



www.icmai.in

The Institute of Cost Accountants of India

55th National Cost Convention 2014

Theme: Nation Building through Cost Competitiveness and Responsible Governance

Hotel Mayfair Lagoon, Bhubaneswar (Odisha), 23rd-24th February, 2014



Advertorial

The cost-information approach to effective tax monitoring



(Left to Right): A K Singh, Deputy CAG shares a thought with Amar Patnaik, Principal AG, Odisha, at the fifth Technical Session of day two at ICAI's Convention yesterday

It's not just about tax compliance and monitoring. There is a strong case for tax management by CMAs. However, they need a better understanding of the judicial aspects

The bottomline: Market forces can't take over the legitimate role of regulation. Accountability and regulatory framework will have to play a bigger role. This was the gist of Technical Session V on day two of the ICAI's 55th Convention. The session members discussed the theme "Government perspective: Tax and expenditure management, effective tax monitoring: cost information approach". Sunil S Dhade, Principal Auditor General, Odisha, summed it up best when he talked about the importance of cost accountability playing two roles here – in government regulation framework and in increasing competitiveness of the industry.

The welcome address for the session was delivered by CMA Dr. Sanjiban Bandhyopadhyaya, Council Member, ICAI, while the Chairman address was by A K Singh, Deputy Comptroller and Auditor General. Panelists included DN Panda, Member, CESTAT; Sunil S

CMAs need to ensure compliance with law; reporting when required; look at the regulatory aspect and also check for evasions. As the globe turns into a village, international arbitration will become important

Dadhe, Principal AG, Odisha; and Amar Patnaik, Principal AG, Odisha. The vote of thanks was delivered by CMA Pallav Bhattacharya, Regional Council Member, ICAI. Bandhyopadhyaya debated that the appointment of the CMA should happen through the government and not the board of a company. Deputy CAG A K Singh was glad that this was his first interaction with CMAs at such a large level. "We are auditors of government schemes and comment on the outcome compared to

the input in a scheme," he said. He explained how the architecture of spending, until now, has been through the society mode, but has not been very efficient and led to accountability issues.

Dadhe underlined the importance of regulation and auditing and said CMAs have a vital role to play here. "They need to ensure compliance with law; reporting when required; look at the regulatory aspect and also check for evasions," he said. He also mentioned that as the globe turns into a village, international arbitration will become more important.

"CMA is not a cost professional alone but is a management professional, too," said Patnaik, stating how public expenditure management has a big role for the CMA. Public expenditure management is about ensuring that allocation of resources happens efficiently. "Until now, a major role for planning has been with the community. There is also a demand for exercise of professional oversight," he stated.

Panda highlighted the importance of more CMA representatives in the judicial system. "They [CMAs] need more understanding of the law. There is a serious lack of clarity about the scope and objectives of a statute," he said. He also spoke about the pitfalls of ineffective litigation and the need for effective representation. The session also saw the release of a booklet "Anti-dumping: Relevance of cost information". Singh summed up the session and pointed out specific points made by the panelists, while CMA Bhattacharya proposed the vote of thanks.

MSMEs AND THEIR GROWING ROLE IN TODAY'S ECONOMIC SCENARIO

Vital to Indian economy, MSMEs need to reach out effectively and change their mindset about cost competencies and attention to detail from operations to regulatory mechanism

IT IS not always that all panelists and speakers at a Convention agree to not delve into the importance of the sector being talked about. They would rather emphasise on how to energise it. The sector in question: medium, small and micro enterprises (MSMEs). The Session: Technical Session – III, on day two of the 55th National Cost Convention of the Institute of Cost Accountants of India (ICAI), which looked at "Energising MSMEs for Sustained Economic Development: Inclusive Growth-MSME Focus".

