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GOODS AND SERVICES TAX IN INDIA

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory body under an Act of Parliament)

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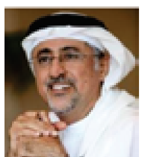
His Highness Sheikh Nahyan bin Mubarak Al Nahyan presenting the **IOD Distinguished Fellowship 2015** to **H.E. Saeed Mohammad Al Tayer,** MD & CEO, Dubai Electricity & Water Authority (DEWA), Govt of Dubai. Also seen **Justice (Dr.) Arijit Pasayat,** Co-Chairman, IOD India and former Judge, Supreme Court of India

Galaxy Of Speakers

H. H. Sheikh Nahyan bin Mubarak Al Nahyan, Minister of Culture & Knowledge Development, Govt. of UAE

H.E. T. P. Seetharam Ambassador of India to UAE

H.E. Khaled Al Kamda Director General, Community Development Authority, Dubai



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The Institute of Cost Accountants of India

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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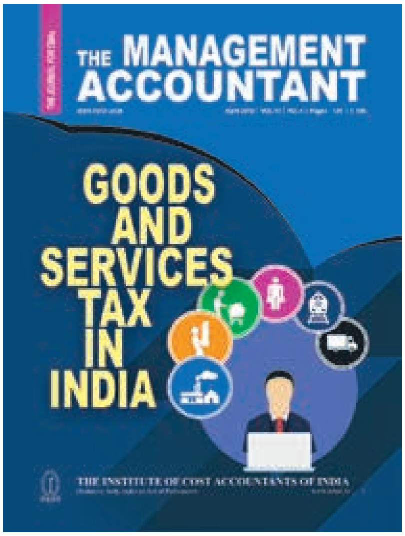

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Cover Story

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EDITORIAL

Greetings!!!

Amidst economic crisis across the globe, India has posed as a beacon of hope with ambitious growth targets, supported by slew of strategic missions like 'Make in India', 'Digital India', etc. Goods and Services Tax (GST) is expected to provide the much needed stimulant for economic growth in India by transforming the existing basis of indirect taxation towards free flow of goods and services within the economy and also eliminating the cascading effect of tax on tax. In view of the important role that India is expected to play in the world economy in the years to come, the expectation of GST being introduced is high not only within the country, but also in neighboring countries and in developed economies of the world.

Impact of GST in Indian Economy:

- Reduce tax burden on producers and foster growth through more production. This double taxation prevents manufacturers from producing to their optimum capacity and retards growth. GST would take care of this problem by providing tax credit to the manufacturer.

- Various tax barriers such as check posts and toll plazas lead to a lot of wastage for perishable items being transported, a loss that translated into major costs through higher need of buffer stocks and warehousing costs as well. A single taxation system could eliminate this roadblock for them.

- A single taxation on producers would also translate into a lower final selling price for the consumer.

- Also, there will be more transparency in the system as the customers would know exactly how much taxes they are being charged and on what base.

- GST would add to government revenues by widening the tax base.

- GST provides credits for the taxes paid by producers earlier in the goods/services chain. This would encourage these producers to buy raw material from different registered dealers and would bring in more and more vendors and suppliers under the purview of taxation.

- GST also removes the custom duties applicable on exports. Our competitiveness in foreign markets would increase on account of lower cost of transaction.

- The proposed GST regime, which will subsume most central and state-level taxes, is expected to have a single unified list of concessions/exemptions as against the current mammoth exemptions and concessions available across goods and services.

The introduction of Goods and Services Tax would be a very noteworthy step in the field of indirect tax reforms in India. By amalgamating a large number of Central and State taxes into a single tax, it would alleviate cascading or double taxation in a major way and pave the way for a common national market. From the consumer point of view, the biggest advantage would be in terms of reduction in the overall tax burden on goods and services. Introduction of GST would also make Indian products competitive in the domestic and international markets. Last but not the least, this tax, because of its transparent character, would be easier to administer. However, once implemented, the system holds great promise in terms of sustaining growth for the Indian economy.

This issue presents a good number of articles on the cover story theme '***GST in India'*** by distinguished experts and authors. We look forward to constructive feedback from our readers on the articles and overall development of the journal. Please send your mails at *editor@icmai.in*. We thank all the contributors to this important issue and hope our readers enjoy the articles.

PRESIDENT'S COMMUNIQUÉ

CMA P. V. Bhattad
President
The Institute of Cost Accountants of India

Successful and unsuccessful people do not vary greatly in their abilities. They vary in their desires to reach their potential.

John Maxwell

My Dear Professional Colleagues,

Namaskar.

Economic growth should have sustainability in the light of emerging scenario worldwide. This concept is established in an integrated approach, and the processhas involved unprecedented levels of global consultation and engagement. The success of the sustainable development agenda requires unified action on multiple fronts by all the stakeholders. Hon'ble Prime Minister of India, Shri Narendra Modi has said, "Let's think about making our product which has 'zero defect'; so that it does not come back from the world market and 'zero effect' so that the manufacturing does not have an adverse effect on our environment". India's journey to prosperity can be more sustainable and environmentally sensitive if we follow the "Zero Defect Zero Effect" concept.

Embarking on the same Indian Railways has emphasised among other things the need for cost optimisation on several fronts and cost based recoveries and need to modify the present system of accounting, to ensure tracking of expenditure to desired outcomes. It has also emphasised the need for bringing Accounting Reforms as a critical step towards embracing Government Accounting Standards which are in line with commercial accounting and reporting.

I am pleased to inform you that our Institute is committing itself for meeting the goals set by the Indian Railways for improving its Cost and Management Accounting System. The Institute, backed by its expertise, is making sincere efforts to take the objectives of Indian Railways to its logical conclusion.

National Students Convocation

The annual convocation of the Institute was held at Kolkata on 21st March 2016. The Convocation started with Convocation Parade by the Students and Guests. 90 students were given prizes in the first half of the program for their achievements in December 14 and June 15 examinations while 901 students were felicitated with Rank certificate and medals in the second half of the program.The Chief Guest of the event wasMr. Chandrashekhar Ghosh, Chairman and Managing Director, Bandhan Bank Ltd., while Prof. (Dr.) Amiya Kumar Bagchi,Director, Institute of Development Studies,Kolkata was the Chief Guest of Honour. Prof. (Dr.) MalayenduSaha, Vice-Chancellor, University of Kalyani,Prof. (Dr.) Ajoy Kumar Roy, Director, Indian Institute of Engineering Science and Technology, Shibpur, Mr. D. P. Despande, Managing Director, Tata Sponge Limited and Mr. Bibekananda Mohanty, Registrar of Companies were the Special Guests of Honour.

In my address I urged upon all the Regions and Chapters of the Institute to hold similar programs for passed out students and also invite their parents to felicitate them. I informed the students that the CMA qualification has the capability to convert them into well-groomed corporate professionals who steer organizations through the prevailing turbulent and dynamic period. It was pleasing to see the passed out students, with their boundless enthusiasm, energy and intrinsic intelligence, all set to emerge as confident young women and men who will seek challenges and overcome them. I also administered oath to budding CMAs to serve nation with honesty and integrity and to become competent and responsible CMAs and also a good citizen and loyal Ambassador of the Institute.

PRESIDENT'S COMMUNIQUÉ

National Regional Council & Chapters Meet

The National - Regional Council & Chapters Meetwas organised on 26th March 2016 at Munnar, Kerala. The Chapters were awarded during the event for their contribution in the growth of the Institute and profession. The Best Chapters under A, B, C, D, Category of each Regional Council were awarded on the basis of initiatives in the areas of (a) Increase in Student strength (b) Increase in Membership and (c) Conductof programs ofprofessional interest taken by the chapters. I congratulate the winning chapters and wish good luck to all others for the future award.

Celebration of International Women's Day

I congratulate the SIRC of the Institute for coming forward to conceptualise and organise the National Woman's CMA Summit 2016 to commemorate the International Women's Day. The theme 'WOMAN - A Key Player in Socio Economic Development' was quite thoughtful and progressive.The Institute in association with Centre for Social Research organised a program on**Celebrating Womanhood**:'Enlightenment through Education and Empowerment through Entrepreneurship' on 10thMarch 2016 at New Delhi. Dr. Ranjana Kumari, CMA Dr. S.K. Gupta, Ms. S.M. Swathi and Dr. Kiran Bedi were amongst the prominent speakers who addressed the participants.

Initiatives by various departments of the Institute

Advanced Studies Department

The examschedulefor participants of First Batch of three Diploma courses for June-2016 term is available on the Institute website. I wish the participants success in their attempt. The webinars for 2ndbatch of three Diploma Courses viz. Diploma in Business Valuation, Diploma in IS Audit and Control and Diploma in Internal Audit are being conducted as per the schedule.

CAASB Initiatives

The Cost Auditing and Assurance Standards Board (CAASB) in its meeting held on 17th&18thMarch 2016 approved the Standards on Cost Auditing (SCAs) SCA 117 on Identifying and Assessing the Risks of Material Misstatement, SCA 118 on The Cost Auditor's Response to Assessed Risks and SCA 119 on Related Parties and recommended for approval of the Council of the Institute before sending them for approval of the Central Government as per the proviso to section 148(3) of the Companies Act 2013. I am glad to inform that the Cost Auditing and Assurance Standards Board (CAASB) achieved the assigned target of developing 15 new Standards on Cost Auditing (SCAs) by 31stMarch 2016. I congratulate the Chairman and members of CAASB for this achievement. SCAs 105 to 119 will be mandatory for compliance under proviso to section 148(3) after the approval of the Central Government. SCAs 101 to 104 have already been approved by Central Government and have mandatory application in audit of cost records with effect from 11thSeptember 2015. I once again request all Chairmen of Regional Councils & Chapters to organize in association with Industry Federations/ Associations, the seminars/ workshops/ study circle meetings for proper advocacy and create the awareness on the existing approved SCAs and other SCAs among our members and professionals working in Industry.

CASB Initiatives

The Cost Accounting Standards Board (CASB) in its meeting held on 16thMarch 2016 approved Guidance Note on Cost Accounting Standard (CAS-2) (Revised 2015) on Capacity Determination which is being hosted on the Institute website shortly.Further in the said meeting, CASB also approved exposure draft of CAS on "Overburden Removal Cost" for seeking views/ suggestions/ comments from the stakeholders/ public. This is being hosted on the Institute website shortly.

CAT Initiatives

I am happy to inform that in response to our initiatives for expanding the CAT Course in different parts of the country, Bodoland Territorial Council (BTC) has invited the Institute and we have signed an MoU with BTC on 1st March 2016 offering CAT Course in the BTC Region. The MoU paves way for training of youth of BTC in CAT Course in the first phase. This way the Institute is fulfilling its commitment to reach the un-reached. We have received positive responses from few more States and I will be sharing further information when we finalise the MoU. I feel further happy to share that INFOSYS visited Jaipur Chapter in the month of February for recruiting CAT Students. Our efforts to bring more and more placement opportunities for the CAT students are continuing and I am sure most of the CAT students would find their employers through these efforts.

CPD Initiatives

I am pleased to note that the webinars on 'Implications of Budget 2016' and 'Understanding Financial Derivatives' were well received by the members. It is a pleasure to note the increasing number of programs by our Regional Councils and Chapters. I sincerely appreciate their efforts in organizing programs, seminars and discussions on the topics of professional relevance and importance for the members. We are sure that our members are immensely benefitted with the programs. We are looking forward for active participation of our members to enhance professional knowledge and skills. The presentations of various programmes are available in Knowledge bank on the website of the Institute.

International Affairs

I congratulate the Chairman and members of WTO, International Affairs & Sustainability Committee for organising

2016 International Summit on 10th& 11thMarch 2016 at New Delhi in association with The Prince's Accounting for Sustainability Project (A4S) and CIMA, UK on the theme "Finance Leadership: New Approaches to Sustainable Growth". Shri Suresh Prabhu, Hon'ble Union Minister for Railways was the Chief Guest of the summit. Participants were addressed by His Royal Highness The Prince of Wales through a special video recorded message. I am happy to note the presence of other eminent Speakers like Ms. Jessica Fries, Executive Chairman, A4S, Ms. Christine Brogan, Director, A4S, Mr. Tony Manwaring, Executive Director of External Affairs, CIMA-UK, Ms. Amanda Mackenzie, Executive Director, Project Everyone, Prof. C Raj Kumar, Professor and Vice Chancellor, OP Jindal Global University. Eminent CEOs and CFOs like Mr. P.B. Balaji, CFO, Hindustan Unilever Ltd., Mr. Ramesh Subramanyam, CFO, TATA Power Company Ltd., Ms. Vrushali Gaud, CII and Mr R. Devesh, IIRC also addressed the summit. It was concluded that CEOs and CFOs have a crucial role to play, shifting from a traditional stewardship role, to become the strategic driver and embed sustainability within organizations' decision making processes and drive long term resilient business models. The Summit was attended by around 150 global delegates and was a grand success.

The Next SAFA Events are scheduled to be held from 22ndto 24thApril 2016 at Mumbai. The Institute will be duly represented.

Membership Department

I am happy to inform that henceforth members and new applicants can make all kinds of membership related online payments on the "Members Online System" by net banking in addition to existing facility of payment by credit / debit card.I congratulate and welcome all the new 220 Associate members who were granted membership and all the 47 members who were advanced to Fellow membership during the month of March 2016.I would like to remind all members holding Certificate of Practice that validity of CoP is till 31stMarch. I call upon all CoP holders who have not yet renewed their CoP to apply for renewal (along with necessary form and payment) to the Institute at the earliest.

Professional Development

Professional Development department in association of the PHD Chamber of Commerce and Industry organised two half day seminars;one on the topic "Internal Financial Control – 360 Degree Business Governance Framework" on 11th March 2016 and another on "International Taxation and Transfer Pricing" on 22ndMarch 2016 at New Delhi.The seminarswere attended by large number of members of the Institute.

Studies Department

I am pleased to inform that Studies Department is in the process of preparing study materials and efforts have been made to avail the services of best talents in the country who are experts in their own subjects. It is also planning to introduce instalment payment system of fees at Intermediate Level in the new syllabus for the benefit of the student community.

Tax Research Initiatives

Finance Bill 2016 as pronounced by the Ministry of Finance, Government of India has prescribed measures to ensure ease of doing business in India through various procedural and administrative simplifications besides rationalizing the provisions of taxation statutes. Taxation Committee continues to serve greater need of the CMA profession through their value addition activities, workshops. There are several technical literature/ publication on various aspects are under finalization and post-budget memorandum is in the process of submission.

Training and Placement Initiatives

The first ever 15 days Pre-Placement Orientation Programme was organised for June 15 final qualified students and we received an overwhelming feedback from the students' community and based on their feedback, the 15 days Pre- Placement Orientation Programme has been organised for December 2015 passed out students in 9 locations this time. 545 students are undergoing the Orientation Programme in 9 locations. I am confident the students would find the programme self-motivating and they will be able to crack the campus placement happening at 4 locations during the month of April, 2016. I wish them success.

Other Initiatives

I congratulate the Management Committee of **Ahmedabad Chapter** for completing the glorious 50 years of its existence this year and also organising various events and programs to commemorate the occasion of Golden Jubilee. **Dhanbad-Sindri Chapter** of the Institute organised its annual Seminar on the theme "Goods & Services Tax (GST) and Impact Assessment of Budget 2016". I appreciate the efforts of the **Lucknow Chapter** of the Institute to take forward the agenda of hugely successful 57thNational Cost Convention by organising CMA Samagamat Lucknow on the theme 'Success Sutras of Make in India'.

I wish prosperity and happiness to members, students and their families on the occasion ofGudi Padwa, Bihu, Baisakhi, Bengali New Year, Ambedkar Jayanti, Rama Navami, Mahavir Jayanti and Hazarat Ali's Birthday.

With warm regards,

(CMA P.V. Bhattad)
2ndApril 2016

Glimpses of

National Regional Councils' & Chapters' Meet 2016

Shri Suresh Prabhu, Hon'ble Union Minister for Railways being felicitated by the President, CMA PV Bhattad, at the 2016 International Summit on March 11, 2016

CMA PV Bhattad, President of the Institute felicitates CMA Chandra Wadhwa, former president of the Institute, on his nomination as Government Nominee to the Council of the Institute of Chartered Accountants of India, in the presence of members of the Council of the Institute.

President & Vice President of the Institute felicitated Shri Santosh Kumar Gangwar, Hon'ble Minister of State for Textiles (I/C), others present are CMA SK Bhatt, Chairman, NIRC and CMA BB Goyal, Advisor, ICWAI-MARF.

Council Member, CMA Biswarup Basu, Regional Council Member CMA Bibekananda Mukhopadhyay, CMA Kaushik Banerjee, Secretary, and Directors of the Institute with other eminent dignitaries at the Kolkata Book Fair, 2016

CMA Arup Sankar Bagchi, Director Membership, addressing the students at the pre-placement orientation program for final qualified students in Kolkata. Also seen in the photo, CMA Biswarup Basu, Council Member and CMA Kaushik Banerjee Secretary of the Institute

CMA Manas Kr. Thakur, Vice President, CMA Biswarup Basu, Council Member, Regional CMs, and other dignitaries on the dais at the pre-placement orientation program for final qualified students in Kolkata

Glimpses of
National Students' Convocation 2016

CHAIRMAN'S COMMUNIQUÉ

CMA Dr. P. V. S. Jagan Mohan Rao
Chairman - Corporate Laws, Governance and Corporate Sustainability Committee

Seasons Greetings.

At the outset I would like to congratulate our chapters and regional councils for conducting various programmes during the "***Corporate Laws Week***" from 18th January, 2016 to 24th January, 2016. During this week, starting with release of knowledge pack on corporate laws by the Joint Secretary of the Ministry of Corporate Affairs, we have organised many programmes including seminars, lectures, and carrier counselling programmes at several places in the country. Eminent speakers and experts have addressed the participants.

I would like to congratulate CMA K. Sanyasi Rao, Chairman of Southern India Regional Council, CMA Mihir Kumar Mohapatra, Chairman Cuttack-Jagatsinghpur-Kendrapara Chapter, CMA Nagalakshmi. C.V, Chairperson Nellore Chapter, CMA V. Madhusudana Rao, Chairman Nagpur Chapter and their team for their good work for organizing the Corporate Laws Week in a grand manner.

We have recognised them at the National- Regional and Chapters Meet, 2016 meet held at Munnar on 26th March, 2016.

Based on the feedback, success and utility of the event, the Corporate Laws Week, it is decided to organise the same as a National event annually.

To further give more impetus to the relevant and contemporary areas we have decided to conduct and encourage regions and chapters to have programmes on various subjects including NCLT and Pre- certification. We are planning to publish talking points and reading material in due course in the Management Accountant.

NCLT and NCLAT

Central Government will establish the National Company Law Tribunal (NCLT) and National Company Law Appellate Tribunal (NCLAT).

NCLT and NCLAT are dealt with under Chapter XXVII of the Companies Act, 2013. The subject is covered in 28 sections from section 407 to section 434. The NCLT will handle various issues now being handled by various bodies. Please refer to the article on National Company Law Tribunal published in page number 18 of January 2016 issue of the Management Accountant for some details.

I would like to quote two sections here

Section 432 – Right to legal representation

"A party to any proceeding or appeal before the Tribunal or the Appellate Tribunal, as the case may be, may either appear in person or authorise one or more chartered accountants or company secretaries or cost accountants or legal practitioners or any other person to present his case before the Tribunal or the Appellate Tribunal, as the case may be ".

Section 422 – Expeditious disposal by Tribunal and Appellate Tribunal

"(1) Every application or petition presented before the Tribunal and every appeal filed before the Appellate Tribunal shall be dealt with and disposed of by it as expeditiously as possible and every endeavour shall be made by the Tribunal or the Appellate Tribunal, as the case may be, for the disposal of such application or petition or appeal within three months from the date of its presentation before the Tribunal or the filing of the appeal before the Appellate Tribunal.

(2) Where any application or petition or appeal is not disposed of within the period specified in sub-section (1), the Tribunal or, as the case may be, the Appellate Tribunal, shall record the reasons for not disposing of the application or petition or the appeal, as the case may be, within the period so specified; and the President or the Chairperson, as the case may be, may, after taking into account the reasons so recorded, extend the period referred to in sub-section (1) by such period not exceeding ninety days as he may consider necessary."

We should conduct seminars, workshops, and study circle/lecture meetings in our chapters and regions to gain more knowledge on the subject. We should also explore the possibilities to conduct joint events with other professional bodies.

We should also organise programmes on Pre- Certification.

World Earth Day

First World Earth Day was held in 1970. It is now in the 47th year and is currently celebrated in several countries across the world. It is an annual event conducted highlighting environmental issues. As CMAs we should actively participate and do our best in the context of Sustainable Development.

We can plan suitable programmes on the occasion of the World Earth Day on 22 April, 2016 including seminars/lectures etc for members and students to gain more awareness on the climate change in order to equip ourselves to contribute our might to the cause. We can also take up gifting to VIPS, 47 or more tree saplings and/or also planting 47 tree saplings on the occasion of World Earth Day by our regional councils and chapters.

World Environment Day

Suitable programmes can be planned and organised by the regional councils and chapters. June 5 is conducted as World Environment Day world over.

CAS 14

Discussions meetings can also be held on the Cost Accounting Standard – 14 dealing with Pollution Control Cost.

All the Regional Councils and Chapters are requested to actively organise and participate in the programmes and make them successful.

Acquiring knowledge through programmes like this and compliance and adhering to the provisions of corporate laws by the professionals and business community will help make 'Make in India' and 'Swachh Bharat' Programmes a grand success.

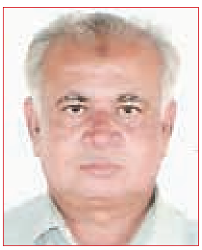
Let each one of us the CMAs give ourselves a professional opportunity to serve the industry and society by actively participating in organising, encouraging and attending in the programmes.

CMA Dr. P V S Jagan Mohan Rao

EMERGING ISSUES OF GST

Goods and Services Tax (GST) is an important, strategic and most practical step in the rationalization of Indian tax structure. In the present globalized scenario, the GST is a sin-quo-non for keeping Indian economy competitive within the country and outside the country. GST has far reaching consequences and implication and effects especially on the attainment of cost effectiveness.

The pressing requirement to change over from the dual value added tax (VAT) system at the centre and the states to an integrated GST, with a provision of tax levy only on the value added and input tax credits seamlessly available across the value chain. It would bring the desired degree of transparency along with increased tax efficiency whish are the need of the hour.



Dr. Badar Alam Iqbal
Professor
Aligarh Muslim University
Aligarh

Conceptual framework:

The GST is a concept which revolutionizes the face of fiscal federalism in the country and there could be a fundamental deviation from the existing powers relating to tax structure between centre and states. GST would repeal the powers to work out and impose excise duties, service tax, sales tax and purchase tax which are under the purview of centre or states.

