016 - Incorrect simultaneous issuance of dual benefit of Zero duty EPCG and SHIS to exporters under the FTP 2009-14 - option providing flexibility to return either benefit.

Circular No. 46/2016, dated 04.10.2016 - Guidelines for launching of prosecution in relation to offences punishable under the Customs Act, 1962.

Public Notice No. 22/2016, dated 22.09.2016 - Attention of all Importers, Exporters, Customs Brokers, Shipping lines/Agents and the members of Trade and Industries is invited to partial modification to Public Notice No.21/2016 dated 15.09.2016 issued from F. No. VIII/43-02/Cus/T/2015-Pt.I.

Public Notice No. 24/2016, dated 06.10.2016 - Activation of RMS (Import) at ICD TUMB -reg.

Public Notice No. 25/2016, dated 07.10.2016 - Implementation of Risk Management System (RMS) in Export at ICD Tumb - reg.

Instruction No. F.No. 603/35/2015-DBK, dated 28.09.2016 - Discontinuation of practice of making manual debits on physical copy of Advance Authorizations registered at EDI Customs port.

Instruction No. F.No. 401/26/2014-Cus-III(Pt.) - Implementation of the Hazardous and Other Wastes (Management and Transboundary movement)) Rules, 2016 – regarding

Instruction No. F.No.605/71/2015-DBK, dated 14.10.2016 - Rationalization of procedures in handling exporters obligations under EPCG authorizations

GOODS AND SERVICE TAX

Notification No.S.O.2986(E), dated 16.09.2016 – The Central Government hereby appoints the 16th day of September, 2016 as the date on which the provisions of Sections [1](#), [2](#), [3](#), [4](#), [5](#), [6](#), [7](#), [8](#), [9](#), [10](#), [11](#), [13](#), [14](#), [15](#), [16](#), [17](#), [18](#), [19](#) and [20](#) of the said Act, shall come into force.

The Board floated the following rules and forms in respect of GST-

- Draft Goods and Service Tax Return Rules, 2016;
- Draft Goods and Service Tax Refund Rules, 2016;

- Draft Goods and Service Tax Registration Rules, 2016;
- Draft Goods and Service Tax Payment Rules, 2016;
- Draft Goods and Service Tax Invoice Rules, 2016.

INCOME TAX

Notification No. S.O. 2943(E), dated 14.09.2016 - Corrigendum to Notification No.S.O.2380(E), dated 12.07.2016 which deals with the notification of eligible projects under Section 35AC of the Act as recommended by the National Committee for Promotion of Social and Economic Welfare.

Notification No. 82/2016, dated 15.09.2016 – Central Government rescinds the Notification No. 04/2010, dated 28.01.2010 which deals with the approval of scientific research associations/institutions by the Central Government under Section 35(1)(ii) of the Act.

Notification No.83/2016, dated 16.09.2016 - Central Government notifies M/s. India Infradebt Limited as an infrastructure debt fund for the assessment year 2013-14 14 and subsequent assessment years.

Notification No.84/2016, dated 16.09.2016 – Amendments in Form No. 64A and Form No. 64B.

Instruction No.8/2016, dated 15.09.2016 – Income Declaration Scheme, 2016 - it is clarified that a declaration under the Scheme can be filed in respect of the assessment year for which notice under section [142\(1\)/143\(2\)/148/153A/153C](#) has been served on or before 31.05.2016 but the proceedings have been completed and the period of filing declaration under the Scheme has not expired. However, the declarant shall not be entitled to file the declaration in respect of the income which is the subject matter of the assessment order. It is reiterated that the cases where the time for issuance of a notice under section [143\(2\)/153A/153C](#) pursuant to search, seizure or survey operation, as the case may be, for the relevant assessment year(s) has not expired shall not be eligible to avail the Scheme.

Notification No.85/2016, dated 28.09.2016 - he Central Government notified the following districts of the State of Andhra Pradesh as backward areas under the first proviso to [clause \(ia\) of sub-section \(1\) of section 32](#) and [sub-section \(1\) of section 32AD](#) of the said [Act](#), namely:-

Anantapur, Chittoor, Cuddapah, Kurnool, Srikakulam, Vishakhapatnam, Vizianagaram

Notification No. 86/2016, dated 29.09.2016 - Income Computation and Disclosure Standards (ICDS) - ICDS notified in 2015 rescinded

Notification No.87/2016, dated 29.09.2016 - Income Computation and Disclosure Standards (ICDS) - New ICDS to be effective from AY 2017-18.

Notification No. 88/2016, dated 29.09.2016 – Income-tax (23rd Amendment) Rules, 2016. Amendment in Form 3CD.

Notification No. 89/2016, dated 04.10.2016 - Income-tax (24th Amendment) Rules, 2016 - Expenditure for obtaining right to use spectrum for telecommunication services.

Notification No. 90/2016, dated 05.10.2016 - Income-tax (25th Amendment) Rules, 2016 – Amendment in Form No. 68.

Notification No. 91/2016, dated 06.10.2016 - Income-tax (26th Amendment) Rules, 2016 – Amendment in Rule 114D.

Notification No.92/2016, dated 07.10.2016 - Income-tax (27th Amendment) Rules, 2016 – Amendment in Rule 17CA(4) which deals with functions of electoral trusts.

Instruction No. 09/2016, dated 27.09.2016 - The Income Declaration Scheme, 2016 - Undisclosed Income Invested in Acquisition of such Capital Asset.

Instruction No. 10/2016, dated 28.09.2016 – The Income Declaration Scheme, 2016 – Instructions in regard to manual filing of declaration in the absence of PAN by the declarant.