The welcome address was rendered by CMA Manas Kumar Thakur, CCM, ICAI, and was chaired by R Laxmikant Rao, General Manager, RBI, Bhubaneswar. "SMEs need to learn new ways to be more relevant, be it developing or developed economies," he said. He added that despite their importance in economies, SMEs paradoxically also faced far more challenges than larger companies.

The panelists at the session included S S Acharya, DGM, SIDBI; Dr Sanjay Kumar Satpathy, Dean, Ravenshaw University; Dr S K Gupta, Director (Technical), ICAI; and K C Samal, Director (Finance), NALCO Ltd. The interactive session was also attended briefly by MV Tanksale, CEO, Indian Bank Association, who took it upon himself to clarify how and if banks are delivering on their promise of extending more credit facilities to the MSME sector.

Rao of RBI stressed upon the importance of financial inclusion as a goal and said the apex bank plans to cover even the rural areas of the country for credit facilities. "We are looking at a wide network of financial intermediaries to plug this gap," he said. The RBI has laid down guidelines for banks to increase their credit to MSMEs by 20 per cent every year, of which 60 per cent should go to micro enterprises. He revealed how banks need to have guidelines



(Left to Right): ICAI President CMA Suresh Chandra Mohanty addressing the audience at the Valedictory Session on day two of the ICAI Convention, with CMA DLS Shresthi, Council Member, ICAI; CMA M Gopalakrishnan, Past President, Central Council Member & Chairman Technical Committee of Convention, ICAI; B Mahatab, Hon'ble Member of Parliament; Prof Lakshman R Watawala, President, CMA, Sri Lanka; Dr R K Bal, Prof in Accountancy; TCA Srinivasa Prasad, Convenor Convention & Central Council Member, ICAI

for sick units and have been instructed to reveal more on MSME loans. He also wished MSMEs were more cost conscious and knew how to manage market situations better, while also controlling their costs.

NALCO's Samal expressed concern about how MSMEs had little access to expert advice from banks and several times, don't even know about the special schemes and incentives available to them. "Lack of awareness is a big issue. There is also a need to simplify the procedure and create a simpler regulatory structure," he said.

Acharya of SIDBI talked about how another 450 million will be ready to join the workforce in another three-four years. "These jobs can't come from the corporate sector,

which hires a highly-qualified workforce, and neither the agriculture sector," he said. And since information asymmetry leads to inefficiency, creating well laid channels of information is vital. "If you can't measure, you can't manage," said Acharya, comparing how MSMEs are still not able to measure risk and are finding it tough to safeguard their interests.

What stands MSMEs in good stead here is SIDBI's Enterprise Rating for MSMEs, which was introduced by the organisation in 2005. He also talked about the bank having special schemes for MSMEs. The bank also gives substantial help to the sector when it comes to mentoring and hand-holding, with retired bankers playing the role of knowledge

partners. Ravenshaw University's Satpathy spoke in detail about British economic thinker E F Schumacher and his take on business and economy, which looked at how small is beautiful and how modern, bigger entities require so much investments to accomplish so little.

Dr Gupta of ICAI gripped the audience with his presentation on the importance of the Indian "parta" system of business, and asked companies to change from KFP (*kya fark parta hai*, how does it matter), to BFP (*bahut fark parta hai*, it matters a lot). The session also conducted a question answer round with the audience putting some pertinent questions to the panelists.

Cost management for sustainable survival

To meet global standards, the focus of Indian companies should be on strategy and effective cost management

Service sector as a key enabler for sustainable growth through cost management was the theme for the fifth technical session of the ICAI's 55th National Cost Convention 2014. CMA Dr. P V S Jagan Mohan Rao, Council Member, ICAI welcomed the delegates and said when resources are put to use for need and not for greed, it leads to sustainable growth, quoting Gandhi.

Session chairman, Dr V Gopalan, Management Consultant, brought forward the statistical information on the service sector. In the last decade India ranked first amongst top 15 countries to show a considerable change with a 8.1 per cent GDP growth. He said that cost management is very important if India has to globally show a major hike in the growth graph.