Under GST neither the centre nor the states could unilaterally impose taxes on goods and services, but the same will be exercised by GST Council which will be a collective body both in nature and contents. The main functions of GST Council are to design the tax and guide in harmonization of country's tax structure for the speedy growth and development of market for goods and services. The very purpose of the GST is to bring to end existing tax administration which is based on adhocism and non-transparent tax management.

The biggest advantage of GST is that it is payable on the transaction value ie. Price actually paid or payable which includes all expenses in regard to sales namely packing, commission and also subsidies attached to supply.

Major Issues in GST Bill:

If a critical evaluation is made out of GST Bill, there are five major issues that have to be looked at. First, the Bill indicates only a minimal framework for the levy for GST and the other important issues arising out from it will be decided by the GST Council. Second, the GST Council which is empowered for structure and operational issues of the tax, the possibility of keeping and following harmony in emerging tax structure and its operations is very much doubtful. Third major issue is 1 per cent tax on the inter-state supply of goods and services and the exclusion of petroleum goods from the purview of GST. Fourth issue which is of great importance that states would lose the autonomy to bring change in the tax structure and operational details. Fifth, it is more hypothetical or myth that entire process of decision making in the GST Council could be finalized within given time period.

Global Scenario of GST

Table 1 reveals that if India sticks to the proposed rate of GST then India's GST rate across the nations would be highest in the world.

Table 1: GST Global View

Name of the Country	Year of Introduction	GST Rate in %
Canada	June 1995	5
France	April 1954	Standard rate 20 %; reduced rate 5.5 per cent; super reduced rate of 2.1 %
UK	January 1973	Standard rate 20 % and reduced rate 5 %
Japan	April 1989	Standard rate 8 %
Australia	July 2000	10 %
Malaysia	April 2015	6 %
India	April 2016 (Proposed)	Suggested revenue neutral rate 27 %

Source: the Business Standard; New Delhi; June 8, 2015

There has been no coherence and cohesiveness between India's proposed GST rate and Global GST rate. Let us have a look at the India's existing tax rate and proposed GST rate structure.

Current Rate Structure in States and at the Centre

In States			In Centre		
VAT: 4.5 % and 12.5 % (Some states have breached 12.5%			Median excise duty 12 per cent Service Tax 14 % from June 2015		
GST Rate or RNR Suggested by various Panels; July 10, 2010					
Lower rate for Goods		**Standard Rate for Goods**		**Services**	
Centre	6%	Centre	10%	Centre	8%
States	6 %	SGST	10%	States	8%
Combined	12 %	Combined	20%	Combined	16%
13th Finance Commission Task Force			**Empowered Sub-Committee Nov. 2014**		
Centre	5%		Centre	12.77%	
State	7%		States	13.91%	
Combined	12%		Combined	26.68%	

Source: Ministry of Finance; Government of India; New Delhi; 2015

Keeping in mind the proposed GST tax rate, it is pointed out by the states that could not afford the loss of the revenue and the GST tax rate should not be below 25 per cent. On the other side of it the centre wants to keep GST rate should be 27 per cent which too high and the tax consultants are of the view that GST rate should be between 20 and 23 percent.

It is generally belied that RNR below 25 per cent could result into loss to the states. One could keep a lower rate if the nation's tax base is wider. But in case of India it is not the case. It is further pointed out that just comparing the rate with global rates is not prudent; it does require a deeper examination. But it is undisputed fact that proposed GST rate of 27 per cent may create strong resistance from both the consumers and the producers.

With the passing of constitution amendment Bill in Lok Sabha; it is obligatory on the part of the central Government to compensate the loss arising out of GST for first three years 100 per cent 75 per cent in the fourth year and 50 per cent in the fifth year.

It is pertinent to point out here that the central government had suggested a standard arte of 20 per cent i.e. 10 per cent each of centre and the states; a lower rate of goods at 12 per cent i.e. 6 plus 6 and 16 per cent 8 plus 8 for services. This was made out to move towards a single rate GST of 16 per cent in three years which is imperative to be done to coup with the global standards of GST.

Second view point

In order to make India attractive and globally competitive there is an immediate need to keep GST between 17 and 18 per cent (Table 2) and the idea of additional 1 per cent tax must be dropped. The recommendations of Subramanian Committee in regard to GST rate option could be judged from table 3.

Table 2: World GST/VAT Rates# in %

Name of the Country/Group	GST/VAT Rates
EU*	19-25
UK	20
China	17
Australia	10
Canada	05
Singapore	07
Indonesia	10
India@	17-18

Notes: (#) All are the standard rates applicable to most of the items;
(*) VAT rates vary between 28 EU nations; among major economies; Germany levies VAT at 19 %; France at 20 %;; among the non-VAT nations; the US levies sales tax at 0-7 %;
(@) Standard rate proposed by Arvind Subramanian Panel

Source: the Financial Express; New Delhi; December 5, 2015.

As Indian economy is very much comparable with China and China is a rival and competitor of India in global markets, India has to keep its rate around 17-18 per cent so that the country could remain attractive and globally competitive.

According to Subramanian Committee; GST proposed rate could still be slightly on the higher side; but when compared with developed economies and even some emerging market economies like China and Indonesia; India's GST is ambitious.

Third Point of View

The most critical issue namely GST rate which is based on RNR which is vital for the economy in general and industry in particular have shown greater degree of eagerness. The industrialists feel that that there is dilemma on it and the same remain till the rate i.e. 26.68 (table 4) is not finalized. This is because RNR is most critical issue as it directly affects profitability and volume business of the corporate world. This is also of paramount significance for MNCs operating in Indian economy.

In the present scenario, the most wanted thing for which Indian government is making out concerted efforts how to attract more foreign investment for make in India a reality. This could only be possible when foreign investors looking at return on investment (ROI) for which GST rate for goods and services is sin-quo-non.

Indian Government needs to take into consideration the GST rates applicable in the world market while settling the issue of RNR. It is imperative to point out here that at the global map the GST/ VAT arte across the world is in the range of 5 to 25 per cent i.e. 5 per cent in case of Canada and 25 per cent in case of EU.

Table 4: Current Tax Structure

Particulars	Value in Rs
Value of Goods (assumed)	100
Excise Duty 12.5 % -A	12.5
Total	112.0
VAT 12.5 % -B	14.6
Total Tax A+B	**26.56**

Source: Ministry of Finance; Government of India; New Delhi 2015.

Table 5: Proposed Revenue Neutral Rate (RNR) in %

CGST	12.77
SGST	13.91
Total	**26.68**

Source: Ministry of Finance; Government of India; New Delhi 2015.

It is important to point out here that Indian Planners and policy makers should keep world available indicators in mind while determining the Indian requirements of revenue when they fix RNR. Why this so? This is because the very purpose of imposing and collecting taxes is to finance the growth and developmental needs of the country. Expenditure is needed to provide hard and soft infrastructure namely: - roads; communication, defence, education, health care etc. Therefore, what is required is to maintain the same level of economic and social development (two faces of the same coin), it is necessitated that Indian Government must fix the RNR that must match the government's revenue similar to the current tax rate structure (Table 4 and 5).

This all means that the cumulative duty applied to goods is at 26.56 per cent in the present tax structure and in case of services the same stood at 12.36 per cent. Under GST regime, the services also subject to full rate of GST. Added to these, the various exemptions available presently will be abolished under GST and hence, the tax base shall be increasing in totality which is the need of the hour. Hence, RNR could be in the range of 20 to 24 per cent and may go a long way in meeting the needs of government and the industry.

What should have been included?

It is most appropriate to bring tobacco, alcoholic and petroleum goods under the GST on the one hand and on the other hand levy a different rate of excise on them as many other countries across the world have made out. It becomes imperative to mention here that more than 35 per cent of the central excise and state VAT revenues are gathered from motor spirit and high speed diesel, and hence, including them in GST regime, tax base will push up the general rates. But a separate green tax on the above mentioned items could meet the revenue segment.

Another that could have been considered is an additional levy of 1 per cent by the states, to be devolved to local urban bodies. This is essential because with the implementation of GST regime, the existing sources of revenue namely- octroi, local body tax and entry tax will be become redundant and therefore, this 1 per cent levy may provide much needed cushion to the local bodies. The living example in this case is that when Gujarat Government abolished octrio, the VAT rate was increased by 1 per cent to match the loss of local bodies.

All services must also come under CST regime and there should a minimum level of exemption to the services. Corporate firms carrying self supply of goods and services should have been included in GST net. However, corporate firms may not get hurt as these can claim credit for all input taxes paid by them.

Silver lining

It is vital to point out that the roll out of goods and services tax (GST) may go a long way in benefiting the corporate firms by not only simplifying the existing indirect tax structure but also provide them the required cut down in the existing logistic cost as much as by a considerable margin of 20 per cent (Crisil

Report of 2015). According to the report, logistics costs of key sectors could go down in the range of 1.5 to 2 per cent over three years time after carrying out GST regime and that would be nearly 20 per cent lower than the current expenditure made out by the corporate firms. Table 6 provides a synoptic view of sector-wise savings in logistics costs on GST implementation.

Table 6: How Logistics Cost go down by 20 % after GST Implementation

Segments	FMCG	Consumer durables	Pharma	Automobiles (MHCVs)
Parameters as % of sales				
Current logistics costs	8-9 %	7-8 %	5.5-6 %	5-6 %
Direct logistics cost reduction post GST	0.8-1.2%	1.5-1.9 %	0.5-0.9 %	0.5-0.7 %
Additional savings in logistics costs check post dismantling	0.6-0.7 %	0.5-0.6 %	0.4-0.6 %	0.5-0.7 %
Total Potential savings in logistics costs	1.4-1.8 %	2.1-2.5 %	1.0-1.4 %	0.7-1.1 %

Source: the Indian Express; New Delhi June 10, 2015.

Overall benefits

Elimination of cascading effect of taxes as comprehensive input tax credit becomes available;

Phasing out of the 2 % CST for companies who move goods across the country;

Optimization of warehousing and consolidation of inventories for companies that have established multiple warehouses across the country to avoid CST;

What is required?

A sound, effective and easy GST regime should be implemented to all sectors of the economy. If the government wants to exclude any sector and item from GST regime, the same should be made out by GST Council with all care and cautiousness. There must be a rational for the exclusion. Certain supplies, even if made without a consideration such as self supply of goods and services should have been the part of GST regime. These measures may go a long way in transforming GST as a myth to reality. MA

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Introduction of GOODS AND SERVICES TAX (GST) IN INDIA: Prospects and The Road Ahead

After the passage of the Constitution (122nd) Amendment Bill, 2014 for Goods and Services Tax (GST) in the Lok Sabha on 6th May, 2015, the prospects of replacement of all the indirect taxes levied on goods and services by the Centre and States looks brighter. GST offers a comprehensive tax regime with minimum exemptions. Industry experts are of the opinion that GST will be a game changing reform for Indian economy by developing a common Indian market and reducing the cascading effect of taxation on the cost of goods and services. It will impact the Tax Structure, Tax Incidence, Tax Computation, Tax Payment, Compliance, Credit Utilization and Reporting leading to a complete overhaul of the current indirect tax system. In this paper, a humble attempt being made to capture the essence of GST and its modus-operandi, the journey towards GST as of now and future roadmap, prospects of GST regime and the challenges lies on the road ahead in a brief and coherent manner.

India follows federal structure of tax system comprising of two categories – Direct Tax and Indirect Tax. While Direct Tax refers to that kind of tax the burden of which cannot be shifted to anybody else and the Assessee has to bear the tax, Indirect Tax, on the other hand refers to that tax which is imposed at various stages of production/supply chain and ultimately to be borne by the final consumer. In India, different types of indirect taxes are levied and collected at different point in the supply chain. The Centre and the States are empowered to levy respective taxes as per the Constitution of India. Thus, the indirect tax structure becomes a complex one and reforming the same has been considered a top priority. Introduction of Value Added Tax (VAT) was the first major step towards the improvement over the then pre-existing central excise duty at the national level and the sales tax system at the state level. But the Indirect taxation of goods and services in India even after the implementation of VAT has been characterised by the cascading effect on production resulting in mis-allocation of resources and lower productivity and economic growth. It also inhibits voluntary compliance. Therefore, it is necessary to replace the prevailing Indirect Tax regime by a new regime which would foster the following objectives:

(a) The incidence of tax falls only on domestic consumption;
(b) The efficiency and equity of the system is optimized;
(c) There should be no export of taxes across taxing jurisdictions;
(d) The Indian market should be integrated into a single common market;

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(e) It enhances the cause of cooperative federalism.

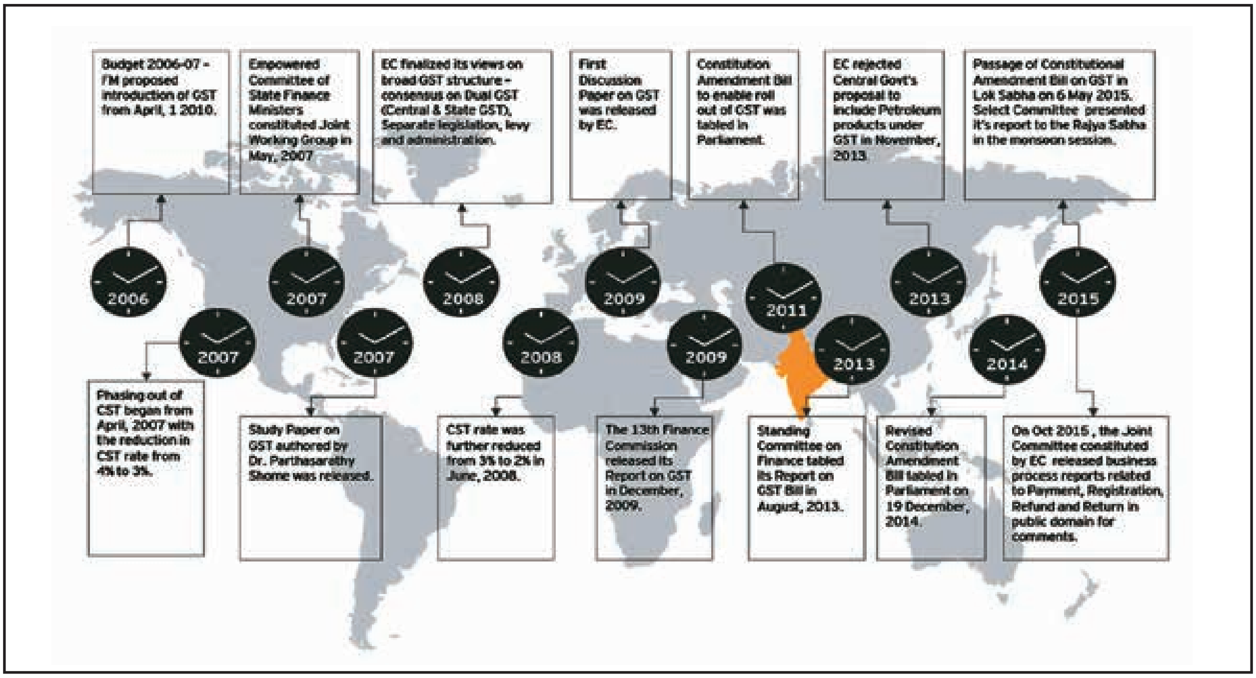
A well designed 'value added tax on all goods and services or GST, in short, will be an important perfection and the next logical step towards the elimination of cascading effect of taxing on consumption of goods and services. Under this structure, all different stages of production and distribution can be interpreted as a mere tax pass-through, and the tax essentially 'sticks' on final consumption within the taxing jurisdiction (Thirteen Finance Commission 2009).

GST stands for "Goods and Services Tax", and is proposed to be a comprehensive indirect tax levy on manufacture, sale and consumption of goods as well as services at the national level. It will replace all indirect taxes levied on goods and services by the Central Government and State Governments. GST is the only indirect tax that directly affects all the sections of our economy. It is noteworthy that the efforts to migrate to GST regime have been started almost a decade ago but due to political and state governments' autonomy its implementation became a challenge itself. In this backdrop, the present paper aims at capturing the underlying concepts and essence of GST in India, the developments on policy front as far as GST enactment is concerned, the prospects of implementation of GST on the economy as a whole and to the various stakeholders along with the challenges lies on the road ahead.

The Journey Towards GST Regime

The introduction of GST is considered to be one of the most crucial indirect tax reforms in India. But the transition towards GST regime has been a long and arduous one. Way back in 2006, the then-Finance Minister had announced in his Union Budget speech that India would introduce GST by 1 April 2010. Since this announcement, the roll out of GST had gone through a bumpy ride mainly because of the federal and state structure in the country that requires ruling party/coalition have the majority in both houses (Lok Sabha and Rajya Sabha) on various contentious issues and the kind of complexities involved in subsuming the prevailing Central and State taxes and duties into the new GST regime.

Figure 1: Time Line of Developments in GST Implementation in India



Source: Ernst and Young (2015) (http://www.ey.com/IN/en/Services/Tax/EY-goods-and-services-tax-gst)

The entire exercise of initiating the new reform involved a tremendous amount of ground work by the Finance Commission, the Joint Working Group constituted by the Empowered Committee (EC) of State Finance Ministers, the Standing Committee, Sub-Committees and Study Groups, IT teams and all other stakeholders including Indian companies. The amendment of the Constitution for implementing GST before legislative associated provisions was a big challenge for the Government. Lack of consensus between Centre and States and a few other practical difficulties resulted in deadlocks and delay in the implementation process. However, the enthusiasm of the trade and industry geared up heavily after the formation of New Government in the centre in 2014 with absolute majority. The new Government set the revised deadline for introduction of GST was fixed at 1st April 2016. But the political situation turned unfavourable on several counts which leave very minimum chance that it could be implemented in time. The time line of GST implementation process can be presented through the Figure 1 above.

The Future Roadmap for Transition to GST Regime

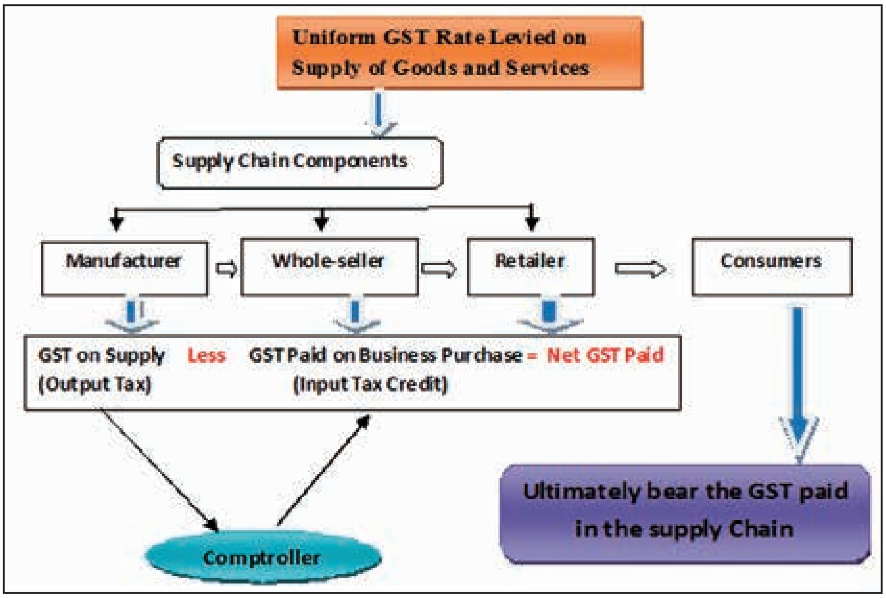
In view of the current political environment prevailing in the country, lot of speculations are going on as to when the GST will actually be applicable in India. It seems that a little more time will be required to ensure that everybody is satisfied. The states are confused as to whether the GST will hamper their revenues. Although the Central Government has assured the states about compensation in case the revenue falls down. In order to migrate into GST regime, the future roadmap comprises of the followings sequential procedure:

- The proposed bill needs to get the Rajya Sabha (House of the representatives of the States) assent with two third majorities.
- The Bill thereafter will be needed to be ratified by minimum of 15 States in their respective assemblies before the President can give its assent for its enactment.
- GST Council consisting of representatives from the Centre as well as States will be formed within 60 days of the enactment of the Bill. The council will make recommendations to the Union and the States on model Goods & Service Tax laws, the rates including floor rates with bands of goods & service tax, the Place of Supply rules and any other matter relating to GST as the Council may decide. Reports of Joint Committee constituted by Empowered Committee of the State Finance Ministers on business processes of payment, registration, refund and return under GST have been released and put in public domain for suggestions.
- The draft GST Law and Place of Supply Rules are expected to be framed and put in the public domain for comments.
- GST Network, an IT backbone for GST, which will facilitate online registration, tax payment and return filing will have to be launched.
- States will frame their respective GST Legislations to enable them to implement GST. It will be in line with the Central GST Legislation.

Concept of Goods and Services Tax (GST) and its Modus-operandi

Goods and Services Tax (GST) is a comprehensive tax levy on manufacture, sale and consumption of goods and services at the national level. GST is similar to the Value Added Tax (VAT) system which means tax on goods with an Input Tax Credit (ITC) mechanism with the only addition that GST also includes services. Thus GST would be applicable on supply of goods and services as against the present concept of tax. GST is a value added tax on goods and services that is paid by the final consumer while the preceding parties in the supply chain will be taking credit of the tax he has paid while buying goods for their processing. So in this all the services of retailer or the chain behind him is taxed apart from the actual value of production of that good (Adhana,D.K. 2015). The modus-operandi of the Indian GST model can be clearly understood from the Figure 2 below:

Figure 2: The Process of Tax Collection and Input Tax Credit (ITC) under GST



Let us understand the operation of GST through a hypothetical example. Suppose that there is a chain of manufacturer, wholesaler, dealer and the retailer and GST rate is 20%. Suppose the manufacturer purchases the inputs worth Rs. 1000 for producing a good worth Rs. 1400. He will pay net GST of Rs. 80 by taking the tax credit of Rs. 200 paid on the inputs. Similarly the wholesaler who buys this good and sells it for Rs. 1500 will pay net GST of Rs. 20 and the retailer who sells it for Rs. 1700 will pay net GST of Rs. 40 by taking the tax credit for his purchase which comes to be Rs. 300. The consumer will have to pay Rs. 1740 and the total tax would be Rs. 340 (=200+80+20+40).

In this context, it is to be mentioned that model GST is different from the current tax structure in many ways. Currently, taxes treat goods and services differently. Goods attract Excise at manufacturing level and VAT at the time of sale. In contrast, services attract only one levy i.e. Services tax on provision of taxable services. This distinction, in GST regime, would disappear as both goods and services would be treated at par for taxing purposes. A transaction in goods and services for a consideration would attract Central GST (CGST) and State GST (SGST). Also, the State Government now gets the power to tax services and Central Government gets the power to levy tax at the distribution and retail level.