Instruction No. 11/2016, dated 13.10.2016 – The CBDT instructed that in a case where a search and seizure operation has been conducted on or after 01.06.2016 but before making of declaration under the Scheme, the assessee shall not be entitled for filing a declaration under the Scheme in respect of the assessment years for which a notice under [section 153A/153C](#) of the [Income-tax Act](#) can be issued. The previous year in which search is conducted is already not eligible for declaration under the Scheme as declaration under the Scheme can be filed only up to A.Y.2016-17.

Circular No. 35/2016, dated 13.10.2016 - Applicability of TDS provisions of section 194-I of the Income-tax Act, 1961 on lump sum lease premium paid for acquisition of long term lease-regarding.

FOREIGN TRADE POLICY

Notification No. 27(RE-2015)/2015-2020, dated 17.09.2016 - The import of items under the ITC (HS) Codes specified above is permitted freely w.e.f. 1.10.2016 provided cif value is US\$ 200 or above per MT.

Notification No.28(RE-2015)/2015-2020, dated 17.09.2016 - The import of items under the ITC(HS) Codes specified above related to marble slabs is permitted freely provided cif value is US \$ 40 or above per square metre (for maximum thickness of slab of 20 mm) w.e.f. 1.10.2016.

Notification No.29(RE-2015)/2015-2020, dated 17.09.2016 - The import of items under the ITC(HS) Codes specified above related to granite slabs is permitted freely provided cif value is US \$ 50 or above per square metre (for maximum thickness of slab of 20 mm) w.e.f. 1.10.2016.

Notification No.39(RE-2015)/2015-2020, dated 04.10.2016 - Continuation of Minimum Import Price (MIP) on 66 HS Codes of Iron and Steel under Chapter 72 of ITC (HS), 2012 –Schedule – 1 (Import Policy): amendment in import Policy Conditions

Public Notice No.32/2015-2020, dated 22.09.2016 - Merchandise Exports from India Scheme (MEIS)—Additions/amendments in Table 2 [containing ITC (HS) code wise list of products with reward rates] of Appendix 3B.

Public Notice No. 33/2015-2020, dated 23.09.2016 - Amendment in ANF-5A [Application for issue of EPCG Authorisation] incorporating the guidelines for designating/certifying a Common Service Provider (CSP) under Para 5.02 (b) of [FTP 2015-20](#).

Public Notice No. 34/2015-2020, dated 28.09.2016 - Allocation of quantity for export of preferential quota sugar to EU under CXL quota.

Public Notice No. 35/2015-2020, dated 28.09.2016 - Amendments in Public Notice No. 29/2015-2020 dated 08.09.2016 and in Public Notice No 27 dated 31.08.2016.

Public Notice No.36/2015-2020, dated 28.09.2016 - inclusion of new Regional Office of DGFT at Belagavi, Karnataka in Appendix — 1 A of Foreign Trade Policy, 2015-20.

Public Notice No. 37/2015-2020, dated 04.10.2016 - Amendment in Para 4.94(a)(i), 4.94(a)(ii) and ANF-4I of Hand Book of Procedures 2015-20-reg

Public Notice No. 38/2015-2020, dated 06.10.2016 - Procedure governing import of un-shredded scrap (HMS— I & HMS— II) under Para 2.54 of Handbook of Procedures (2015-2020)

Policy Circular No.02/2015-2020, dated 15.09.2016 - it is clarified that the exporter has to indicate the details of the manufacturer or the exporter (if he himself is not the manufacturer) in Annexure "A" of the Free Sale & Commerce Certificate. Thereon the Regional Authority concerned will indicate the name of the manufacturer exporter as is being submitted by the Applicant in Annexure "B". Thus Free Sale & Commerce Certificate can be issued to Merchant Exporters also if they provide details of manufacturer of the item in Annexure "A" of [Appendix 2H](#).

SPECIAL ECONOMIC ZONE

Notification No. 3029(E), dated 21.09.2016 - Consolidation of all Special Economic Zones of M/s. Adani Ports and Special Economic Zone Limited [earlier known as M/s. Mundra Port and Special Economic Zone Limited (MPSEZL)]

Notification No. 3157(E), dated 03.10.2016 - Central Government notifies the 1.34 hectares area at Outer Ring Road, Doddanekundi Circle, Marathalli Post, Bengaluru in the State of Karnataka and constitutes a Approval Committee.

Notification No.3158(E), dated 05.10.2016 - Central Government notifies an additional area at Village-Matoda, Sari and Chachanvadi Vasna on National Highway 8-A, Taluk-Sanand District-Ahmedabad, in the State of Gujarat

COMPANIES ACT

Notification No. 1/34/2013 CL-V-Part I, 23.09.2016 - Companies (Management and Administration) Amendment Rules, 2016.

Notification No. 1/13/2013 CL-V, dated 01.10.2016 - Companies (Incorporation) fourth Amendment Rules, 2016 to prescribe (i) Simplified Proforma for Incorporating Company Electronically (SPICE) and (ii) Conversion of a company limited by guarantee into a company limited by shares.

Notification No. 1/5/2001-CL-V (Part VI), dated 03.10.2016 - National Advisory Committee on Accounting Standards - The Central Government constituted an Advisory Committee to be called the National Advisory Committee on Accounting Standards, to advise the Central Government on the formulation and laying down of accounting policies and accounting standards for adoption by companies or class of companies under the said Act or the [Companies Act, 2013 \(18 of 2013\)](#) as the case may be.

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