While service sector contribution to GDP was just one-third in the year 1952, it increased to almost 65 per cent in 2012. Sustainability is a balancing act and affordability is the key, said Krishna H Mankad, CEO, Reliance Infrastructure Ltd. He pointed out that most companies close down within ten to fifteen years and only a handful 3 per cent are able to survive.

"Cost Accountants are key enablers for sustainability of service sector. They should gear up to be responsive, connect more and collaborate on real time basis," said Mankad. In the perspective of cost management, companies should move towards new technology, focus on cost and risk reduction,



(Left to Right): Dr V Gopalan, Management Consultant; Dr P V S Jagan Mohan Rao, Council Member, ICAI; Adrian Parera, Council Member, CMA, Sri Lanka; and S Manivannan, Managing Director, Parama Healthcare Pvt Ltd at the fifth technical session of day two at the ICAI 55th National Cost Convention yesterday

emphasize on innovations and guide their growth path trajectory.

Adrian Parera, Council Member, CMA Sri Lanka, deliberated on the fact that

Financial statement preparation is no longer the need of the hour, strategy and cost control are the domain today

an accountant's role has changed from a number cruncher to being a business partner. They are expected to be advisors in all areas and have become a professional liability on the high side. According to a forecast made by Goldman Sachs for world economies,

the Indian economy ranked 13th in 2007, but is expected to ascend to the third position by 2050. Keeping the forecast in mind, Adrian said global standards are the parameters. Financial statement preparation is no longer the need of the hour, strategy and cost control are the key today.

Managing Director for Parama Healthcare Pvt Ltd, S Manivannan spoke explicitly on the healthcare field in the service sector. He stressed on the affordability and accessibility of the same. Involvement of private sector in the field is 66 per cent presently and is expected to rise to 81 per cent by 2015. He pointed out that Indian healthcare costs are either at par or more than the west. Gopalan summed up the session and said that service sector growth is one of the most important topics of the decade.

'Cost Management crucial to governance'

Cost and Management Accountants (CMAs) are concerned with the micro view of an organisation. Their role has remained almost the same - to peep into the past and predict the future. But while only the internal environment was crucial in the past, now external environment is equally important. And thus the focus on responsible business in ICAI's 55th National Cost Convention-2014 was emphasized. The convention delved deep into all the aspects of business where cost management is crucial in the areas of governance, where it can make a visible difference. From MSMEs who seek help from us for cost-correction, project reports and tenders to Government fiscal system management, which can improve its tax systems - not only collecting it, but also utilising it. We are also collaborating with the healthcare sector for cost calculation to provide affordable healthcare.



M Gopalakrishnan, Past President & Central Council Member, ICAI

'ICAI armed with a new syllabus'



CMA TCA Srinivasa Prasad, Central Council Member, ICAI

The Convention threw light on the avenues and new horizons where CMAs can use their potential. We can not only contribute to stock audits but also have a bearing on performance appraisal of an organisation. This is important for the services sector, especially the banking sector, which can use them as a cue. We as cost and management accountants don't do post-mortems but deliver a report card along with suggestions for future. Organisations also benefit from us in that we don't have an agenda and look at things objectively. Until now the banking sector and CMAs hadn't truly realised the potential of working together. Our effort at ICAI is to work closely with service sector such as banking, education and insurance. In keeping with this goal, we have also prepared a new syllabus for our students, one which is more extensive than a MBA programme.

'Cheque-book charity no more'

The Convention underlined the importance of affirmative corporate action and its significance in CSR, which has become crucial to company strategies today. CSR has moved away from cheque-book charity and, thus, it is important to look at how the funds can be best utilised and the benefits maximised. In order to optimise your CSR activities, it is crucial to pump just the right amount of funds and efforts. Cost accountability and management is the ideal solution to reaching that goal.



CMA Sanjay Gupta, Chairman, International Affairs Committee & Central Council Member, ICAI