The taxable event for the GST will be the supply of goods and the supply of services. The current taxable events such as manufacture, sale of goods and rendering of services will not be relevant for GST. GST is of two types - Single GST and Dual GST.

In India due to federal structure there shall be dual GST system wherein GST is levied both by the Central Government and the State Governments. This will comprise of:

- Central GST (CGST) which is levied by the Centre
- State GST (SGST) which is levied by the State
- Integrated GST (IGST) which is levied by the Central Government on inter-state supply of goods and services.

As GST would be levied on all the transactions of goods and services made for a consideration, new regime would replace almost all of the indirect taxes. In particular, it would replace the following indirect taxes at central and state level as shown in Table 1:

Table 1: List of Indirect Taxes subsumed due to Migration to GST Regime

At Central level	At State level
❖ Central Excise Duty (including Additional Duties of Excise) ❖ Service Tax ❖ CVD (levied on imports in lieu of Excise duty) ❖ SACD (levied on imports in lieu of VAT) ❖ Central Sales Tax ❖ Excise Duty levied on Medicinal and Toiletries preparations, ❖ Surcharges and cesses	❖ VAT/Sales tax ❖ Entertainment tax (unless it is levied by the local bodies) ❖ Luxury Tax ❖ Taxes on lottery, betting and gambling ❖ Entry tax not in lieu of Octroi ❖ Cesses and Surcharges

Source: First Discussion Paper on GST (2009), Empowered Committee of Finance Minister

However, certain items / sectors would be outside the GST regime. Products such as alcohol, petroleum products would remain outside GST regime. Further, Land and properties may remain outside since they are neither good nor services.

Silent Features of GST

- GST is a dual indirect tax structure wherein both centre and states have the power to levy tax.
- GST does not distinguish between goods and services.
- GST is applicable on Supply of Goods and Services. In GST regime, all supply such as sale, transfer, barter, lease, import of services etc of goods and/ or services made for a consideration and in some cases without consideration (like permanent transfer of business asset) will attract both Central GST (to be levied by Centre) and State GST (to be levied by State).
- Since the CGST and SGST are to be treated separately, they are to be paid to the accounts of the Centre and the states separately.
- GST is payable at the time of supply and hence the determination of time and place of supply is crucial as far as levy of GST is concerned.
- GST would be payable on the transaction value. Transaction value is the price actually paid or payable for the said supply of goods and/or services between un-related parties.
- GST will allow 'Input Tax Credit' to the business houses without any denial or restrictions
- Inter-state supply of goods and services for consideration are to attract additional tax.
- The tax payer would need to submit periodical return in common format to both the central and state GST authority. Each taxpayer would be allotted a PAN-Linked Taxpayer Identification Number with a total of 13/15 digits which would bring the GST-PAN-Linked System in line with the prevailing PAN-Linked-Income Tax facility.
- There would be 33 GST Laws (31 for states and 2 for Union Territories)
- There would be time limit for Show Cause Notice (SCN) ranging from 3 to 5 years.
- GST rate is determined keeping in view that it would yield at least the same revenue to the centre and states as collected through the various indirect taxes that would be subsumed under GST. Such rate is known as Revenue Neutral Rate (RNR).
- As per the Press Release of Government of India, dated 05th December 2015, GST rate as are of three types – Concessional GST rate is 12%, standard GST rate is 17% - 18% and for luxury goods, the rate is 40%. It is to be noted that the rate suggested is much higher than the Revenue Neutral Rate (RNR) suggested by the Thirteen Finance Commission (5% CGST and 7% SGST).

Prospects of GST Regime

Simply speaking, GST will replace the multiplicity of indirect taxes prevailing in India and aims at bringing 'harmonized system of taxation' in the country whereby uniformity in terms of procedure and rate of tax imposed both on goods and services sold within the country can be ensured. The transparent and seamless 'Input Tax Credit' system provides incentive for more tax compliance. The notable benefits arising out of introduction of GST are listed below:

Elimination of Multiplicity of Taxation:

The main reason to migrate to GST is to abolish the cascading effect on tax. The current tax system allows imposing tax on tax. For example, a product on which excise duty is paid can also be liable to VAT. Suppose a product is manufactured in a factory. As soon as it releases from factory, excise duty has to be paid to central government. When the product is sold in same state then VAT has to be paid to the State Government. Also no credit on excise duty paid can be taken against output VAT. This is termed as cascading effect since double taxes is levied on same product.

Reduction in prices of Goods and Services:

It is being claimed that due to full and seamless Input Tax Credit, manufacturers or traders do not have to include taxes as a part of their cost of production, which will eliminate cascading effect of tax and hence lead to reduction in prices of goods and services for the customers.

Increase in Government Revenues:

GST is expected to widen the tax base because many people resorted to paying taxes rather than evading the same and thereby contribute positively in the government revenue generation. Apart from the increase in tax compliance, the GST rate as proposed recently is much higher than the RNR proposed by the 13th Finance Commission, which will yield much more Government revenue. According to experts, by implementing GST, India will gain $ 15 Billion a year. This is because it will create more employment opportunities and boost growth (Adhana, D.K, 2015). Experience suggests that during the implementation of VAT (Value Added Tax) public revenues actually went up instead of falling because many people resorted to paying taxes rather than evading the same.

Another prospect of the current GST model is that it would encourage the distributors to sell goods or provide services with invoice as compared to current set up where they prefer to go for sell without invoice and naturally in the process Government ends up with less revenue. The point may be presented through a hypothetical example given in Table 2 below. A cursory glance to Table 2 reveals that in the existing set up distributor would reap more profit if he go for 'sale without invoice' but in case of proposed GST regime, the distributor will prefer 'with invoice sale' as against 'without invoice sale' mainly because that would generate more profit for the distributor.

Table 2: Distributor's Preference to sell with Invoice under GST Regime

Particulars	Present Scenario of Transaction		Scenario after GST	
	With Invoice	Without Invoice	With Invoice	Without Invoice
Manufacturer to Distributors:				
Sale price of Good	20000	22000	20000	22000
Add: Excise Duty @ 12%	2400	NIL	NIL	NIL
VAT @ 4%	896	NIL	NIL	NIL
GST @ 16% *	NIL	NIL	3200	NIL
Final Payment	23296	22000	23200	22000
Distributors to Whole-Seller:				
Sale price of Good	25000	25500	25000	25500
VAT @ 4%	1000	NIL	NIL	NIL
GST @ 16% *	NIL	NIL	4000	NIL
Final Payment	**26000**	**25500**	**29000**	**25500**
Net tax paid by the Distributor	104(=1000-896)	NIL	800 (=4000 – 3200)	NIL
Net Profit to Distributor:				
Sale Price	26000	25500	29000	25500
Less: Purchase Cost	23296	22000	23200	22000
Less: Net Tax Paid	104	NIL	800	NIL
Net Profit	2600	3500	5000	3500
Net Impact on the Psyche of Distributor	**He will Prefer without Invoice as it leads to Rs. 900 (= 3500 – 2600) more profit**		**He will prefer with Invoice as that would lead to increase in profit by Rs. 1500 (= 5000 – 3500)**	

** GST rate assumed to be 16% (i.e., the sum total of Excise duty and VAT at current level)*

Low compliance and procedural cost:

Under GST a single registration and a single compliance will suffice for both SGST and CGST which will ease out burden of maintaining big records, returns and reporting under various different statutes. All taxpayers will find comfort under GST as the compliance cost will be reduced. It should be noted that the taxpayers are, nevertheless, required to keep record of CGST, SGST and IGST separately.

Booster for Economic Growth:

Introduction of GST is considered to be a panacea for Indian economy as international experience suggests that GST helps corporations to focus on their core business processes which, in turn, help them to produce goods at competitive prices both for domestic and international market. On the other hand, it will help increase the saving rate and facilitate the economy grow. The Government of India is of the opinion that GST can help enhance the growth by up to 2 %. Even the Task Force under leading economist Kelkar had pointed out that it will increase growth. However, there are certain counter-arguments wherein it has been pointed out that if the rate of GST exceeds 20% limit, there would be very minimal impact on the economic growth and prosperity.

Reduction of Average Tax burden for Customer:

The tax burden of customer will be certain under GST regime and the international evidence suggests that average tax burden for the customer reduces.

Facilitate Ease of Doing Business:

GST will remove the worries about taxation that may crop at later stages. This will facilitate business community to focus on supply chain, pricing modalities, business intelligence and innovation rather than taxation as prices will no longer be the function of tax after the migration to GST regime.

Overall introduction of Goods and Services Tax (GST) will be crucial for Indian economy in the long run. GST would also make Indian products competitive in the domestic and international markets. From the consumer point of view, the biggest advantage would be in terms of a reduction in the overall tax burden on goods. Last but not the least, this tax, because of its transparent character, would be easier to administer.

Challenges on the GST

Like any other reform measures, the introduction of GST faces some challenges. These are:

Lack of Political Consensus:

The first and foremost challenge is the lack of political consensus. It is primarily because of the lack of political will that the bill has not been enacted even after 8 years of its announcement. While the Government was able to pass the Constitution Amendment Bill relating to GST in the Lok Sabha (Lower house of the Parliament), the Bill is expected to face roadblock in the Rajya Sabha (Upper house of the parliament) where the opposition parties are in majority. With the washing out of the both Monsoon and Winter Session because of the logjam in the Parliament, the introduction of GST from April 1, 2016 looks impossible. On the other hand, the major opposition party has put forth the following demands as non negotiable to support the Bill:

- The Standard rate of GST (aggregate CGST and SGST) should be around 18% and not the much talked about 24%-25%
- The proposed 1% non creditable GST on goods in the course of inter-state trade should be abandoned.
- Tobacco, electricity and petroleum products should be subsumed in GST
- Constitution Amendment Bill should provide for mechanism of Dispute Resolution between States.

Some of these concerns, in the Bill, are real and the Parliament should deliberate on those economic aspects and arrive at a practical consensus. But unfortunately what is happening in the political circles at present is more of politics than Economics.

Lack of Infrastructure:

The proper implementation of GST demands standardised procedure and efficient information technology infrastructure. Without a well-designed and well-functioning IT system, the full benefit of GST regime cannot be reaped. In this regard, the experience of implementation of VAT can be a guiding point. IT enabled infrastructure both at the central level and state level needs to be developed in harmonic manner which is currently not in place.

Non-Creditable Levy on Inter-state Sale:

Under the present GST model, 1% non creditable tax on interstate supply of goods would be retained by the Origin State and is ostensibly to compensate the origin State for the cost of development of infrastructure. While there may be a case for the Origin State to demand additional compensation, the compensation should not be in the form of additional tax. The better option is that Central Government should compensate from its share of the tax pool. In any case, the Central Government has already agreed to compensate revenue loss to the States (100% in first 3 years, 75% in the 4th year and 50% in the 5% year) and the origin States would be compensated. From Business perspective, the 1% levy on interstate supply of goods would be an additional cost and create cascading effect. The 1% levy would be an additional cost on procurement and also on distribution and would have a multiplier effect when the goods move through different States, in the supply chain. Besides, the levy would apply to interstate stock transfer from one unit of an entity to another entity.

High Revenue Neutral Rate:

The major challenge in implementing GST is to determine the rate of tax. GST rate should be such rate which generates at least the same revenue to the state and Centre as generated in current tax structure, known as Revenue Neutral Rate (RNR). Till now, there has been no official announcement regarding GST rates in India. If the RNR is too high, it would bring opposite results which will defeat the whole purpose of GST. On the other hand, it cannot be too low so that the revenue generated for the centre and states would be lower than existing level of revenue. It has been proposed that GST rate would be 27%. But present Finance Minister said in the Lok Sabha said that 27% will be too high and actual GST Rate would be around 18%. 18% tax will benefit most goods as currently most goods pay tax at a rate of 24%. However, services are to become costlier as they are attracted 18% rate of tax as against 12.5% at present.

Sector Specific Issus:

GST is a major indirect tax reform and it would virtually affect, both positively and negatively, all the sectors. Each sector such as construction, Information technology, transport and logistics, small and medium enterprises, etc. have their own issues that need to be resolved. It is true that sending the GST bill to Select Committee may have delayed the process; but it is good that all clauses of the Bill would be deliberated and the flaws will be ironed out.

International Experience:

International experience on GST implementation suggest that dual tax model of GST is not effective enough for the growth and prosperity of overall economy. India is going to adopt dual model for its own compulsion but we should bear in mind its negative aspects and try to develop system responsive to such needs. Secondly, the impact of implementation of GST in New-Zealand, Canada, Australia and Thiland showed that GST did not boost GDP growth but lead to lower inflation and improved tax to GDP ratio (Ambit Capital Research, 2015). Thirdly, the cross country evidence suggests that unified GST will provide more benefit for economy as compared to a dual GST model.

Concluding Observations and Policy Measures

It is widely accepted that the indirect tax regime in India is not only complex (with multiple taxes applicable on a business) but also inefficient and opaque and characterized by non-creditability of taxes paid either due to restrictions in the law or because there is no clear-cut division between central and state levies. Furthermore, as a result of multiple levies, a businessman engaged in the manufacture of goods/ sale of goods or provision of services has to comply with payment, reporting and audit requirements under different tax authorities. No doubt, migration to GST regime will overhaul the present indirect tax regime. Inspite of these positives, the present model leaves some issues wide open for serious deliberations from policy perspective. These are:

- Internationally, GST is always preferred in a unified form (that is, one single GST for the whole nation, instead of the dual GST format). Although India is adopting Dual GST looking into the federal structure, it is still a good move towards a Unified GST which is regarded as the best method of Indirect Taxes.
- Secondly, the building of adequate infrastructure both at administers level and taxpayer level should be a priority area and efforts need to be taken at priority and emergency basis in this direction while the bill is pending in the upper house.
- Thirdly, RNR should be within 18 - 20%, otherwise the tall claim of GST may not be reaped and may prove to be counterproductive. In fact, Goldman Sachs has already claimed that present model of GST would add only about zero to half a percentage point increase to the annual GDP growth of India.
- Even if GST rate is fixed within 18 – 20%, the prices of most of the services would move up as service sector currently come under 14% tax bracket. As the relative contribution of service sector is increasing with the passage of time, the Government stands to gain now and in future in terms of higher revenue from the service sector but the consumers, from the overall point of view, would be marginally benefitted because the gain arising out of the falling commodity prices will be offset, to a great extent, by the increase in prices of services.

It is, therefore, an opportunity for us to review these aspects more closely while the bill is stuck in the Rajya Sabha. The positive efforts on our part would be to find best possible solutions of these issues for further tuning of the GST modalities. After all said and done, the issue of widening the tax base by enforcing strict vigilance and compliance is a pre-requisite for the success of GST in India. MA

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GST MODEL FOR INDIA

Goods and Service Tax, the forthcoming biggest reform in the taxation era of Indian Economy, on implementation facelifts the brand of India in world's business friendly countries and boosts the economy by eliminating hindrance in the present indirect taxation structure. Till now, the varying taxation structure across the states within India created unhealthy competition among the states and hampered the overall growth with increased compliance cost to the business environment.

Goods and Services Tax would be a comprehensive indirect tax **on manufacture, sale and consumption of goods and services** throughout India, to replace the various indirect taxes levied by the Central and State governments. France was the first country in the world to introduce GST system in 1954 and almost 160 countries across the world have already implemented the GST.

Destination Based And Value Added Tax

Under GST structure, the tax would be levied on value addition at each stage of production and distribution stage. There would be continuous set off of benefits i.e., tax credit would be allowed from the manufacture/ service provider's point upto the retailer's level and net tax impact finally gets attached to consumption stage by eliminating intermediate cascading effect of taxes.

Thus, GST, internationally known as general turnover tax on consumption is basically destination based consumption tax, which is levied on the value added at various stages of all taxable products that are consumed domestically. Under GST regime, Exports are zero rated but imports are taxed under the destination principle.

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GST Models – World Wide

There are three well-known GST models in the world.

GST at Union Government Level Only (Central GST)

GST at State Government Level Only (State GST)

GST at both, Union and State Government Levels (Concurrent GST)

Central GST

Under CGST, Both Central and State government combine their levels to bring into existence a single unified taxation system at the center level, with appropriate revenue sharing arrangement among them and leaving no room or very little for tax levy by state government.

State GST

Under SGST, only States alone levy GST and the Centre withdraws power to levy the tax completely on goods or services. This would significantly enhances the revenue generating power of states and the center offsets its revenue loss by reducing its fiscal transfer benefit to the states or by suitable revenue sharing arrangement if required. State GST increases the compliance cost to business houses as it will have to comply with tax laws of each state within same country and brings unhealthy competition among the states.

Concurrent Dual GST

Under this model, both central and state Governments will levy GST concurrently. There will be Central GST to be administered by the Central Government and there will be State GST to be administered by State Governments. In this model, both goods and services would be subject to concurrent taxation by the Centre and the States. All types of goods and services will be brought under this proposed GST structure except few exceptions.

Proposed GST Model For India

Article 246, Seventh Schedule of constitution empowers Union Government and State Government to make the laws with respect to any of the matters enumerated in List I (Union List) and List II (State List) respectively. In case of List III (Concurrent List), Both Union and State Government can make the laws. However, the law enacted by central government shall prevail over the state government where the laws are conflicting on the subject matter of concurrent list (except that the state law may prevail in that state subject to Hon'ble President Assent).

The Unified GST at Union Government level (Central GST) is the ideal form of taxation structure from business perspective as it removes the cascading effect to a large extent and drastically reduces the compliance cost. However, the states may not agree for single and unified tax by central as it gives up the constitutional power granted to levy and collect the taxes. Even though, an attempt was made by the central government in the initial stage for implementation of single tax at central level but it was not acceptable to most of the states, Hence, **a compromise is made on Concurrent Dual GST where both states and centre will impose and collect tax on a single transaction of sale and service in the form of State Goods and service tax "SGST" and Central Goods and service tax "CGST".**

At present, the central has the constitutional power to tax goods only up to manufacturing stage and further has the power to tax services. States has the power to tax Goods up to the stage of sales but not have the power to tax services. Hence, **constitutional amendment is required to give power to the central to tax goods up to the stage of sale and further to give power to states to tax services for implementation of concurrent dual GST.**

GST Taxation Structure

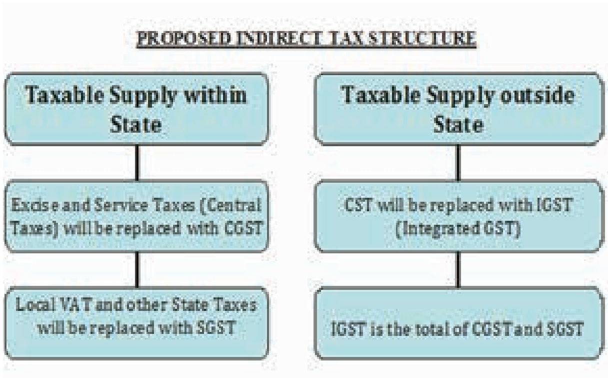
Under the proposed concurrent dual GST model for India, the following taxes shall be levied on the supply of goods and services.

CGST – Central Goods and Service Tax

SGST – State Goods and Service Tax

IGST – Integrated Goods and Service Tax/ (CGST+SGST)

Additional Tax (upto 1%) to be levied in case of inter-state supply of goods, which is a non-vatable item. Hence, no input credit available on such.



Taxes to be subsumed under GST Structure:

Post implementation, the following Central and State indirect taxes would be subsumed in GST and existing indirect taxes takes the form of CGST, SGST and IGST as per above proposed model.

Central taxes to be subsumed in GST

- Central Excise Duty
- Additional Excise Duties,
- Excise Duty levied under the Medicinal and Toilet Preparations (Excise Duties) Act 1955,

Goods and Service tax Bill, the forth coming biggest and unprecedented reform in the taxation history of India boosts the country's GDP by 1% - 2% on implementation and helps in improving India's ease of doing business index ranking in the world which presently stands at 130. Goods and Services Tax would be a comprehensive indirect tax on manufacture, sale and consumption of goods and services throughout India, to replace the various indirect taxes levied by the Central and State governments. Post implementation, the majority of Central and State indirect taxes would be subsumed in GST and the existing indirect taxes takes the form of CGST, SGST and IGST with few exceptions under the proposed concurrent dual GST model. With destination based and value added taxation principle, GST paves the way for creation of common market in India by eliminating hindrance in the present indirect taxation system and provides respite to business houses from the requirement of multiple compliances under various states statutes within India.

- Service Tax,
- Additional Customs Duty (Countervailing Duty)
- Special Additional Duty of Customs - 4% (SAD),
- Central Surcharges and Cesses in the nature of taxes on goods/services like cess on rubber, tea, coffee, national calamity contingent duty etc

State taxes to be subsumed in GST

- State VAT/Sales Tax,
- Entertainment tax (unless it is levied by the local bodies),
- Luxury Tax,
- Taxes on lottery, Betting and gambling.
- Tax on advertisements,
- State Cesses and Surcharges in the nature of taxes on goods/ services
- Octroi and Entry Tax
- Purchase tax

Some of the taxes that would be continued under GST regime are Basic customs duty, property tax, stamp duty, vehicle tax etc.

Alcoholic liquor for human consumption is exempted from the purview of GST and tobacco products would be subject to separate excise duty in addition to GST. Further, the petroleum products would be continued to be taxed as per the existing laws and would be transitioned into GST regime from a future date to be notified by the GST Council.

Conclusion

The GST has the potential to push India's GDP by 1% -2% and as rightly pronounced in Economic Survey 2015-16, GST "is a reform perhaps unprecedented in modern global tax history". With the implementation of GST, the taxpayers will breathe a sigh of relief as they are likely to get free from the requirement of multiple compliances under various states, as the proposed GST regime provides for a single registration and a single return. Further, it provides major impetus to MAKE IN INDIA initiative of Government of India by attracting new foreign investments and by reducing manufacturing cost in the form of reduced compliance cost and taxes. MA

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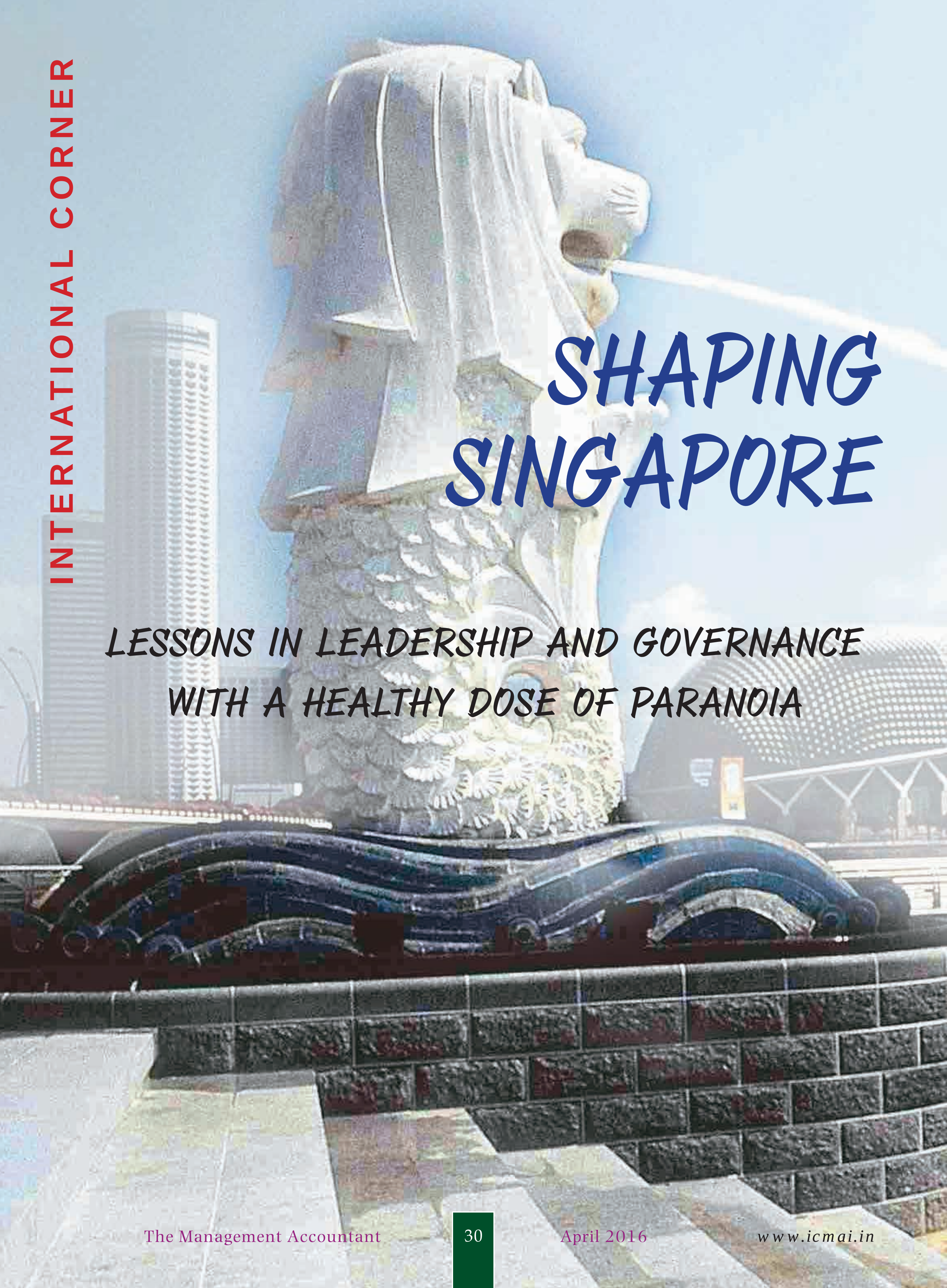

SHAPING SINGAPORE

LESSONS IN LEADERSHIP AND GOVERNANCE WITH A HEALTHY DOSE OF PARANOIA

Gautam Banerjee

Mr. Gautam Banerjee is a Senior Managing Director and co-Chairman of the Blackstone Asia Operating Committee. He is also Chairman of Blackstone Singapore.

His non-executive corporate roles outside of Blackstone include serving as an independent director of Singapore Airlines, GIC (Singapore's Sovereign Wealth Fund), The Indian Hotels Company and Piramal Enterprises. He also serves as a Vice Chairman of the Singapore Business Federation, member of the Singapore Legal Service Commission and Chairman of raiSE, the Centre for Social Enterprise in Singapore. His other roles in the "not for profit sector" include being a term trustee of SINDA and a member of the governing Board of Yale NUS College.

Previously, Mr. Banerjee served as Executive Chairman of PricewaterhouseCoopers (PwC) Singapore in various leadership roles in Singapore, India and East Asia. His previous non-executive appointments have included serving as a member of the Economic Development Board and the National Heritage Board.

He is a fellow of the Institute of Chartered Accountants in England and Wales, the Institute of Singapore Chartered Accountants and the Singapore Institute of Directors. He graduated with a Bachelor of Science (Honours) degree from Warwick University in 1977 and was awarded an Honorary Doctor of Laws (LLD) by the same University in 2014.

He was a Nominated Member of Parliament in Singapore from 2007 to 2009 and a member of the Singapore Economic Strategies Committee (2009/2010). He was awarded the Public Service Medal by the Singapore Government in 2014.

Singapore celebrated 50 years of nationhood in 2015 and in true Singapore style there was a lot of thought, imagination and effort put in to making SG 50 a meaningful and memorable year for all Singaporeans. But the passing of Mr Lee Kuan Yew, Singapore's founding Prime Minister and in many ways the primary architect of the city state's phenomenal success, in March of Singapore's jubilee year, made SG 50 a bitter sweet experience for most of us. For me, as it must have been for many others, it was a time to celebrate success but also reflect on the incredible journey since Singapore's painful separation from Malaysia in 1965.

As a naturalised citizen who first arrived on Singapore's shores in 1971, I have had a ringside view of Singapore's amazing journey from third world to first in the matter of a few decades. To achieve this as a city state with no hinterland, no natural resources and a population of just over two and half million people at the time of independence is nothing short of a modern miracle. In recent years I have been very fortunate and privileged to serve as a nominated member of Singapore's Parliament and also on the boards of two great Singaporean institutions the EDB and GIC. This has given me an opportunity not only to contribute but also to learn how Singapore has been able to succeed where others have failed. From these experiences and interactions I have often asked myself can businesses benefit from examining how and why Singapore continues to succeed and punch way above its weight in spite of its limitations.

I believe the Singapore story has many lessons for corporates, big and small, start up or mature, regardless of what industry they are in and where they operate. This is because the reasons behind Singapore's success as a country are also very relevant and critical for businesses to succeed in today's world.

There are many reasons for Singapore's success as a country but I would like to focus on three areas: Leadership that continues to be both visionary and pragmatic, Good Governance and Constructive Paranoia.

Leadership

Leadership is key to the success of any entity whether it is a company or a country. In Mr Lee Kuan Yew, Singapore had an exceptional leader who was not only a great visionary with an over the horizon radar but was also strong and pragmatic in the implementation of plans. Bold and ambitious plans to invest in infrastructure such as public housing, roads, transportation, a world class port and airport were efficiently implemented which made Singapore stand out from its neighbouring countries in the region. Government agencies were set up to promote trade and investments and to establish Singapore as one of the world's most competitive economies and friendliest places to do business.

Leaders, of course, need to attract and develop talent to work alongside and for them if they are to succeed. Mr Lee was able to persuade talented individuals such as Goh Keng Swee, S. Rajaratnam, Eddie Barker and Hon Sui Sen to join his team. These were exceptional men with different skill sets and personalities who complemented each other.

He also set up a Civil Service which is the envy of many countries by ensuring that it attracted and continues to attract some of the best talent in the country by providing attractive scholarships to top students to study at world class universities. These scholars are then required to return and serve in various government departments for several years thus ensuring a constant stream of talent for the public sector.

Because of its size and vulnerability Mr Lee believed that some of the best brains in Singapore must work for the Government. He often said that larger more established countries with natural resources that have been around for generations could get away with average leaders and public servants. However, a small city state like Singapore could not take such a risk.

This uncompromising stance on attracting and nurturing talent has made Singapore one of the most meritocratic societies in the world. In this respect it is very similar to some of the leading corporates in the world where entry into the corporation and progression through the ranks is based on talent and the ability to deliver results.

Fifty years on Singapore is a much wealthier society and. income inequality has inevitably increased. Yet equality of opportunity for every citizen continues to be a major social priority and in some ways defines Singapore society. I am encouraged that some of our top scholars, civil servants and young ministers come from very humble backgrounds. This augurs well for our continued success as a country.

Good leadership is also about ground breaking ideas, innovation and being ahead of the competition. Here Singapore's leaders can point to some spectacular successes like the setting up of The Central Provident Fund, which has not only helped generations of Singaporeans to own their first home but is also helping to fund health and retirement programmes. The introduction of compulsory military service for all male Singaporeans and permanent residents, the actions taken to make Singapore self-sufficient in water, the setting up of Government backed entities like Temasek Holdings and GIC as custodians and managers of Government assets and reserves not only required visionary leadership but courage and conviction. The investment returns of GIC, which is the manager of the government's foreign financial reserves, together with the investment returns generated by Temasek Holdings and the Monetary Authority of Singapore help to bolster Singapore's annual Budget based on rules set out in the country's constitution. During the last five years the annual average contribution by these entities has been about S$ 8 billion and has augmented domestic revenues in financing Singapore's economic and social priorities.

Governance

Good governance is not something which you normally associate with emerging economies. Indeed bribery, corruption and lack of transparency have plagued manya emerging economy and have held them back from reaching their true potential. So it is indeed remarkable that Singapore should stand out as one of the cleanest and least corrupt places to do business. It was not always so. Indeed, during colonial days Singapore was no different from other countries in the region with graft, nepotism and poor work ethics quite common place. But post-independence it all changed under the leadership of Singapore's first Prime Minister, Mr Lee Kuan Yew. From the very outset he clearly articulated what Singapore stood for - a multicultural meritocracy with integrity and excellence as its bedrock.

But as we all know it is easy to talk about these noble ideals but how does one go about achieving it in a consistent and sustainable way. The only way I believe it can be done is for leaders of a country or Organisation to not only articulate the right tone from the TOP but also to fully imbibe the values they want their citizens or employees to adopt.

Singapore has been very fortunate to have elected leaders, right from the Pioneer generation till today, who have set the bar high on integrity, ethics and excellence. This has meant that the civil service and the bureaucracy have had to follow the high ideals and standards set by the political masters as they have gone about their work. This trickle-down effect of the right values and behaviour has resulted in a coherent and consistent culture which defines Singapore. Mr Lee Kuan Yew's strong ethics, high standards and frugal life style has had a lasting impact on successive generations of leaders and civil servants in Singapore. Leaders need to be firm, fair and consistent in their behaviour to be credible and earn the respect of their subordinates. So for instance if a fellow leader is guilty of bad behaviour proper remedial action needs to be taken against the individual regardless of seniority. Here again Mr Lee was exemplary in not hesitating to take senior colleagues to task if they fell short of the high standards that he had set for all to follow. This culture of zero tolerance for bad behaviour has helped to reinforce the values that now define Singapore.

At a recent ceremony to welcome individuals who had become new Singapore citizens, Prime Minister Lee HsienLoong used a quote from one of Singapore's founding fathers, Mr S Rajaratnam.

"Being Singaporean is not a matter of ancestry. It is conviction and choice"

PM Lee went on to say that he hoped the new citizens decided to make Singapore their home not just for its comfortable and safe environment but also because you "believe in Singapore and identify with what Singapore stands for".

PM Lee also explained that "these values include being a multiracial society, a nation of opportunity, a fair and just society, and a place where tomorrow would always be better than today."

Like the early pioneers who arrived from different lands and came together to build Singapore. Mr. Lee said he hoped the new citizens would "feel the compulsion to carry forward what (the pioneers) have built, by constantly striving to always do better, whatever the circumstances."

This is a great example of the right tone from the top being shared with all stake holders. Company Chiefs would be well advised to follow PM Lee in periodically articulating what their company stands for and what the company's values are because having a coherent value based culture which everyone is aware of and adopts is important if a company is to be successful in achieving its stated goals.

Constructive Paranoia

History indicates that city states without a hinterland find it difficult to survive in the long term. Even Venice , one of the most prosperous and successful city states after many good years ultimately succumbed because it's relevance and competitiveness had eroded over the years and it was simply too small to be viable as an independent country.

So it is not surprising that in Singapore the Government is very aware that the future success and even survival of the country is by no means assured. I believe this mindset has resulted in Singapore constantly remaking and repositioning itself so that it remains competitive and relevant to take on new challenges arising from globalisation, changes in global and regional geopolitics, the technological revolution etc.

I call this constructive paranoia and it has made Singapore a more nimble, agile and resilient country and society. The Government leads a lot of the remaking and reshaping of the economy through a review of economic strategies and policies every few years. It does this in partnership with representatives from large and small, local and international companies, entrepreneurs, trade unions, trade and business associations. A new Committee on the Future Economy (CFE) chaired by the Finance Minister has just been set up to come up with new ideas and strategies to create more economic value with fewer people in land scarce Singapore. The CFE's recommendations will be discussed and debated at various levels and if accepted will provide important inputs to economic policy going forward.

Government agencies such as the EDB, Spring and IE Singapore are also constantly examining trends and developments globally which are likely to have an impact on our local businesses and quality of jobs. High quality international companies which are knowledge intensive and contribute high value per worker are encouraged to set up businesses in Singapore by a combination of tax and financial incentives while existing businesses which lose competitiveness are provided assistance with restructuring and embracing new business models. In some instances, companies that are not able to restructure and reinvent themselves, continue to depend on low skilled cheap labour or in other ways do not fit into the new economic landscape and realities of Singapore, are encouraged to relocate to other countries.

This mindset of constructive paranoia, Singapore style and simulating a burning platform when one doesn't exist is one that all corporates should embrace. Successful business models are being rendered obsolete faster than ever because of an increasingly flat and connected world and the pace at which technology is developing. Longevity of businesses and business models are only going to get shorter going forward and businesses will have to constantly reinvent themselves if they are to survive let alone grow. One thing is certain, more household names like Kodak will disappear from the scene while others will be swallowed up by entities often smaller but which are more nimble and tech savvy. Traditional retail banks with large branch networks and department stores are examples of two legacy businesses which are heading into a perfect storm as technology and new competitors are poised to enter their space in a big way with completely different cost structures delivery models and supply chains.

Conclusion

So to conclude let me summarise the three things you need for success in the Corporate world which were also key to Singapore's success in its first Fifty years as a thriving city state.

1. Leadership which is visionary and at the same time pragmatic and results oriented.

2. Good governance which ensures that the interest of all stakeholders is aligned and that no one group has an unfair advantage whether it be excessive rewards or special rights or access to resources.

3. Constructive Paranoia which requires constant remaking to stay ahead of the competition even if it means creating a burning platform. MA

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Cost Competency Posture of Railway Budget 2016

The one hundred and sixty one year old, Indian Railway (IR) is the world's largest government railway. It is construed as the prime mover of the nation and does play a dual role as a commercial organization and also as a catalytic vehicle to the growth of trade, industry and the economy as a whole.

The IR functions as a vertically integrated organization providing passenger and freight services across the country. It is a single system that criss-crosses the country, on which more than 22,300 number of trains ply every day carrying about 230 lakhs of passengers and hauling over 30 lakh tonnes of freight every day.

The Railway finances have been separated from the general finances of the government as per the Separation Convention, 1924. This convention has been carried forward by the Railway Convention Committee of the Parliament whereupon Indian Railways enjoy the special privilege of the Railway Budget being presented to the Parliament separately.

CMA Dr. Sreehari Chava
Director, Santiniketan Business School
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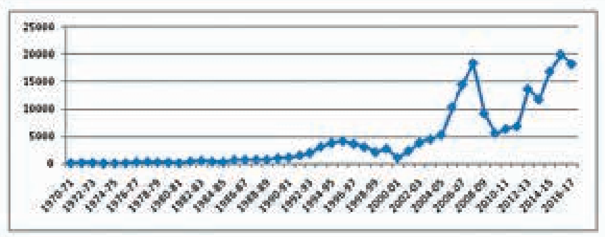
The Railway Budget is normally presented to the Parliament ahead of the General Budget. However, the figures relating to the receipt and expenditure of the Railways are also shown in the General Budget. The Railway Budget 2016 has been presented to the parliament by the Railway Minister on 25th of February 2016. This article ventures to examine the key dimensions of the cost competency posture of Indian Railways with reference to the Railway Budget 2016.

Financial Performance

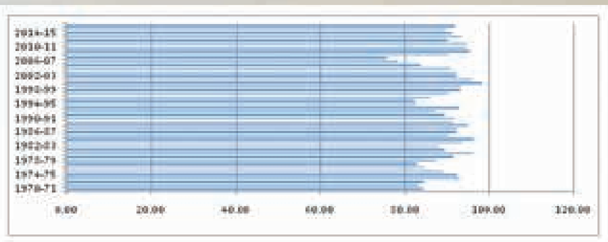
The financial performance of Indian Railways, over the years, can be gauged by looking at the three vital parameters comprising (i) Revenue Surplus, (ii) Operating Ratio and (iii) Net Revenue to Capital at Charge. Revenue Surplus is the excess of revenue receipts over the revenue expenditure; Operating Ratio reflects the proportion of the operating expenses to the revenue receipts; and Net Revenue to Capital at Charge is the term coined by Railways to reflect the Return on Capital infused. The trend of these three vital parameters for the period of forty six years, starting from 1970-71 and extending to 2016-17, is charted in graphs 1 to 3 (Revenue Surplus is a computed derivation from the resource data whereas

Operating Ratio and Net Revenue to Capital Charge are direct extractions).

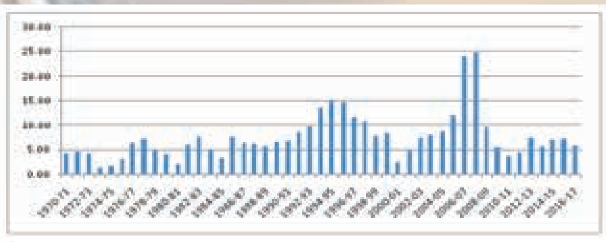
Graph1: Revenue Surplus of Indian Railways (Rs. Crores)



Graph2: Operating Ratio of Indian Railways (Percentage)



Graph3: Net Revenue to Capital at Charge of Indian Railways (Percentage)



It may be noticed that the entity has been posting above the breakeven figures throughout, viz. absolute revenue surplus, operating ratio of less than hundred percent and a positive net revenue to capital at charge, though with considerable oscillations.

Looking at it from a commoner's angle, Indian Railways is symbolical of one of the biggest Social Enterprises assigned with commercial functions. The Railway Minister, a Political Boss, plays the role of the Chief Executive; and the Railway Board, a Bureaucratic set up, discharges the functional duties. As a consequence, Political, Social, and Economic considerations keep vying with each other leading to several operational restraints and constraints. Viewed from this perspective the above breakeven performance being achieved by Indian Railways deserves due commendations.

The best ever all-round performance relates to the year 2007-08 when Mr. Lalu Prasad was at the helm wherein the revenue surplus was Rs.18,335 crores, operating ratio 75.94% and the net revenue to capital at charge being 24.86%. The achievement of 2007-08 was stated to have elevated Indian Railways above most of the Fortune 500 companies in the world. As a result, Indian Railways had received acclaim the world over as a unique mega enterprise that thinks out of the box.

The Railway Budget 2016 estimates the revenue surplus for 2016-17 at Rs.18,211 crores, targets an operating ratio of 92.00 and proposes to deliver 5.80% as net revenue to capital at charge. These targets are fairly less than those for many of the previous years including 2015-16. The financial performance for 2016-17 is assumed to be impacted by the monetary stress that may result from the implementation of the recommendations of the 7th pay commission. This is that pinch of salt that ought to be consumed with due factual cognizance and relevance.

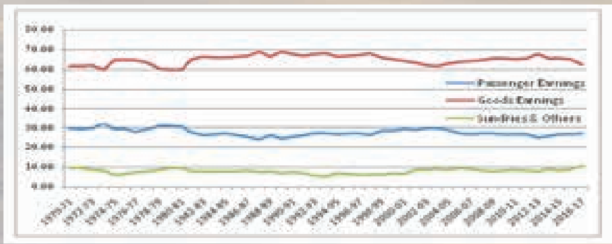
Budget Strategy

In his budget speech, the Railway Minister outlines the core objective of the Indian Railways as 'to improve the quality of customer experience at the individual level, become an engine of employment generation and economic growth at the national level and convert India's largest institution into a template for transformation'. He affirms that Railway Budget 2016 will document this journey of transformation. He emphasizes, in his speech, the need to "Reorganise, Restructure and Rejuvenate" the Indian Railways by means of a new approach and a new way of working. He, therefore, strategizes a path of extensive cost optimization and revenue enhancement for the ensuing years.

Revenue Management

The revenue profile of the railways is broadly classified into (i) Passenger Earnings, (ii) Goods Earnings and (iii) Sundries and Others. Graph 4 presents the trend of revenue profile of the Indian Railways for the period from 1970-71 to 2016-17.

Graph4: Revenue Profile of Indian Railways (Percentage)



It may be observed that the passenger earnings keeps on moving in the range of 25% to 30%, goods earnings from 60% to 65%, and sundries and others from 5% to 10%. The estimates for 2016-17 envisage Rs.51,012 crores of passenger earnings (26.95%), Rs.1,17,933 crores of goods earnings (62.31%) and Rs.20,326 crores of sundries & others (10.74%) – all together grossing up to Rs.1,89,271 crores.

It has been stated that the modal goods share of IR has been consistently declining over a long period of time. It has dropped from 62% in 1980 to 36% in 2012 and thus continues to exert severe pressure on the goods earnings. The three solution sets proposed by the Railway Minister to tackle this crucial issue consist of (a) expanding the freight basket, (b) rationalising the tariff structure and (c) building terminal capacity.

The freight basket of IR is dominated by ten bulk commodities which enjoy a share of around 88%. Expansion of revenue base, therefore, necessitates an expansion of the freight basket apart from recapturing the lost market. A full- fledged market study is proposed to be undertaken by the Railways to assess the supply and demand scenarios, service level and infrastructure requirements, and then to draft an action plan to re-capture the traffic. The modus operandi may include containerization, roll-on roll-off models, time-tabled freight containers, parcel and special commodity trains, rail side logistic parks, etc. Key Customer Managers are proposed to be appointed to liaison with major freight stakeholders.

In order to carve out an economically feasible tariff mechanism that would: (a) enable fair pricing of services, (b) promote competition, (c) protect customer interests and (d) determine efficiency standards; the Railway Minister had announced creating a Rail Development Authority in 2015 which is being taken forward further with vigour.

Drawing from the fact that many of the world railway systems generate 10% to 20% of their revenues from non-tariff sources, the Railway Minister aims to reach this world average in the next five years by monetizing assets and undertaking other revenue yielding activities. The spread of the activities include:

(1) Monetization of land and buildings through commercial exploitation of vacant land and space rights over station buildings;

(2) Leasing out huge tracks of land available adjacent to rail network to promote horticulture and tree plantation; Exploring the possibility of using this track for generating solar energy;

(3)Monetizing data, software and some of the free services provided by IR such as PNR enquiry, currently being commercially exploited by other players;

(4) Exploiting advertising potential of stations, trains and land adjacent to tracks outside of big stations with a focused target of increasing the advertising revenues by more than four times the current level;

(5) Liberalizing the current parcel policies including opening the sector to container train operators to effect a quantum jump in IR's share of the national CEP (Courier, Express and Parcel) market; and

(6) Augmentation of revenues from manufacturing activity

The revenue management initiatives, spelt out by the Railway Minister, focus on enhancing the existing avenues as also exploring new vistas in line with the market trend. The propositions are quite innovative and appealing. They would certainly shore up the revenues substantially when implemented.

Capability Engineering

The core strength of Indian Railways lies in its multipronged Capability. As of 31.03.2015, the track infrastructure of Indian Railways consists of 66,030 Route Kilo meters, of which 22,224 kilo metres are electrified, and a Running Track Length of 90,803 kilo metres. The Rolling Stock includes 2,45,350 wagon units; 10,773 locomotives; and 63,045 coaches.

The augmentation of Route Infra Capability is undertaken regularly by means of: (a) Enhancement of the Route Length; (b) Laying Double and Multiple Tracks; (c) Electrification of the Routes; and (d) Gauge Conversion. Age old steam locomotives are replaced by diesel and electric engines thereby ushering in technological up-gradation. Up-gradation and modernisiation of passenger coaches and goods wagons are carried out on an ongoing basis.

Capital infusions from the general revenues are continuous. The capital investments of Government of India in Indian Railways during the five year period from April 2011 to March 2016 work out to Rs.1,36,338 crores. In the union budget for 2016-17, the Finance Minister has earmarked Rs.45,000 crores as the allocation for Indian Railways. In addition, the Railway Minister has put forward a number of proposals in the shape of bankable projects through PPP, institutional financing and other modes of funding. The expected capital investments in 2016-17 alone may embrace a huge Rs.1,20,000 crores.

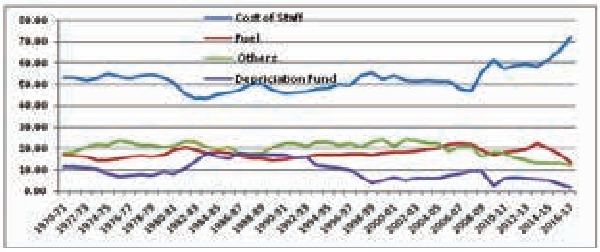
The Railway Minister has unleashed several mission modes to put the IR on a fast track growth. Mission 25 Tonne proposes to introduce 10-20% freight loading through 25-tonne axle-load wagons in 2016-17 and looks forward to the movement of 70% of freight traffic on high axle load wagons by FY19-20; Mission PACE highlights Procurement and Consumption Efficiency; Mission Raftaar targets doubling average speeds of freights trains and increasing the average speed of superfast mail/express trains in the next 5 years; Mission Hundred plans to commence at least a hundred sidings in the next 2 years; and Mission Capacity Utilisation aims at Dedicated Freight Corridors.

All of propositions are laudable initiatives in the direction of capability engineering. However, the wisdom word of caution would always suggest due diligence in ensuring appropriate safeguards against the probable investment trap.

Cost Synergy

The key elements of working expenses of Railways include Staff Cost, Fuel, Others and depreciation. Graph 5 depicts the trend of the working expenses profile of Indian Railways for the period from 1970-71 to 2016-17 (All the figures are direct extractions from the resource data except Cost of staff and Others for the years from 2013-14 to 2016-17 which are computed derivations).

Graph 5: Working Expenses Profile of Indian Railways (Percentage)



Going by the trend, it may be observed that staff cost ranges anything between 45% and 60%; fuel -as also others- moves between 15% and 20%; and depreciation hovers around 10%. In relation to 2016-17 it is estimated that the staff cost may touch an all time high of Rs.1,23,759 crores (72.35%), fuel may come down to Rs.23,417 crores (13.69%), Others may work out to Rs.20,684 crore (12.09%) and depreciation may remain at a minimal of Rs.3,200 crores (1.87) – the aggregate being Rs.1,71,060 crores.

In an endeavour to ensure optimal productivity from each rupee that gets expended, Railway Minister advocates the 'Zero Based Budgeting' approach to the financials. He proposes to improve efficiency yardsticks and procurement practices to bring them in line with international best practices.

Railway electrification has brought down the fuel cost considerably and eventually it may be pegged down to 15% level. It is stated that Railways have reduced the cost of power procured for traction by signing long term agreements, brought down inventory carrying costs and launched austerity drives. Normative controls are stated to be in place for all routine expenses. Absolute reductions, as compared to the previous year, have been planned in categories like diesel and electricity through concrete and rigorous planning.

At the same time it is acknowledged that the Ordinary Working Expenses grew by 32.5% in 2008-09 due to the impact of the 6th Pay Commission while the Railways are targeting to restrict the growth of Ordinary Working Expenses by 11.6% for 2016-17 even after implementing the recommendations of the 7th Pay Commission. Apparently, the target appears to be a difficult proposition camouflaged under shrewd window dressing.

Mission beyond book-keeping is initiated with the objective of adopting accounting practices that would aid detailed assessment of unit costs. Railway Minister considers this as a structural change which forms the bedrock of transformation, as right accounting would determine right costing and hence right pricing and right outcomes. This is an exclusive initiative that can augur competitive cost synergy for the Indian Railways. The need, however, would be to carry forward the momentum towards Competitive Cost Management Systems and Practices.

Brand Positioning

Everything apart, Indian Railways resembles Brand India. The IR visualizes to meeting the long-felt desires of the common man by 2020 in terms of Reserved accommodation being available on demand; Time tabled freight trains: Credible Safety; 95% Punctuality; Zero direct discharge of human waste; and so on.

Railways intend to usher in a new structure with a new culture of greater accountability with key result areas (KRAs) having been defined for different levels of authority. Rail University is an important enabler to build sustained flow of skilled manpower, a prime requisite for any world class railway system. Mission Zero Accident is a positive step. All these initiatives, together, will go a long way in the brand elevation of the Indian Railways.

SWOT Perception

The core strength of the Indian Railways is its exclusive capability spread over across the country; the biggest weakness is the contours set in by the constraints governance; opportunity on hand is the Make in India Economy that is destined for a big leap; and the fearsome threat is the fixed burden in the guise of mounting staff cost. The strategy, laid through the budget 2016 by the Railway Minister, evidently addresses most of the SWOT concerns.

Assimilation

The Railway Budget 2016 outlines several professional propositions that can make the Indian Railways get-going, despite the legacy costs loaded on it for complex considerations; These are the propositions that can provide the Indian Railways a competitive posture towards perfecting affordable passenger fares and compatible goods tariff; These are the propositions that shall be pursued for effective and efficient implementation; And these are the propositions that can makes Indian Railways a role model Cost Leader!

At the end of it, one is inclined to concur with the Railway Minister's perception that Railway Budget 2016 is a document of transformation; the only addendum being that it is a document that warrants sacrosanct execution. MA

Resources

1. Outcome and Performance Budget of Railways for 2016-17, Ministry of Railways (Railway Board), Government of India. 25.02.2016

2. Budget of the Railway Revenue and Expenditure of the Central Government for 2016-17, Government of India. 25.02.2016

3. Speech of the Railway Minister while introducing the Railway Budget for 2016-17 on 25th of February, 2016

4. Indian Railways Key Statistics (1970-71 to 2012-13), Directorate of Statistics and Economics, Ministry of Railways (Railway Board)

5. Union Budget 2016-17

6. Indian Railways: A Role Model for Multipronged Capability Engineering Initiatives, Evolving Cost Competency (ISBN 978-81-931635-0-4), Academy of Cost & Economic Research, Nagpur, July 2015

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Union Budget 2016-17: Impact Analysis on the Rural Sector

For the last two years, we have seen sluggishness in rural economy led by poor performance of the agriculture sector. The weak monsoon for the two consecutive years has badly affected the farming community. In addition, social scheme like MGNREGA and other unorganised sector havegenerated fewer employment than the earlier years. In line with the street expectations, the government has tried to address the issue of low and unstable rural income. The finance ministry has taken a constructive measure to address the problems which are severe in the current context. Through this report, first we have tried to identify the major issues and challenges in rural areas and particularly of farmers. In the next section, we have touched upon different budgetary measures that are taken to address these issues. Last we have tried to access major schemes, their merits or demerits and effectiveness.

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Current Scenario in Rural India

Approximately 68% of the country's population lives in rural areas and 25.7% of them lives below the poverty level. As observed by Rangarajan Committee on the Poverty Line, the situation is even worse. The unemployment rate is not very high, only 1.7% in rural areas but the quality of employment is a matter of serious concern.

Agriculture is the main source of livelihood in rural India. Out of total 156 million households in rural India, 90.2 million or 58% are engaged in agricultural activities. Most of them are marginal farmers, 70% of 90.2 agricultural households have a land holding size below one hectare. The average monthly income of these 63 million households is below ₹ 5300. If a household has five members, the average daily income per member is just ₹ 35. This income is not enough to run one's livelihood.

Population living in rural India (% of total population) **	68%
Poverty Headcount Ratio - Rural (below poverty line/1000) @	25.70%
Rural Poverty line (₹spend/person/day) ^	27
Total rural household (in million)#	156.1
Agricultural household (in million)#	90.2
Agriculture as percentage of total household#	57.80%
Average agriculture household earning (₹/household/month)#	6426
landholding size - up to 1 ha/household#	70%

*Source: ** World Bank (2014), @2011-12, NITI Aayog, Economic Survey 2015-16, ^: Suresh Tendulkar Committee Report on Poverty Line, #NSS 70th Round: Situation Assessment Survey of Agriculture Households by NSSO during January-December 2013.*

The agriculture sector largely depends on rainfall. Out of total 142 million hectares of cultivable land, only 64 million or 45% are under irrigation. Rest depends on rainfall that is erratic in four out of ten years. An erratic rainfall leads to crop failure which we have seen in the crop year 2015 and 2016. A comprehensive crop insurance policy can only save farmers from the crop failure. But due to high premium rates and lack of awareness, crop insurance penetration is very low, less than 40 per 1000 farmers. Crop productivity is a serious issue and needs improvement for sustainable farm income. A proper irrigation, balanced and timely use of inputs and quality seeds can improve productivity.

Total catchment area (mn ha)	252.8
Irrigation potential (mn ha)	142
Out of which	
Potential area under major and medium irrigation scheme (mn ha)	60.5
Potential area under minorirrigation scheme (mn ha)	15
Potential area under groundwater exploitation (mn ha)	66.5
Area under irrigation (mn ha)	64
Area under irrigation (as % of irrigation potential)	45%

Source:FAO Corporate Document Depository – Irrigation in India by PV Dehadrai, Department of Agriculture & Cooperation – Annual Report 2013-14, www.indiabudget.nic.in

The majority of the farmers are marginal and they largely depend on borrowings for cultivation. A crop failure increases their debt burden further. The overall situation is very serious. A half of the country's farm households are indebted. The average debt burden per household is approximately ₹47,000, which equals to total earning of a marginal farmer in two to three cropping seasons. So what's next? It is farmer's suicide due to crop failure and indebtedness. The number is very high, however, there is no reliable figure published.*(Source: NSS 70 Round/ Indebtedness of Agricultural Households)*

So major problems in rural India are a) low income level b) quality of employment c) poor farm economydue to i) land holding pattern ii) improper irrigation infrastructure iii) last mile connectivity iv) lower productivity v) lack of coverage against uncertainties and vi) credit structure.

Budget 2016: Problems As Addressed by the Finance Minister

Union Budget 2016 is built on nine distinct pillars. Out of these nine pillars, the following pillars have addressed the problems of rural India:

(i) Agriculture and Farmers' Welfare: with focus on doubling farmers' income in five years;

(ii) Rural Sector: with emphasis on rural employment and infrastructure;

(iii) Social Sector including Healthcare: to cover all under welfare and health services;

(iii) Infrastructure and Investment: to enhance efficiency and quality of life;

Government targets to double the income of the farmers by 2022. Total allocation for Agriculture and Farmers' welfare is ₹35,984 crore. Irrigation sector has got major attention during the budget in line with the expectations. The budget also focusses on improving crop management practices. The government targets to offer Soil Health Card to all 14 crore farmers by the end of FY 2017. Additionally it will also launch seed and soil testing facility on experimental basis. All these developments will address lower crop productivity issue to some extent.

The ministry has modified the Pradhan Mantri Fasal Bima Yojana (Crop Insurance) and increases the allocation by 95% to ₹5500 crores. For the farmers, the premium amount is very nominal, 1.5% to 5% of the insured amount, depending upon the nature of the crop. Probably banks will also make crop insurance mandatory while offering crop loans. So there will be limited stress both in the banking system and at the farmers' level.

Most of the time, farmers don't get proper price for their product mainly due to improper marketing network and last mile connectivity. Inadequate logistics and transportation network sometimes spoil the crop. The budget states that by 2019, all habitations will be connected through proper road network under Pradhan Mantri Gram Sadak Yojana scheme. The allocation towards this scheme is up by 33% at ₹ 19000 crores during this budget. Additionally the budget has proposed to strengthen digital marketing infrastructure for agriculture. It will launch the Unified Agricultural Marketing E-Platform on 14th April 2016 (on the birthday of Dr. Baba Saheb Ambedkar).

The issues of low income level and quality of employment in rural areas has also been addressed in the budget. The most encouraging step towards this is the government allocation of ₹ 2,87,000 crores as a grant to Gram Panchayat and Municipalities as recommended by the 14th Finance Commission. The amount is 228% higher than the allocation made in the 13th Finance Commission and will be spent in the next five years. The allocation towards rural sector is up by 11% at ₹ 87,765 crores. Additional emphasis has been given to Shyama Prasad Mukherjee Rurban Mission (SPMRM), a program set up with objective to transform rural areas to an economically, socially and physically sustainable place.

₹ in crores	2015-16 (RE)	2016-17 (BE)	YoY Chg
Allocation for rural sector	79,279	87,765	10.70%
Agriculture and Farmer's Welfare	25,917	44,485	71.64%
MGNREGA	34699	38,500	10.95%

₹ in crores	2015-16 (RE)	2016-17 (BE)	YoY Chg
Housing for all (including urban housing)	14200	20,000	40.85%
Pradhan Mantri Gram Sadak Yojana	14,290	19,000	32.96%
Rural Sanitation under Swach Bharat	3,500	9,000	157.14%
PM Krishi Sinchan Yojana (minor irrigation scheme)	5,300	5,800	9.43%
Krishonnati Yojana	12,260	17,850	45.60%
Crop Insurance (Fasal Bima Yojana) - under Krishonnati Yojana	2,820	5,500	95.04%
Grant to panchayat and municipalities - 14th finance commission	87,500*	2,87,000*	228.00%

**Allocation under 13th Finance Commission for five years period. Source:www.indiabudget.nic.in*

An assessment of the major schemes

Irrigation:

The allocation for this sector is high as compared to all the previous budgets. NABARD will create a Long Term Irrigation Fund with an initial corpus of ₹ 20,000 crores. It will further mobilize funds by issuing tax-free bonds. The priority is to cover pending projects under Accelerated Irrigation Benefit Program (AIBP). Under AIBP, as many as 149 projects are ongoing. Out of which 89 are active and balance 60 are stalled at different stages and possibly cannot be completed in the next five years. Out of 89, the department is likely to complete 23 projects by the end of FY 2017 with a spending of ₹ 13,338 crores. These 23 projects will add only 1.10 million hectares new area under irrigation. The ministry will spend a total ₹ 86,500 crores over the next five years to complete these 89 projects. This will bring a total 8.09 million hectares of new areas under irrigation. The Pradhan Mantri Krishi Sincgan Yojana will bring another 2.85 million hectares. So after five years, a total 75 million hectare out of 142 million hectares, or 53%, will be irrigated land and rest 47% will still depend on rainfall.

The projects are so expensive and time-consuming that no government can expand it beyond a certain level. The cost to cover one million hectares land under irrigation is between ₹15,000 crore to ₹25,000 crores. Many projects which started in the 1970s are stalled till date.

AIBP	
Total projects have so far been taken up	297
Completed projects	143
Ongoing projects	149
Active projects	89
Out of active projects, under high priority category	46
Projects targeted to complete by March 2017	23
Allocation to complete 23 projects by 2017 March - (in ₹ Crore)	13,338
Total spending on 89 projects by next 5 years (in ₹ Crore)	86,500

Source:Ministry of Water Resources, River Development and Ganga Rejuvenation, www.indiabudget.nic.in,

MGNREGA:

MGNREGA is probably the largest poverty alleviation program offered by any government. During the ongoing financial year, 44 million out of total 156 million rural households have worked under this scheme. A 45% of small and marginal farmers, whose landholding is below 1 hectare, have MGNREGA job cards.

Size of Land (ha)	Monthly household income (₹)	Antyodaya card/1000 HH	BPL ration card/1000 HH	Have MGNREGA job card (No. /1000 HH)	No of household (00)
<0.01	4,561	75	332	383	23,890
0.01-0.4	4,152	62	371	453	2,87,663
0.41-1	5,247	49	400	463	3,14,811
1.01-2.00	7,348	42	356	438	1,54,577
2.01-4.00	10,730	23	291	414	84,345
4.01-10.00	19,637	22	238	361	33,019
10.00+	41,388	29	173	293	3,706
All Size	6,426	49	364	444	9,02,011

Source: NSS 70th Round: Situation Assessment Survey of Agriculture Households by NSSO during January-December 2013.

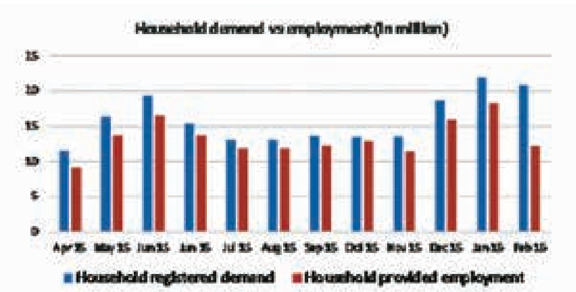
From the above statistics, it is clear that the scheme is demanding among poor. However, for the past few years it has generated less works. The budgetary allocation was also static. Interestingly this budget has increased allocation by 11%, a welcome step. If we consider backlogs, the available funds are all time high.

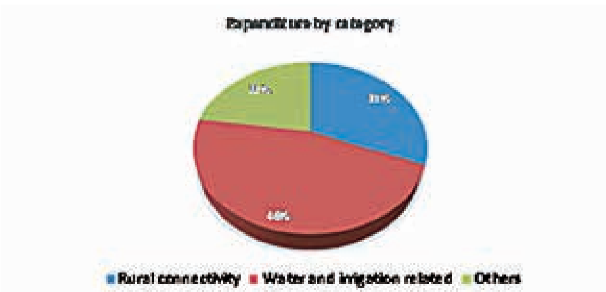
MGNREGA	2012-13	2013-14	2014-15	2015-16 (RE)*	2016-17 (BE)
% HHs completed 100 Days Work (Lakh)	10.37%	9.73%	6.02%	6.50%	
Person days Generated so far(In Lakh)	23,046	22,037	16,620	18,713	
Total Availability (₹in crores)	46,464	42,104	37,586	40,036	
Budget Allocation (₹in crores)	29,387	33,000	33,000	34,699	38,500

**Till 1st week of March 2016, HH: Household, Source: The Ministry of Rural Development, Government of India, www.nrega.nic.in, www.indiabudget.nic.in*

On an average, 60% of the total expenditure under MRNREGA is spent to improve the status of agriculture and allied sector. The ratio is improving day by day. During the year till February, the spending towards agriculture and allied work is 63% of total MGNREGA expenditure, up by 1000 bps compared to the previous year. Rural connectivity and water-resource development including irrigation are two broad areas account for 31% and 46% of total MGNREGA spending respectively. This budget has also puts emphasis on water resource development, targets to dig five lakhs ponds and wells in rain-fed areas. In addition, the scheme takes up new work. In 2017, a 10 lakh compost pit will be set up by utilizing MGNREGA resources.

The total allocation, though increased, is not enough against the total household demand for employment. The above table shows that only 6.5% of the total rural households have worked for 100 days during the current year till the first week of March. The below graph shows that the household demand is always high than employment available. The gap is even wider during February 2016.





Source:www.nrega.nic.in, MGNREGA – Dashboard, MGNREGA – At a Glance

Pradhan Mantri Gram Sadak Yojana (PMGSY):

PMGSY is probably the most successful social development scheme launched so far. The government launched this program in the year 2000. Since then it has connected 1,14,500 habitations and another 65,000 habitations are yet to cover. The government has proposed to cover them all by the end of 2019. The allocation for PMGSY is up by 33% at ₹19,000 crores in this budget. The government is likely to allocate more funds in the next two budgets. During the ongoing financial year till February 2016, the program has covered a cumulative road length of 4,57,439 kilometers. The program has a profound impact on rural life. The rural roads now connect small villages, habitations with towns, subdivision and district headquarters and business centers, enabling goods movement in both the directions. The addressable market size of both farmers and corporates has increased manifold.

(Data source: www.pmgsy.nic.in, www.omms.nic.in, www.indiabudget.nic.in, Ministry of Rural Development, Government of India)

Prime Minister Fasal Bima Yojana:

The increase in allocation under Prime Minister Fasal Bima Yojana is a welcome step. The farmers need to reap the full benefit of the scheme. As per the NSS 70th Round Survey, the crop insurance penetration among farmers is in the range of 0%-14% depending upon the type of crops they cultivate. Lack of awareness is the biggest reason for such low penetration. For example, in the case of paddy, the insurance penetration rate is only 4.8%. Over 43% of farmers are not aware of the facility. Along with higher budgetary allocation, the government needs to spread awareness to make it popular.

Concluding thoughts:

The Union Budget 2017 has tried to address the issues of low-income, quality of employment and poor farm economy in the rural India. The ongoing program like PMGSY has profound effect on the overall livelihood development in the rural areas. The government has tried its level best to address lower farm productivity by putting emphasis on irrigation. The cost associated with major irrigation project is high, so the government cannot do anything great beyond a certain limit. Based on our assessment, 47% of the total cultivable land will still depend on rainfall after five years. The MGNREGA has an immense social impact. Poor and marginal farmers largely depend on this program for the livelihood. However, there is limited scope of work than the demand. Every year the government introduces many new work areas and now ithas focused on asset creation rather than only employment generation. This budget has increased allocation under crop insurance scheme by 95%. The crop insurance penetration is low among farmers due to lack of awareness. The government has to promote it for better penetration. Overall, it is a farmers' friendly budget.The implementation is the key. Whoever so comes into the power, it has to keep up the same trendto reach the objective. The objective is to improve overall livelihood status in rural areas. MA

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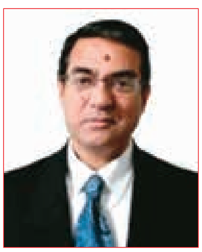
Hedging .... The Original Insurance

There is no such thing as a perfect hedge, except in a Japanese garden



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Introduction

A farmer will have a crop of corn ready for sale in three months.

An IT company has a receivable in US$ of 1 billion, next month.

An investor has a portfolio of long-term investments. However, markets seem set for highly volatile times and a downside is more probable.

What's common in these disparate situations?

The option to HEDGE in order to minimize risk. Hedging is a powerful tool of insurance, when used judiciously.

Risk is a part of life. Risk is:

Uncertain

Unpredictable

Nevertheless, human ingenuity, the power of finance and globally linked markets permit risk management, thru risk avoidance, risk mitigation, risk absorptionand/or risk transfer.

Not to be confused with gardens, hedgingwith financial derivatives is a powerful tool for protection.

A simple example:

Hedging With Futures.....Long Hedge

A refinery has long-term commitments to purchase oil.

Commitment to buy 1000 barrels of crude oil after 3 months at the then prevailing spot price say,“S”.

There is uncertainty regarding the price 3 months later, but prices have collapsed worldwide, to 12 year lows.

It would make sense to take advantage of current distressed prices, but the physical requirement only exists after three months.

In Jan 16, one can buy the 3 month future (April 2016)@ US$35.48

Strategy

Buy (Go long) a 3 months future contract to lock in a price today (contract size 1,000 barrels)

At maturity go short (Sell) a future to close the position

In April 2016, pay the spot price “S” & take delivery as per original agreement

There are three possibilities after three months:

a) Spot Price < 35.48

b) Spot Price = 35.48

c) Spot Price > 35.48

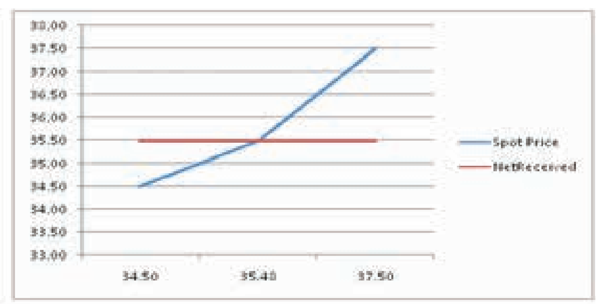
The hedge always ensures that the effective purchase price is the strike price of the futures contract, viz. 35.48

Table 1: Hedging with Futures: Long Hedge

	Strike Price	**35.48**	
Spot Price	Cash Paid	Gain/Loss	Net Paid
“S”	Spot Purchase	From Futures	
34.50	**34.50**	**-0.98**	***35.48***
35.48	**35.48**	**0.00**	***35.48***
37.50	**37.50**	**2.02**	***35.48***
The Hedge always guarantees a price of 35.48			

Chart 1: Hedging with Futures: Long Hedge

Assumptions: convergence, no transaction costs, no taxes



One can make fairly accurate adjustments to account for transaction costs & taxes.

CONVERGENCE is the assumption that futures & spot prices will be the same, on expiry of the futures contract

In the absence of convergence, there is a clear arbitrage opportunity***(Arbitrage: to make a theoretically risk-free profit by trading on price differentials in the same asset, at the same time, in different markets)***

CAUTION ON CONVERGENCE

Convergence may not always happen, especially in stressed markets; a fact repeatedly vindicated by history. ***The tragic tale of LTCM is a case in point.***

“On September 23, 1998, a group of fourteen banks and brokerage firms invested $3.6 billion in Long-Term Capital Management L.P. (LTCM) to prevent the firm’s imminent collapse.”

“Led by a team of market experts including two Nobel laureates, LTCM was a hedge fund well known for using sophisticated mathematical models to make impressive profits. Founded by former Salomon Brothers Vice Chairman John Meriwether in February 1994,..... ***. LTCM generated above-normal returns of 20 percent in 1994, 43 percent in 1995, 41 percent in 1996, and 17 percent in 1997”****(Siconolfi 1998).*

“In August (1998), Russia suddenly devalued its currency and stopped payments on its debt, spurring investors to seek safer and more liquid investments. ***LTCM had largely been betting on the spreads in its portfolios to converge, but in almost every case, they diverged*** *(Lowenstein 2000).* ***The fund lost 44 percent of its value in August alone.”***

(Michael Fleming and Weiling Liu, 1998)***(emphasis mine)***

Hedging With Futures.....Short Hedge

The supplier to the refinery has long-term commitments to sell oil.

Commitment to sell 1000 barrels of crude oil after 3 months at the then prevailing spot price say, “S”.

Prices have collapsed worldwide, to 12 year lows, with a weak undertone.

It would make sense to protect oneself with a known price today, but the delivery is due only after 3 months.

In Jan 16, one can sell the 3 month future (April 2016) @ US$ 35.48

Strategy

Sell (Go short) a 3 months future contract to lock in a price today (contract size 1,000 barrels)

At maturity go long (Buy) a future to close the position

In April 2016, receivethe spot price “S” &give delivery as per original agreement

There are three possibilities after three months:

a) Spot Price < 35.48

b) Spot Price = 35.48

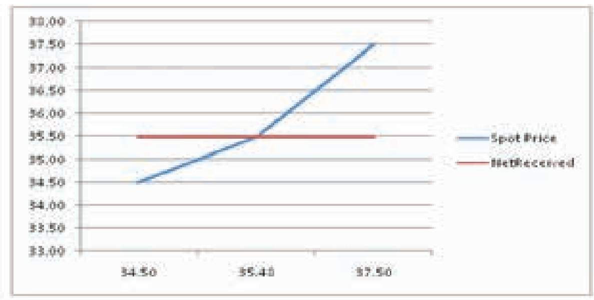
c) Spot Price > 35.48

The hedge always ensures that the effective selling price is the strike price of the futures contract, viz. 35.48

Table 2: Hedging with Futures: Short Hedge

	Strike Price	**35.48**	
Spot Price	Cash Received	Gain/Loss	Net
"S"	Spot Sale	From Futures	Received
34.50	**34.50**	**0.98**	***35.48***
35.48	**35.48**	**0.00**	***35.48***
37.50	**37.50**	**-2.02**	***35.48***
The Hedge always guarantees a price of 35.48			

Chart 2: Hedging with Futures: Short Hedge



Assumptions: convergence, no transaction costs, no taxes

HEDGING MINIMIZES RISKS, IT DOES NOT ATTEMPT TO MAXIMIZE PROFITS.

In the long future hedge example above, the boss may have been rather displeased if the spot price on the date of purchase was 34.50, but he had to pay 35.48 because of the hedge.

Similarly, in the short future hedge example, if the spot price for sale was 37.50, but he ended up receiving only 35.48, he could have blown a fuse.

Every risk manager, faces a dilemma: ***TO HEDGE OR NOT TO HEDGE….THAT IS THE QUESTION*** (with apologies to the Bard)

Woe betide the risk manager if the CEO does not grasp the importance of prudent risk management.

In fact, it is an accepted norm, that companies eschew the need to hedge, in industries where the bigger players (or most of the competitors) do not hedge.

Hedging can also be done with options, with the advantage of protection from additional loss, while retaining the entire upside/downside (depending whether the option is a call or a put). This does have a cost associated with it, viz. the ***option premium*** which is like an upfront payment for insurance.

In other words, hedging comes at a cost: it can either sacrifice potential profits, or participate in profits, but at a cost (premium) which lowers potential profits

Table 3: Hedge Ratio

Optimal Hedge Ratio			
Portfolio	value	1000000	
Nifty	market lot	75	
Nifty	future	7445	
Nifty value	1 future	558375	
Portfolio Beta		1.1	
h	**hedge ratio**	**ΔS**	change in spot/change in future
		ΔF	
h = Beta*Portfolio	=	1100000	
NIFTY		558375	
	=	1.970002239	
h	say	**2**	**short 2 NIFTY futures**
Value of short NIFTY position		**1116750**	
Proof			
NIFTY falls	10%	6700.5	
Value of 2 future contracts		1005075	
Portfolio falls	11%	890000	(Beta 1.1)[1]
Loss on portfolio		-110000	
Profit on NIFTY short future		111675	
NET Profit/ Loss		**1675**	

Hedging protected against market fall. The minor difference is due to the fact that we shorted 2 contracts while the hedge ratio was 1.97 contracts

To avoid the obvious pitfalls of a static Beta, there are various schools of thought which derive dynamic, time varying models.

[2]**DANGER IN NUMBERS: Final Thoughts**

The insurance industry is viable because of ***The Law Of Large Numbers***.

"..instatistics, the theorem that, as the number of identically distributed, randomly generated variables increases, their sample mean (average) approaches their theoretical mean"

(http://www.britannica.com/science/law-of-large-numbers)

In times of financial distress, the law of large numbers can come back to bite us viciously.

Consider an insurance company which issues comprehensive insurance for luxury cars. The law of large numbers, past history & its actuarial team may predict that 2 out of 100 policies would result in claims. Premiums would be set accordingly. In the event of a catastrophe, probably 70 out of 100 cars would get damaged & claims registered, accordingly. This would send the company's risk capital, capital adequacy and solvency for a toss.

Now, consider the fact that Banks, Insurance companies, Mutual Funds, FIs, FIIs etc. all hold substantial chunks of bonds in their portfolios. Suppose every one of them is aware of the risk of rising interest rates (U.S.A. has already made a cautious start on the road to normalcy). Higher interest rates would result in lower prices for existing (fixed rate) bonds, which in turn would lead to MTM (Mark-to-market) losses on at least some portion of the portfolios.

Every such entity would prudently hedge against the risk of higher interest rates and lower bond prices (there is a plethora of financial derivatives to assist in this). The question is, who is on the other side of the hedge?

"The same item is thus entered twice, once on one side of somebody's books and the other time on the other side of somebody's books." *Fisher, Irving (2013-05-11). The Theory of Interest (Illustrated) (Kindle Locations 734-735). . Kindle Edition.*

This is a zero-sum game, hence one person's profit is another person's loss. Is the other side prepared and adequately capitalized to make good the payment as contracted? ***Only time will tell.***

e&oe. Without recourse, without prejudice

This is not an advisory of any kind, merely an illustration to explain concepts MA

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Table 1: Hedging with Futures: Long Hedge

Chart 1: Hedging with Futures: Long Hedge

Table 2: Hedging with Futures: Short Hedge

Chart 2: Hedging with Futures: Short Hedge

Table 3: Hedge Ratio

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Footnotes

[1]*Beta of the portfolio is the sensitivity of returns on the portfolio, relative to the market (in this case, the NIFTY50)*

Beta of 1.1 implies that for every 10% fall in the NIFTY, the portfolio will lose 11% (similarly for a rise)

Note: Beta changes constantly, this is historic beta and subject to change (sometimes, drastic change)

[2]*The keen reader is encouraged to read an interesting paper by Abdulnasser Hatemi-J and Eduardo Roca, "Calculating the Optimal Hedge Ratio: Constant, Time Varying and the Kalman Filter Approach" Griffith.edu.au*

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MASALA BONDS

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Meaning

These are bonds issued in the international financial markets and are denominated in Indian Rupees. This is entirely different from the existing ECB (External Commercial Borrowing) which Indian corporate use to raise funds in foreign markets. ECB are bonds or loans denominated and issued in US dollars or other foreign currencies and not in Indian Rupees. Masala bonds are issued in Indian currency and redeemed too in Indian currency, but buying and settlement are done in dollars at the prevailing exchanges of the time of issue and redemption respectively. For this USD-INR conversion, the Reserve Bank's reference rate on date of issue will be applicable. These bonds may be placed privately or listed in stock exchanges. This paper looks at masala bonds in a detailed manner.

Background

When a few international financial institutions issued Rupee linked bonds in overseas markets, it was interesting to note that the international investors showed a keen interest for these bonds.One such financial institution which issued these Rupee denominated bonds was International Financial Corporation (IFC) which is an investment arm of the World Bank. In November2014, IFC issued 10 year Rs.1000 croreRupee denominated bonds in London to fund infrastructure projects in India. These bonds are listed in the London Stock Exchange too. These are the first Rupee denominated bonds to be listed in London Stock Exchange. The global investor community's response to this issue was really encouraging.Major part of the investors for these bonds were European Insurance companies. The yield on this bond was 6.3% which is significantly above similar international bonds.

This fact made the Reserve Bank of Indiato think of expanding the scope of these bonds. Later RBI not only allowed international financial institutions but also Indian corporate to issue these Rupees linked bonds in overseas markets. Only those Indian corporate who are eligible to raise external commercial borrowings (ECB) can issue such bonds within the regulatory framework.

The following framework is put in place by the RBI for issuance of Rupee linked bonds overseas.

A. Indian Corporates:

Those Indian corporate who are eligible to raise ECB are permitted to issue Rupee linked bonds overseas. Among them those which, at present, are permitted to access ECB under the approval route will require prior permission of the Reserve Bank to issue such bonds and those coming under the automatic route can do so without prior permission of the Reserve Bank.

Researchers and experts in emerging market economies have proven that one of the major impediments to growth in these economies is lack of availability of capital funds for different sectors. This shortage of long term capital is felt severely in infrastructure projects of emerging economies. India being one among the leading economies in this group too faces this problem of long term funding for its varied industry sectors. Indian government and financial authorities were always on the lookout for proper capital sourcing channels to boost the economy. One recent innovation in this pursuit is introduction of Masala Bonds or those bonds issued in international markets by Indian entities or international entities denominated in Indian Rupees. These bonds will be issued and redeemed in Indian Rupees, but the payment and settlement will be in US dollars considering the exchange rates approved by RBI on the issue date and redemption date.

These masala bonds may be floated in any jurisdiction that is Financial Action Task Force (FATF) compliant. The Financial Action Task Force is an intergovernmental organization which was founded in 1989. This was founded with an intention of coming up with policies to combat money laundering and terrorism financing. FATF was established on the initiative of G7 countries.

One important factor about these bonds are that the subscription, coupon payments and redemption may be settled in foreign currency. The proceeds of the bonds can be parked as per the extant provisions on parking of ECB proceeds.

Amount and average maturity period of such bonds should be as per the extant ECB guidelines. The call and put option, if any, shall not be exercisable prior to completion of applicable minimum average maturity period.

The coupon on the bonds should not be more than 500 basis points above the sovereign yield of the Government of India security of corresponding maturity as per the FIMMDA yield curve prevailing on the date of issue. FIMMDA stands for the Fixed Income Money Market and Derivatives Association of India.

End use restrictions will be as applicable under the extant ECB guidelines.

For USD-INR conversion, the Reserve Bank's reference rate on date of issue will be applicable.

B. International Financial Institutions:

International Financial Institutions of which India is a shareholding member intending to deploy the entire proceeds of the issuance in India shall not require prior permission for the issuance of Rupee bonds overseas irrespective of amount of issuance. In other cases, where an International Financial Institution (of which India is a member) wishes to retain the freedom to deploy the issue proceeds in any member country shall require prior permission from the Reserve Bank / Government of India.

C. Hedging:

Any investor in these bonds will be eligible to hedge both the foreign currency risk as well as credit risk through permitted derivative products in the domestic market. The investor can also access the domestic market through branches of Indian banks abroad or branches of foreign bank with Indian presence.

Banks incorporated in India will not have access to these bonds in any manner whatsoever.

ECB vs Masala Bonds

ECBs refer to commercial loans in the form of bank loans, securitized instruments, buyers' credit, suppliers' credit availed of from non-resident lenders with a minimum average maturity of 3 years. Borrowers can raise ECB from internationally recognized sources, such as (a) international banks, (b) international capital markets, (c) multilateral financial institutions (such as IFC, ADB, CDC, etc.) / regional financial institutions and Government owned development financial institutions, (d) export credit agencies, (e) suppliers of equipments, (f) foreign collaborators and (g) foreign equity holders [other than erstwhile Overseas Corporate Bodies (OCBs). The maximum amount of ECB which can be raised by a corporate other than those in the hotel, hospital and software sectors, and corporate in miscellaneous services sector is USD 750 million or its equivalent during a financial year. Though there is the advantage of lower interest rates when companies raise funds through ECB, cost of hedging against currency risk may be high. In case of masala bonds since the currency risk is borne by the investor cost of borrowing is lower for the issuer company compared to ECB. All in cost ceilings do not apply to masala bonds unlike ECB.

Quick facts on Masala Bonds

- Issued in overseas financial markets
- Issued in Indian Rupees
- Redeemed in Indian Rupees
- Investors pay and receive in equivalent US Dollars or other foreign currency according to prevailing exchange rates at the time of issue or redemption
- Foreign exchange risk is borne by the investor and not by the issuer
- Minimum maturity of 5 years
- Maximum issue size is USD 750 million per year per company
- Pricing of these bonds will depend on credit risk of the borrowers, security features of the bond, Indian and Global interest rates and the country risk. It is important to note that country risk rating for India is BBB- (S&P 2014) which is lowest investment grade.

The positive side of Masala Bonds

These bonds offer an excellent avenue for foreign investors interested in Indian assets and are not able access it directly. Competition from foreign bond markets will make domestic bond market to perform better. These bonds give morediversified sources of funds for Indian companies.Exchange rate risk is borne by the investor and not by the issuer company. International investors can expect at least around 2% extra return on these bonds when compared to similar other bonds provided currency risk does not reduce the return. Another significant advantage is that if these issues of masala bonds become successful, Indian Rupee will become globally visible. This will be the first step towards Indian Rupee becoming a truly international currency and its full convertibility. Moreover these bonds give an opportunity for those international investors who are not able to invest directly in Indian bond markets due to legal restrictions on registrations. Indian companies can benefit by way of a lower cost of capital by the issue of these bonds. The cost of capital for Indian companies is comparatively higher.

Apprehensions about masala bonds

There are limitations with respect to pricing of these bonds, maturity, volume, end use and yield too. The yield has to be 500 basis points above similar maturity sovereign bonds of similar maturity. Only those blue chip Indian companies will be able to issue masala bonds as per the RBI guidelines. These companies already have access to multiple cheap funding sources. Another drawback is that banks incorporated in India cannot issue these bonds. This is a significant limitation in the light of Indian banks trying to meet Basel III capital adequacy norms. There is a withholding tax of 5%. Considering other expenses incurred by the investors with respect to subscribing to these bonds, hedging cost against currency risk which is borne by the investors and the withholding tax, it may turn out that the extra return anticipated by the investors may not realise. Only in case of yield compensating for the currency exchange risk investors will have continued interest in these instruments. These bonds may negatively affect the domestic bond market and compete with them.

Another restriction regarding the issue of these bonds is that if an Indian bank underwrites the issue it can't hold more than 5% of the issue size after completion of six months of the issue.

Entities in the process of issuing masala bonds: There is a list of companies who have already announced their intention of tapping this new source of funds. Indian Railway Finance Corporation, NTPC, HDFC and Indian Infrastructure Finance Company are some among them. Interestingly British Columbia, the 15th largest metropolitan region in Canada has announced that they will issue rupee denominated bonds of US$150 million in the first quarter of 2016. British Columbia is a AAA rated jurisdiction. No foreign Governments has issued masala bonds till now. They will list this issue in the London Stock Exchange.

Indian corporate has to wait and see how this new source of funding evolves and the international investor reaction to it in the long run. **MA**

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Understanding *TAXATION* of Mutual Funds

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1 Introduction to Investment:

Investment is defined as the commitment/sacrifice of resources at present by postponing current consumption and deploying them in some asset classes for a time with an expectation of achieving possibly (?) a larger consumption basket or wealth in future. The three main investment alternatives or asset classes are equity, debt & fixed-income and cash (money market instruments). Before investing, a smart investor is supposed to analyse different investment alternatives based on the following attributes like [Safety (Risk), Liquidity (Marketability and Price Stability or lack of price volatility), Yield (Return on Investment and Return of Investment), Tax Shelter, Inflation beating, Divisibility and Convenience].

As an investor we are concerned about the post-tax return on our investments because it is the return after taxes which becomes our personal disposable income. So tax benefits of an investment is a key factor, among other things, while selecting an investment. Tax benefit on any investment is considered under three stages: **Contribution Stage** - at the time of making an investment, **Growth or Accumulation or Accrual Stage** - at the time of accrual of income (receipt of periodic return), **Withdrawal or Repayment or Redemption Stage** - at maturity or earlier withdrawal. Based on the taxation feature at the three stages, investments are classified as EEE (Exempt, Exempt, Exempt), EET (Exempt, Exempt, Taxed) and ETE (Exempt, Taxed, Exempt) etc.

2 Understanding Tax Implications on Mutual Funds:

Mutual funds are collective investment vehicles where the fund house pools the savings from a large number of investors, small and big, based on the investment objectives of each fund or scheme. The pooled funds are then invested by the fund manager across different asset classes of equity, debt and cash depending on asset allocation mandate of the fund.

2.1 Factors determining tax status of mutual funds [Type of Funds]

Before investing the investor should know the type of mutual fund he is investing in. Based on the asset allocation pattern, mutual funds are classified into two types as under:

2.1.1 Equity Funds

any fund where 65% or more of its assets are invested in equity shares of domestic companies and equity related instruments qualifies as an equity oriented fund from a taxation perspective. Equity Diversified Funds, Hybrid-Equity Oriented Funds (aka Balanced Funds), Equity Arbitrage Funds, Equity Sector Funds and Equity Exchange Traded Funds (ETFs) are included under Equity Funds Category.

2.1.2 Non-Equity Funds [aka Debt Funds]

any fund that hold less than 65% of their portfolio in equities and equity related instruments. Debt or Bond Funds, Hybrid-Debt Oriented Funds (less than 65% in equity), Liquid or Money Market Funds, Ultra Short Term funds, Income Funds, Monthly Income Plan (MIP), Fixed Maturity Plan (FMP), Gold Funds, Global Funds, Gold ETF, Liquid ETF, Dynamic Bond Funds etc. are included under Debt Funds Category.

2.2 Type of Income:

In mutual funds, you may earn income in the form of dividends (or current income) and /or capital gains (or growth or capital appreciation).

2.2.1 Dividends:

While investing in mutual funds, if an investor has opted for the dividend option then he will receive dividends periodically as and when dividend is declared by the fund.

2.2.2 Capital Gains:

Capital gain (loss) is the profit (loss) on sale that the investor makes from the sale or redemption of his investment in a mutual fund scheme, or any other asset for that matter.

2.2.2.1 Long Term Capital Gain:

In equity mutual funds, any holding over a period of 1 year is considered as long term. In debt mutual funds (aka bond funds) any holding over a period of 3 years is considered as long term. So if you make a gain on your investment in an equity fund (debt fund) that you have held for over 1 year (3 years), it will be classified as Long Term Capital Gain.

2.2.2.2 Short Term Capital Gain: If your holding in an equity (debt) fund is not more than 1 (3) year(s) i.e. if you withdraw (redeem) your investment in an equity (debt) fund within 1 (3) year(s), after making a profit, then the profit will be considered as Short Term Capital Gain.

2.3 Choice between Equity Funds and Debt Funds and Dividend Option and Growth Option:

Investors should be able to choose between equity funds and debt funds and within a mutual fund category they should be able to choose between the dividend option and growth option which are appropriate for them. The choice depends on the investor's goal (investment) horizon, purpose of investment and risk profile etc.

2.3.1 Equity Funds for Whom?

If an investor's investment objective is capital appreciation or long term wealth creation to meet life's long term goals like children's higher education, marriage, retirement etc. which are, say, 10, 15 or 25 years away, then he should opt for **growth or capital appreciation option** while investing in equity funds. But investors who want a bit of regular income and a bit of wealth creation should opt for the **dividend option** while investing in equity funds.

2.3.2 Debt Funds for Whom?

If an investor's investment objective is other than capital appreciation or wealth creation, then he should invest in non-equity funds or debt funds. If the objective of the investor is to build an emergency or rainy-day fund, then he should invest in liquid fund. Conservative investors in general invest in debt funds for generating regular income and some aggressive and sophisticated investors invest in debt funds to earn capital gains by betting (taking a view) on the future interest rate movements in the economy. If an investor's investment objective is generating steady flow of income (eg. retirees and fixed income earners to meet living expenses etc.), rather than capital appreciation or wealth creation, then he should invest in MIP and income funds and opt for **dividend option. Again investors many times opt for dividend option or growth option based on the tax efficiency depending on the current tax provisions as dividends and capital gains are treated differently by income tax.**

2.4 Tax Implication on Equity Mutual Fund Investments:

2.4.1 Taxation of Dividends:

In case the investor has opted for the dividend option while investing in an equity oriented mutual fund, dividend received from an equity oriented scheme is exempt from tax as dividend income is tax free in the hands of the investor [Sec. 10(35) of IT Act, 1961].

2.4.1.1 Dividend distribution tax (DDT) payable by the Fund House:

Moreover there is No dividend distribution tax (DDT) borne by the mutual fund house on the dividend distributed by them in case of equity mutual funds.

2.4.2 Taxation of Long Term Capital Gains:

There is no Long Term Capital Gains Tax on equity mutual fund schemes for all types of investors, provided securities transaction tax (STT) is paid on such sale**.** So, by investing in equity mutual fund schemes for the long-term i.e. for a period of more than 12 months, investor will not be liable to pay any long term capital gains tax.

2.4.3 Taxation of Short Term Capital Gains:

But in case the investor has booked profits in the short-term i.e. within a period of not more than 12 months, he will be liable to pay Short Term Capital Gains Tax on equity oriented mutual funds @ 15% plus applicable surcharge, if any, and education cess (currently @ 3% on tax + surcharge) for all types of investors. For NRIs, there is a tax deducted at source (TDS) @ 15% plus applicable surcharge, if any, and education cess (currently @ 17.304% with surcharge of 12%) to be levied.

2.4.4 Securities Transaction Tax (STT) @ 0.025%

will be deducted on equity funds at the time of redemption i.e. sale of units by the investor (unit holder) or switch to the other schemes. But no STT is levied on purchase of units by the investor.

2.5 Understanding Tax Implications on ELSS MF Investment:

Equity Linked Saving Schemes (ELSS) are 100% diversified equity funds with tax benefits. It is popularly also known as tax saving mutual funds. A distinguishking feature of ELSS fund is that unlike regular equity funds, minimum asset allocation to equity and equity related instruments in such funds is 80% rather than 65% in case of normal equity funds. Another distinguishing feature of ELSS fund is that investments in such funds are subject to a compulsory lock-in period of three years. Most ELSS funds allow minimum application amount of Rs 500, with no upper limit. One can either make lump sum investments or investments through the Systematic Investment Plan (SIP).

While SIPs in ELSS can help you tackle volatility and may help you gradually create wealth in the long run, a noteworthy point about SIP investments in ELSS is that your every SIP installment (which can be monthly, quarterly or half yearly) should complete the minimum lock-in period of 3 years. Investment in ELSS is possible irrespective of income earned by the individual or whether he's old or new to investing in equity markets

2.5.1 Tax Benefits[EEE Investment]:

Investment in ELSS funds makes an Individual or HUF investor eligible for a tax deduction under section 80C of the Income Tax Act, 1961; subject to a maximum limit of Rs.1.5 lakh per annum. Dividends received from ELSS funds under dividend option are tax free in the hands of the recipient. Moreover at the end of the lock-in period and at exit if there is any gain - it is classified as Long Term Capital Gains as per the current tax provisions. Being an equity scheme, Investors need not pay any Tax on the Long Term Capital Gains in ELSS. Thus investment in ELSS funds are classified as EEE (exempt, exempt, exempt) investment from the tax angkle.

2.6 Understanding Tax Implications on RGESS MF Investment:

Rajiv Gandhi Equity Saving Scheme (RGESS) is a tax saving avenue introduced by the Central Government in the Union Budget 2012-13. Mutual funds too are eligible to launch mutual fund schemes investing in instruments as enunciated for RGESS. RGESS is targeted towards attracting the new retail investors into equity markets. Only first time equity investors (who do not have a demat account, or have one but not made any transactions in equities till the date of notification of RGESS i.e. November 23, 2012) can claim tax benefit under RGESS. RGESS is available to those whose gross annual income is less than or equal to Rs 12 lakh. In case of mutual funds, the units of RGESS eligible Exchange Traded Funds (ETFs) and mutual fund schemes (which are traded and listed on the exchange) can be considered for investing in RGESS and to avail a tax benefit.

Apart from RGESS mutual fund schemes, other securities eligible for investing in RGESS and to avail a tax benefit are:

- Top 100 stocks listed under S&P BSE-100 and CNX-100
- Stocks of Maharatna, Navaratna and Miniratna Public Sector Undertakings (PSUs) (including their Follow-on Public Offers (FPOs))
- IPOs of PSUs with Government stake not less than 51%, with revenue of Rs 4,000 crore in the last three years.

The maximum investment permissible under RGESS is Rs 50,000. The money invested in RGESS mutual funds (and even the other eligible instruments for RGESS) is subject to an overall lock-in period of 3 years. It is noteworthy that the scheme has a fixed lock-in period of 1 year, on the expiry of which one can sell/pledge/hypothecate one's securities, but withdrawal of money before 3 years is not possible. However investors are allowed to churn their portfolio during the flexible lock-in period (i.e. after the completion of the fixed lock-in period of 1 year). Further in case the investor fails to comply with any condition specified in RGESS, the benefits availed there under are withdrawn and the investor is liable for tax payment

2.6.1 Tax Benefit [EEE Investment]: The investment amount makes an investor eligible for a tax deduction under section 80CCG of the Income Tax Act, 1961 to the tune of 50% of the amount invested for investments of up to Rs 50,000 only, ie, maximum tax deduction under this section cannot be more than Rs.25,000. This section permits deduction for three consecutive years. These are EEE investments.

2.7 Tax Treatment of Arbitrage Funds:

Arbitrage funds aim to give risk free returns to the investors. Since arbitrage funds are risk free by definition, they are often compared to liquid funds. However, the tax treatment of arbitrage funds is same as equity funds, since these funds invest in equity instruments. If you opt for the dividend option in an arbitrage fund, then the fund does not have to pay dividend distribution tax, unlike debt and liquid funds. If you hold your arbitrage fund for over a year, the long term capital gains tax is nil.

2.8 Tax Implication on Non-Equity Fund (Debt Mutual Fund) Investments:

2.8.1 Taxation of Dividends: Dividend income received by debt (bond) fund investor (unit holder) is exempt from tax like equity fund for all types of investors [Sec. 10(35) of IT Act, 1961].

2.8.1.1 Dividend distribution tax (DDT) payable by the Fund House for all debt funds (Other than Infrastructure Debt Funds): Dividend Distribution Tax is deducted by debt mutual fund, liquid fund and money market schemes while they distribute dividends. It is @ 25% plus 12% surcharge and 3% education cess thus totalling to 28.84% for investors who are individuals/HUFs including NRIs, and 30% plus 12% surcharge and 3% education cess thus totalling to 34.608% for investors who are Domestic Corporates/Partnership Firms/AoP/BoI.

2.8.1.2 Dividend distribution tax (DDT) payable by the Fund House for Infrastructure Debt Funds: The rate is same as above for investors who are individuals/HUFs/Domestic Corporates/Partnership Firms/AoP/BoI. But the DDT levied on the **Infrastructure Debt Funds** for the NRI investors is lower @ 5% + 12% surcharge + 3% cess = 5.768% in total.

N.B.: Earlier DDT was computed on Net basis, ie, on the net dividend distributed to the investors. But from Oct. 01, 2014 it is being calculated on Gross basis, ie, on the gross distributable surplus (gross dividend paid). Suppose the fund has a distributable surplus of Rs.100 which was split into two like a dividend paid of Rs.77.62 and on this DDT of Rs.22.38 (@ 28.84% on Rs.77.62) was paid and effectively the DDT rate on the fund was 22.38% (22.38/100). This was the position existing before Oct. 01, 2014. But from Oct. 01, 2014, the DDT is calculated on the gross basis on the actual dividend being paid to the investors. So if the fund wants to distribute Rs.100 in dividend, then the DDT is Rs.28.84 (@ 28.84% on Rs.100) with the net dividend paid is Rs.71.16 and thereby the effective DDT rate is increased to 28.84% from 22.38%.

2.8.2 Taxation of Long Term Capital Gains: Long Term Capital Gains on debt mutual fund schemes are taxable @ of 20% with indexation plus applicable surcharge, if any, and education cess (currently @ of 23.072% with surcharge and @ 20.60% without surcharge), if the investor books profits after holding the debt fund for more than 3 years or 36 months.

2.8.2.1 Cost Inflation Index and Indexation Benefit: Every year GOI announces the CII for the purpose of LTCG tax calculation. The original purchase price/acquisition cost is adjusted for the cost inflation index (CII) to find out the indexed cost of acquisition (inflated cost) by dividing the CII in the year of sale with the CII in the year of purchase. This inflation adjustment is known as indexation benefit. Then this indexed cost of acquisition is deducted from the net sale price [sale price less expenses, if any] to find out the LTCG with indexation benefit and this resultant figure is subjected to a flat tax rate of 20% plus edu. Cess regardless of the tax bracket of the investor. This indexation benefit reduces the LTCG and thereby the LTCG tax. **Indexation benefit is available in case of sale of debt funds (where no fixed interest rate is committed) and on sale of property, but it is not available in case of sale of debentures and bonds (where fixed interest rate is committed) and on sale/transfer of unlisted equity or preference shares.**

Example: Mr. Kumar invested Rs.2,00,000/- in a bond fund (debt-oriented MF) in June 2011. He redeemed his investment in Sept. 2014 and received redemption proceeds of Rs,2,85,000/-. Calculate his capital gain. Is it LTCG or STCG? Compute his tax liability for this.

[It's LTCG. Indexed cost of acquisition = 200,000 x [CII of 2014-15]/[CII of 2011-12] (1024/785) = Rs.260,892. LTCG = Sale Price – Indexed Cost of Acquisition = Rs.285,000 – Rs.260,892 = Rs.24,108 on which he is required to pay LTCG tax of Rs.4,822 @ 20% plus edu. Cess @ 3% totaling to Rs.4,967].

2.8.3 Taxation of Short Term Capital Gains:

In case the investor books profits in the short-term i.e. within a period of not more than 3 years or 36 months, he'll be liable to pay **Short Term Capital Gains Tax on Debt mutual funds as per his marginal tax rate (slab).**

And in case of an NRI investor, TDS **on capital gains for both STCG and LTCG will be levied** [@ of marginal tax rate plus surcharge @ 12%, if applicable, and edu. cess of 3% for STCG and @ of 20% with indexation benefit plus surcharge @ 12%, if applicable, and edu. cess of 3% for LTCG].

#2.8.4 Choosing b/w Growth and Dividend Option in Debt Funds [Which is better for Whom – based on Tax Bracket]:

Situation #1. Investment horizon not exceeding 3 years and Regular Income Needed: If investment horizon in a debt fund is up to three years and regular income is needed, then the tax bracket of the investor should determine the choice between the growth option and dividend option. If the investor is in the lower tax bracket of 10% or 20%, it may make sense to go for the growth option and redeem a fixed amount periodically [monthly, quarterly or half yearly] as per need. This is because the applicable tax rate without surcharge (10.3% or 20.6%) on short term capital gains is much lower than the dividend distribution tax (28.84%) mutual funds pay on declared dividends. However, those in the highest tax bracket of 30% may save a little by opting for the dividend option because of the marginal difference in tax rates (28.84% DDT vs 30.9% STCG tax).

Situation #2. Investment horizon exceeding 3 years and Need of Regular Income or Capital Appreciation: For an investment horizon of more than 3 years, long term capital gains tax applies which is 20% on the LTCG with indexation benefit. Investor should opt for growth or dividend option based on his investment objectives, i.e. capital appreciation versus income needs. MA

Mutual Fund Option	Applicable tax (for less than 3 years investment horizon)	Tax Rate		
		10% Tax Slab	20% Tax Slab	30% Tax Slab
Growth Option	Short term capital gains tax	10%	20%	30%
Dividend / Dividend re-investment Option	Dividend distribution tax	28.84%	28.84%	28.84%

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Corrigendum

The designation of Prof. T. Satyanarayana Chary, co-author of the article on page 56 of March 2016 issue, has been wrongly printed as Associate Professor. The correct designation of the author is Professor & Dean, Faculty of Business Management, Telangana University.

WOMAN A KEY PLAYER

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Perspective

International Women's Day (IWD), originally called International Working Women's Day, is to celebrate Womanhood is March 8 every year. This day is dedicated to demonstrate respect, appreciation and love towards Women for their contribution in economic, political, and social achievements.

Constitution of India has granted men and women equal rights, yet we find that employment of women is not preferred. Today the scenario has changed. We find women are integral part of the workforce both in urban &

rural areas. We find women employed as pilots flying aircrafts, occupying top positions in corporates be it's a manufacturing Sector, Banking/financial sector or an Entrepreneur. As per the recent mandate women have also entered the boardrooms.

Considering the fact that women are disadvantaged in some ways, our laws have conferred many privileges or protection or relaxed provisions. In India, today there are eight laws which are women specific legislations for prevention and protection such as immoral Traffic, Dowry, Domestic Violence , Sati, Sexual Harassment and around forty five laws related to women such as IPC, Property, marriage, maternity, wages, ESI and so on .

A peek into the History of India reveals that woman in Vedic period enjoyed equal status as men in all aspects of life and was well educated. The Rig Veda and the Upnishads talk about several women sages. The list of powerful women includes Razia Sultana, Jijabai, Chandbibi, Lakshmi Bai of Jhansi among others who managed to come to the forefront. As India progressed in 20th& 21st century women leaped in the fields such as politics, performing arts, sports, administration, business etc.

We mull over some of the most compelling concerns that hamper the rise of Women in hierarchy.

Economic Potential

Though India is progressing towards knowledge economy but still men hog the bulk of the jobs and only one-third working age women are economically active, which is far below the global average of 50% and Asian average 63% according to World Bank.

According to World Economic Forum's Global Gender Gap Report improvement in Gender equality is critical for the growth of per capita GDP. Moreover, a growing ratio of economically productive woman improves a country's human development Indicators such as education and child health.

As per the study by the Organisation for Economic Co-operation and Development (OECD) has measured the influence of gender equality on economic growth and notes that gender parity in workforce can raise the GDP Growth of developing countries by 20% and that of developed countries by more than 10%.

Conventional economics takes into account only the paid work done in labour markets and ignores the economic value of the unpaid work done at home or in family businesses. Typically women get assigned unpaid work, which reinforces gender stereotypes and denies the career opportunities. Even in organized economy women has to face significant challenges due to the entrenched attitudes and work habits. There are fewer women who move up in the hierarchy. In India, woman's participation in the board level has increased from 5% to 7% after the reservation of one seat for Woman Director.

Dilemma of the modern times is that despite availability of qualified women, women are the underutilized resource in the world.

Woman on Corporate Board

There is lack of demand for women professionals in Corporate and there is a need to create an equal opportunity ecosystem to maximize the talent, skill productivity, aspiration, opportunities and different leadership. It is a laudable move by insertion of a provision in The Companies Act 2013.

A. Under Companies Act, 2013 and Rules Second proviso to clause (b) of sub-section (1) of section 149 of the Companies Act, 2013 read with Rule3 of the Companies (Appointment and Qualification of Directors) Rule, 2014 provides that following class of companies shall have at least one women director on their board

(i) Every listed company;

(ii)Every public company having:

-paid up capital of Rs.100 crores or more or

-a turnover ofRs.300 crores or more

B. Under SEBI Listing Agreement SEBI, vide circular no.CIR/CFD/POLICYCELL/2/2014 dated April 17, 2014 has made it mandatory to have one women director on the Board of all the listed companies.

This Regulatory Framework is a means to empower women in India by ensuring sufficient participation of women in decision-making, governance at Board levels and to foster creativity and generate new ideas.

Even the extension of the deadline by six months, majority of companies failed to comply with this directive.

Global Perspective on Women Directors

It is quite interesting to note certain facts about the women directors from the Global perspective.

- In 2003,Norway was the first country to pass such a law, mandating that public companies achieve 40% representation of women on their boards within five years. Non-compliant companies risked fines or even dissolution.
- Germany – All listed companies to fill 30% of their supervisory board seats with women.
- European Union - fewer than 40% women on the all listed companies Board.
- Malaysia –At least 30% representation of women in decision-making positions
- France –40% of executive Board member shall be female on the board by 2016.
- Belgium– minimum 1/3 female directors.
- Spain - has introduced a quota at 40%, to be reached by 2015.

However, Developed countries like, USA, UK, Canada, Singapore, Australia and many more does not have gender quota systems.(** Source: European Union website)*

Benefits of having women on board

- Diversity of talent is associated with diversity of thought.

- Strong financial performance
- Ability to attract and retain top talent
- Heightened innovation
- Enhanced client insight
- Strong performance on non-financial indicators
- Improved board effectiveness

Research shows that having women in the boardroom is linked to better business results.

Indian Scenario

More than 50% of India's current population is below the age of 25 and over 65% below the age of 35, this Demographic potential offers India and its growing economy an unprecedented edge over BRICS economies.

According to India's National Sample Survey, the proportion of workingwomen in urban areas has increased from 11.9% in2001 to 15.4% in 2011.

Since, female participation in the workforce rising along with educational levels, India can reap the huge dividend.

For this, "India needs not only an employment revolution but also educational revolution that allows and encourages women to play their full part in a modern Indian economy".

Impediments to achieve this holistic approach

Corporate Level:

There is a limited pool of women candidates from the corporate sector and restrictions on women from banking, financial services and insurance sector Boards due to conflict of interest. Normally, boards are marked by nepotism and there is absence of a conducive work environment for women.

Educational Level:

There is poor adult level education and vocational programme and lack of skill oriented institutions.

Regulatory Level:

Different company law rules and sanctions for not complying with gender balance laws can lead to complications for businesses and have a deterrent effect. There is no unified body for proper check and balance. There is excessive discretionary power and loopholes in legal provisions.

Societal challenges

a consequence of centuries with social coding, corporate stereotypes and innerself of a woman.

Empower the Powerful

It is the time to understand the power of a diverse workforce built on merit and its ability to take a position in an organization. We need to believe in ability, willingness and enthusiasm as important attributes of team member.

In India the female enrolment in higher education rose from 6.7% in 2002 to 19.8%in 2012,while that for men rose from 9.3% to 22.3%.Women constitute30%-35% of total workforce. Women CEOs are becoming the new face of India Inc.However, only 10% of corporate women reach senior management levels and less than 4% becomes CEO.Today many companies are taking steps to implement gender diversity and following equal opportunities for all.

Empowering women and achieving gender equality will require an intentional action, deliberate politics and more importantly the mindset of working class. MA

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REGIMENTATION OR FREE PLAY

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Accounting has undergone a lot of change after Luca Pacioli. It has taken the present shape during the process of evolution. It may be such that an unknown accountant might discover a particular course of action or practice in the particular area of accounting. Considering the merit and suitability of this course of action or practice, different accountants might have adopted it. As a result, this can give birth to a convention.

A number of conventions could be developed in the same way. Of the conventions so developed, some of those could have gained wide popularity and received international acceptability. Those conventions later on considered as 'generally accepted accounting principles'. Even some days back, accountants used to prepare their accounts following practices encompassed by the structure of those principles.

In a number of cases, with the gradual growth of conventions, different accounting bodies have recommended a certain course of action without following a convention. Further, different Accounting Institutes have so far been set up came forward with a task of developing a good accounting practice. Those Institutes have framed up some widely acceptable ideological interpretations of accounting functions along with the appropriate guidelines for their applications. Some renowned Institutes have taken up framing 'standards' by way of revising or replacing some old principles and also adding up new ones to them.

Why Standards?

Now, one may ask why it is necessary to set up standards particularly when accountants are free to apply their knowledge and skill in preparing accounts. To answer this question another may rightly argue that financial statements may lose its credibility, had there been no such standards. Although there are other reasons for this loss of credibility, it is at least partly the result of the use of alternative accounting practices.

Another group of individuals may argue that accountants of integrity may proceed without standards simply by choosing the most appropriate solution to each problem as it arises. But it may be counter-argued that 'the most appropriate solution' may neither be apparent nor be a subject of consensus. This again leads to the belief of loss of credibility of those results from a variety of practices in use to report similar or identical transactions. Again, it is sometimes argued that corporations, particularly in USA, used to compete in the preparation of financial statements as they do in selling products. In that case, the accountants may have set corporate financial objectives, the success of which is dependent upon accounting practice adopted. In this case, accounting practices achieve the status of economic goods capable of satisfying a want or need. Now, the practice followed by one corporation may show a stable net profit and statement of assets and liabilities than the practices followed by another concern. In that case, accountants of integrity will propose for setting up standards to avoid competitive disadvantages.

Again, while providing loans to corporations, the investment banker will urge for accounts to be prepared based on some standard. However, alternative accounting practices should not be considered as the basis of providing such loans, even if there have been disclosures of relevant facts. The investors, on the other hand, will not be interested to invest in such cases.

Standards in USA

The adoption of the Securities Act of 1933 and Securities Exchange Act of 1934 conferred on the Securities and Exchange Commission (SEC) authority to determine the accounting practices to be used by companies in the preparation of reports under the Acts. In 1937, Accounting Series Release No.1 announced the periodic publication of opinions on accounting principles "for the purpose of contribution to the development of uniform standards and practices on major accounting questions". In 1938, Accounting Series Release No. 4 established the Commission's policy of looking in to the private sector just to establish and improve accounting standards under the supervision of the Commission.

In 1939, the accounting profession established the Committee on Accounting Procedure (CAP). The purpose of the Committee was to identify accepted accounting practices including alternatives. The Committee failed to set firm choices between "acceptable" alternatives although it gradually eliminated some questionable practices and as a result, it led to set up Accounting Principles Board (APB) in 1959.Although the APB made a considerable progress to narrow down the areas of difference in accounting practices on some critical issues, but owing to the growing backlogs of problems that needed to be focused in time, the Financial Accounting Standards Board (FASB) was established in 1972. The SEC approved the establishment of the FASB (Accounting Series Release No. 150, 1973) on the ground that the FASB would provide an institutional framework resulting from prompt and reasonable actions arising out of research. The part played by the FASB and SEC in the process of publishing accounting and disclosure standards have received wide spread attention of both from government and business community.

There are several examples of issues on various areas covered by the SEC and FASB. The FASB has issued Exposure Draft (ED) in December 1974 and FAS No.33 in September 1979 on Accounting for Effects on Changing Prices, while the SEC has issued ARS No. 190 in March 1970 and ARS No. 271 in October 1979 on the same subject. Accounting for Interest Costs, Lease Accounting and Disclosure Rules, Redeemable Preferred Stock etc. are some of the areas where several issues have been made by both the Board and the Commission.

Standards in India

Before starting the standard-setting process in India, it may be observed that many other countries have started issuing accounting standards from time to time. It is surprising to note that India did not issue recommendations or bulletins followed by principles at the early stage In fact, some scattered efforts have been rendered made to develop accounting practices. The framing and issuing accounting standards in India have been shouldered by the Institute of Chartered Accountants of India (ICAI) as late as 1977. The said Institute has so far set up and issued as many as 32 accounting standards. Those standards cover the important areas of accounting and the last one being Accounting Standard (AS) 32, *Financial Instruments: Disclosures*.

IFRS

With the growing development of global economy, it was felt necessary that financial statements of different countries should follow the guidelines of those accounting standards that should be accepted internationally. The need for setting up some principles or standards that might be used globally was felt sometimes in 2001 and International Accounting Standards Board (IASB) was expected to fulfill the said need. The IASB proposed for International Financial Reporting Standards (IFRS) on such

Accounting has undergone a lot of change over time and led to the development of a number of conventions. Of the conventions, some of them were later considered as 'generally accepted accounting principles'. Some renowned Institutes have taken up framing 'standards' by way of revising or replacing some old principles and also adding up new ones to them. With the growing development of global economy, the International Accounting Standards Board (IASB) proposed for International Financial Reporting Standards (IFRS) on such topics, where there was no clear-cut International Accounting Standards (IAS). Though perfection may be the aim of issuing accounting standards, it may neither be apparent nor be subject of consensus. If the enforcement of accounting standards is strictly adhered to in the workings of the accountants, accounting principles will become too much rigid. As a result, the workings of the accountants will become mechanical and the creative ability of them will have no further scope for its application and development. It may be suggested, therefore, that accountants may be left to work freely according to their own judgement and skill. To evaluate their performance it may be suggested, therefore, that an accounting court may be established.

topics, where there was no clear-cut International Accounting Standard (IAS).

The experience gained by European Union tells us that the adoption of IFRS has provided much benefit to the corporate world. Therefore, it can be presumed that Indian corporate bodies would also gain similar benefits if they adopt IFRS.

In 2007, the ICAI issued a concept paper that pointed out on achieving convergence with IFRS issued by the IASB and the Ministry of Corporate Affairs (MCA), Government of India, supported this action. As a result, 35 Indian Accounting Standards (Ind AS) converged with IFRS were shown on the website of the MCA.

On 16 February 2015, the MCA notified the Companies (Indian Accounting Standards) Rules 2015 which specify the dates for voluntary adoption Ind AS for the periods ending 31st March 2015; mandatory adoption for the accounting periods beginning on or after 1 April 2016 (for listed or unlisted companies having net worth of Rs 500 crores or more including holding, subsidiary, joint venture or associate companies); and also mandatory application for the accounting periods beginning on or after 1 April 2017 (for listed or unlisted companies net worth less than 500 crores). It may be noted that the above roadmap will not be applicable to companies whose securities are listed or in the process of listing on SME exchanges; companies not covered by the roadmap in the "Mandatory adoption" categories mentioned above; and Insurance companies, banking companies.

Loopholes of Too Much of Regimentation

The aforesaid discussion provides some room for further thoughts on the impact of issuing accounting standards. Though perfection may be the aim of issuing accounting standards, it may neither be apparent nor be subject of consensus. That is why the FASB standards are sometimes being criticised. If it is admitted that the accounting standards cannot be free from defects at least to a certain extent, no immediate modification is possible.

Moreover, if the enforcement of accounting standards is strictly adhered to in the workings of the accountants, accounting principles will become too much rigid. As a result, the workings of the accountants will become mechanical and the creative ability of them will have no further scope for its application and development. Accountants will lose their initiative in further development of accounting, the principles of accounting turning almost mechanical, losing the scope of further attention and working under certain fixed processes.

Further, it will not be out of place to mention here about the term 'creative accounting'. According to Cambridge Dictionaries, creative accounting has been defined as "the use of methods of recording financial information about a company, etc. which are legal but which do not show the real situation clearly, usually making the company seem more successful than it really is". Stating differently it may be said that the application of accounting principles or practices that obey the required directives or laws, but do not follow what the standards desired to do. These may provide "a false idea but not illegal".

While reviewing the accounting literature, varied opinions may be found. Gowthorpe and Amat examine two principal categories of manipulative behaviour, viz., 'macro-manipulation' and 'micro-manipulation'. The former relates to lobbying of regulators to persuade them to produce such regulation to serve the interest of preparers while the latter presented the accounting figures in such a manner that would produce a biased view at the entity level. They concluded that the manipulations described in the paper are not only reprehensible but they are not fair to users as well. Moreover, they tend to weaken the authority of accounting regulators. Again, Baralexis looked creative accounting from the point of view of small advancing countries where he observed that large companies overstate profit whose motive being demand for external financing as against the small companies whose intention being understate profit to reduce income taxes. But, another interesting view may be observed in the article of Zulficar, Butt and Tariq where they are of the view that it is difficult to handle creative accounting owing to the intricate and varied nature of business transactions and the impact of the freedom available to the accountants in effecting accounting.

Conclusion

Now, the situation is really perplexing, whether accountants will strictly follow the accounting standards in order to avoid the maladies of creative accounting or to think something innovative in nature. It may be suggested, therefore, that accountants may be left to work freely according to their own judgment and skill. To evaluate their performance an accounting court, as suggested by Spacek, may be established. This view has been supported by many. The companies which do not follow accounting standards could be brought to the aforesaid court in order to eliminate the possibility of evils of creative accounting. The companies so charged would have to prove that the procedures on accounting followed by them are preferable to those described in the adopted accounting standards for presenting "a true and fair view". The establishment of such a court will enrich the growth and development of accounting system. It may be pointed out that the establishment of such a court in Netherlands failed to achieve the end for which the same has been set up. But, it may be argued that the shortcomings of the court are not due its incompetence rather demands removal of the defects inherent. MA

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Management Accounting Practices In Manufacturing Sector

Management Accounting is concerned with providing information to managers at all levels that plan, direct and control operations of an organisation. In contrast, financial accounting is concerned with providing information to shareholders, creditors, regulatory agencies and Governments who are outside the organisation. This contrast in orientation results in a number of major differences between financial and management accounting, even though they often rely on the same underlying master data. But the real thickness of the bottom line is determined by the quality of the decisions taken, management of costs and effective implementation of strategy, achieved with the support of management accounting practices.

Management Accounting Practices is a set of techniques aimed at providing managers at all levels, withfinancial and non-financial information to help them make decisions and maintain effective control over corporate resources. These include the methods and concepts necessary for effective planning, decision making and controlling through the evaluation and interpretation of performance.

The following Figure 1 will depict the various functional relationships within Management Accounting.

Figure 1: Various functional relationships within Management Accounting Practices

The above figure explains the functional relationships within MAP. Competitor Analysis has a narrow focus on an individual competitor profile. Competitive intelligence has a broader scope assimilating all of the competitor analysis. It provides an early warning of opportunities and threats such as future competitive products and services. Business Intelligence (BI) has the broadest scope. It is competitive intelligence, market research and environment scanning combined (Whitely, 1996).Data analytics include financial and non-financial data as well as data available within and outside the organisation.

But it is because of its various functional relationships that management accounting is able to paint different patterns with respect to revenues,

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Management Accounting Practices (MAP) offer great opportunity for organisations to compete in the market in order to offer best quality products at affordable prices to customers. The general objective of this study was to investigate the effects of use of MAP on Organisational Performance (OP).This study was designed against the backdrop of observations that the Management Accounting Practices (MAP) in India require to be more pro-active and innovative to provide real time information for managerial decision making and to support strategy initiatives. Perception of Finance and Accounting managers in the Indian manufacturing sector was collected using a structured online questionnaire. The model containing critical variables was validated to identify statistically significant linkages among Organisational Strategy (OS), Organisational Design (OD), adoption of Management Accounting Practices (MAP) and Organisational Performance (OP). The study concluded that the adoption of Management Accounting Practices (MAP) found to significantly influence the Organisational Performance.

costs and profits through scenario planning exercises. The contemporary Management Accounting Practices (MAP) include selecting and analysing non-financial information also, such as time required to produce a product, percentage of defective products, number of online deliveries etc. Thus non-financial information supplements financial information by providing a broader understanding of the organisation which can guide to better operational as well as strategic decisions leading to enhanced organisational performance. This study considers both financial and non-financial organisational performance measures.

The primary focus of the study is the relationship between organisational factors - strategy & design and Management Accounting Practices (MAP) with particular emphasis to Organisational Strategy (OS). Because most of those things which happen in an organisation are either due to an appropriate business strategy followed by it or by not having a strategy at all. How do we know that an organisation has a good strategy and how MAP can support organisational strategy?

We can go back and look at the following check list of questions given in the Financial Times Guide to Management and Finance two decades ago in 1994.It would point to which information system can provide answers to those questions.

1. Is your firm more or less profitable than your major competitor firms?
2. Do you generally have higher or lower prices than these firms, for equivalent product/service offerings? Is this difference due mainly to the mix of customers, to different costs, or to different requirements for profit?
3. Do you have higher or lower relative costs than your main competitors? Where in the cost structure (for example, cost of raw materials, cost of product, cost of selling, cost of distributing, cost of advertising and marketing) are the differences most pronounced?
4. [What are] the different business segments which account for 80 percent of your profits?[You will probably find that you are in many more segments than you thought and that their profit variability is much greater than you thought.] If you cannot define the segments that constitute 80 percent of your total profits, you need to conduct a detailed product line profitability review.
5. In each of the business segments defined above, how large are you relative to the largest of your competitors? Are you gaining or losing relative market share?
6. In each of your important business segments, who are your customers' and potential customers' most important purchase criteria?
7. How do you and your main competitors in each segment rate on these market purchase criteria?
8. What are the main strengths of the company as a whole, based on aggregating customers' views of your firm in the segments that comprise most of your profits? What other competencies do you believe the firm has, and why do they seem to be not appreciated by the market?
9. Which are your priority segments and where is it most important to the firm as a whole that you gain market share? How confident are you that you will achieve this, given that other firms may have targeted the same segments for share gain? What is your competitive advantage in these segments and how sure are you that this advantage is real rather than imagined?

Obviously, the solutions could be provided through robust Management Accounting Practices (MAP) which would help organisations to understand whether their strategy is in place. Management Accounting Practices (MAP) involve deliberations of future alternatives and is a critical resource in making sense of past decisions. This study examines the perceptions of the finance and accounting managers in the manufacturing sector in India about the influence of Organisational Strategy (OS) and Organisational Design (OD) on MAP and how MAP in turn can contribute as a mediating factor to enhance Organisational Performance (OP).

Literature review

This study is based on the contingency theory framework. According to contingency theory, organisations are considered as open systems: they exchange information, technology and techniques which are essential for existence within their external environment. It is very important that the contingency theory framework takes into consideration the effect of the conditions of the external environment, which need to be measured, and examined (Rayburn & Rayburn, 1991). Environment can be broadly characterised as phenomena that are external to the organisation and which have either potential or actual influence on the organisation (Macy &Arunachalam, 1995). The external environment may thus relate to technology, law, politics, economics, culture and demographics. Environment refers to "particular attributes such as intense price competition from existing or potential competitors". Uncertain environment, which is impacted from high competition, is therefore an important contextual variable in a contingency based research (Chenhall, 2007). Contingency theory is a "theoretical perspective of organisational behaviour that emphasises how contingent factors such as technology and the task environment affected the design and functioning of the organisations."(Covaleski et al., 1996; Chenhall, 2003; Hwang, 2005; Cadez & Guilding, 2008).

The study by Anderson & Lanen (1999) uses a contingency theory framework and investigates the evolution of management accounting practices in 14 firms in India. The authors use a survey and also personal interviews to observe changes in the practice of management accounting by firms, based on two factors. The first factor is the experience and exposure of a firm to global markets. The second factor is the competitive strategy adopted by the firms. They analysed a firm's exposure to the global markets and categorised their sample firms as national or international, based on the responses to seven survey questions. As highlighted by Kallapur & Krishnan (2008), the outcomesof this study indicate that, consistent with the estimates of contingency based theory, the extent of adoption of specific management accounting practices variesas a function of the firm's strategy and global orientation.

Another study by Joshi (2001) , examines management accounting practices based on a survey of 60 large- and medium-sized (sales revenue exceeding US $ 25 million) manufacturing companies in India and contrasts the results with a similar study of Australian firms by Chenhall & Smith (1998) . This study was conducted from the University of Bahrain. The survey instrument was adapted from Chenhall & Smith (1998) and Miller et al. (1992). Joshi finds that Indian companies use traditional management accounting practices, such as budgeting, for operational planning and cost control, performance evaluation based on return on investment and divisional profit extensively. Some management accounting practices, such as supplier evaluation and product profitability, were used to a moderate extent. However, the use of recent management accounting practices such as Activity - Based Costing (ABC), activity-based management, benchmarking and target costing is less frequent. Joshi (1999) also found evidence that larger companies were significantly more likely to use recent management accounting practices such as ABC. As highlighted by Kallapur & Krishnan (2008), the companies in this sample also laid more or less equal emphasis on both financial and nonfinancial performance measures.

In the study by Anand et al.,(2005), examined the extent of adoption of the balanced scorecard by Indian companies.They used the data from a survey of 53 Indian companies, conducted in 2003, and find that 24 of the sample of 53 firms (45.28%) have adopted a balanced scorecard as a strategic tool.Regarding the importance of each of the four perspectives, a majority of the respondents (87.5%) ranked the financial perspective as the most important, followed by the customer perspective.Using the data from the same survey, Anand et al.(2005) examined the extent of adoption of ABC in Indian companies. Of the 53 firms that responded, 26 firms (49%) reported that they used ABC systems either as a supplementary/offline system (11 firms) or as a fully integrated accounting and ERP system (15 firms). The adopting firms were predominantly from the manufacturing sector (20 firms, or 76.92%).

In the contingency perspective, researchers have attempted to investigate the factors that influence the adoption of MAP, by trying to answer questions on how environmental factors like Competitive Environment (Hoque, 2004; Govindarajan & Shank, 1992; Hope & Hope, 1995; Leftesi, 2008; Foster & Gupta, 1994; Simons, 1990; Libby & Waterhouse, 1996; Guilding & McManus, 2002; Hwang, 2005) and Manufacturing Technology (Granlund, 2011; Hald & Mouritsen, 2013; Dechow & Mouritsen, 2005; Haldma & Lääts, 2002) and organisational factors like Organisational Strategy (Hoque, 2004; Leftesi, 2008; Guilding & McManus, 2002; Hwang, 2005; Dent, 1990; Chenhall, 2003; Langfield-Smith, 2007; Shank & Govindarajan, 1992; Chenhall & Langfield-Smith, 1998; Cinquini & Tenucci, 2010; Cadez & Guilding, 2008) and Organisational Structure (Hwang, 2005; Leftesi, 2008) would influence organisational performance mediated through management accounting practices.

Further the contingency theory judges that the degree and importance given to Organisational Performance are formed by Organisational Design (Miles & Snow, 1994; Hwang, 2005), Organisational strategy (Hoque, 2004; Ittner et al., 1997), Competitive environment (Govindarajan, 1984; Chenhall & Morris, 1986; Chong & Chong, 1997; Gul & Chia, 1994; Hoque & Hopper, 1997; Mia, 1993; Mia & Chenhall, 1994; Kohli & Jaworski, 1990) and the MAP adopted (Ittner et al., 1997; Simons, 1990; McManus, 2012; Cadez & Guilding, 2008; Baines & Langfield-Smith, 2003; Cravens & Guilding, 2001; Mahama, 2006). Finally, the contingency perspective advocates association between the competitive environment and the strategy of the organisation (Hwang, 2005).

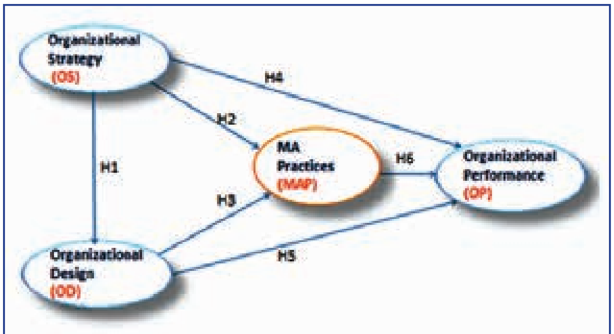
Theory Development:

The identification of contextual variables in this study was drawn from the original structural contingency frameworks developed within organisational theory. To find a feasible solution to the research problem, a deductive (from general to specific) approach was followed to test the existing theory, in the Indian context and settings. As Indian business environment has undergone noticeable changes due to various macro-economic factors, the role of contextual factors gathers more attention. Further, the emerging changes in the Indian context creates a turbulent environment where valid decision making by practising managers become complex.In this environment of complexities,contingency approach is ideal which explains relationships and critical variables that impact MAP which in turn would lead to better Organisational Performance. Previously validated instruments from Baines and Langfield-Smith (2003) and Tuan Mat (2010) were modified and adopted in this study to measure the construct variables in the Indian context and settings.

Research Model:

The research model explaining all the hypotheses proposed in the study are illustrated in the Figure 2 shown below.

Figure 2: Research Model explaining Hypotheses proposed in the study



Hence the following hypotheses as shown in the following Table 1were proposed.

Table 1: Summary of the Hypotheses for the study

Sl.No	Hypotheses	Description of Hypotheses
1	H1	There exists a significant relationship between Organisational strategy (OS) and Organisational design (OD).
2	H2	There is a significant relationship between Organisational strategy (OS) and Management Accounting Practices (MAP)
3	H3	There is a significant relationship between Organisational design (OD) and Management Accounting Practices (MAP)
4	H4	There is a significant relationship between Organisational strategy (OS) and Organisational Performance (OP).
5	H5	There is a significant relationship between Organisational design (OD) and Organisational Performance (OP).
6	H6	There is a significant relationship between Management Accounting Practices (MAP) and Organisational Performance (OP).

Explanation of variables and their measurement:

Broadly speaking, the focus of research study lies in identifying the relationships between constructs proposed for study and how these constructs are measured. A construct is a conceptual term used to describe a phenomenon of theoretical interest to the researcher, and one that is not directly measurable (e.g. customer satisfaction, trust, and so on). A measure is a quantifiable assessment of the degree to which the respondent believes in the existence of the construct. The data reflecting the respondent's agreement or disagreement is collected by means of questionnaire surveys in most studies.

This study focuses on the analysis of relationships between variables which are abstract and not directly measurable. Hence the concept of latent variables (LV) was adopted to explain the variables of interest. Latent variables can be considered "hypothetical constructs invented by a researcher for the purpose of understanding a research area" (Bentler& Bonnet, 1980). Since LVs are unobservable and cannot be directly measured, researchers use observable and empirically measurable indicator variables (also referred to as manifest variables, MVs) to estimate LVs in the model. The connections between the constructs and indicators or measures are referred to as epistemic relationships or "rules of correspondence" (Bagozzi, 1984). Two basic types of relationships exist in causal modelling, namely, reflective and formative. Constructs are usually viewed as causes of indicators, meaning variation in a construct leads to a variation in its indicators. Such indicators are termed 'reflective' because they represent reflections or manifestations of a construct. The formative indicators are viewed as causes of constructs as a construct is formed or induced by its indicators (Edwards &Bagozzi, 2000).According to Chin (1998) the choice between measuring latent constructs with formative or reflective indicators should be based on the research objectives, theoretical justification, and empirical conditions. The major constructs used in this study were Organisational Strategy (OS),Organisational Design (OD), Organisational Performance (OP) and Adoption of Management Accounting Practices (MAP).The OS and OD variables are termed as organisational factors.

Definitions of Constructs used in the study:

The operational definitions used in this study are included in the following Table 2.

Table 2: Operational Definitions

Sl No	Construct	Definition
1	**Organisational Performance**	Defined as the perception of finance and control managers in the manufacturing sector about the importance of different performance measures that will measure organisational performance.
2	**Management Accounting Practices**	Defined as the adoption of various MA practices by the finance and accounting managers in the manufacturing sector, in India which would lead to better organisational performance.
3	**Organisational Strategy**	Defined as the perception of managers in the finance and control domain about the importance of various strategic inputs relating to each business unit in response to competition.
4	**Organisational Design**	Defined as the perception of managers in the finance and control domain about the importance of organisational structure including authority and reporting relationships, employee empowerment and cross-functional teams.

The above Table 2 defines the constructs used in the context of the study. The indicators used for measuring various constructs explain different facets of the construct and hence omitting one indicator would amount to omitting some part of the analysis. Also, high correlations among indicators are not expected and internal consistency is not implied (Jarvis et al., 2003). These assumptions related to indicators helped to comfortably consider the constructs as formative. The constructs of organisational strategy and organisational design were assumed to be reflective in nature. The details are furnished in Table 3.

Table 3: Details of indicators used to measure constructs

Construct	Indicators (No .of Indicators)
Organisation Design(OD)	Multiple Skills of Workforce, Worker Training, Cross Functional Teams, Participative Culture, Management Training, Flattening of Formal Reporting, Work Based Teams, Employee Empowerment, Manufacturing Excellence (9 Items)
Organisational Strategy(OS)	On-Time Delivery of Products, Cost Leadership, TQM, After Sales Service, Quick Changes in Designs, Customization of Products, Product Availability, and Rapid Product Mix/Volume Changes (8 Items)
Management Accounting Practices (MAP)	Budgetary Control, Absorption Costing, CVP Analysis, Marginal Costing, Standard Costing, Quality Costing, Target Costing, Activity Based Costing, Product Life Cycle Costing, Value Chain Analysis, Activity Based Management, Benchmarking, Product Profitability Analysis, Economic Value Added And Statutory Cost Audit Reporting (16 Items)
Organisational Performance (OP)	Operating Income, Sales Growth, ROI, Operating Cash Flows, Revenue Share, Market Development, New Product Revenue, R&D, Cost Control/Reduction, HR Training & Development, Workplace Relations,Environment, Health And Safety (12 Items)

Research methodology:

The research was conducted in two phases. The first phase was explorative in nature, ending with finalisation of the theory to be tested. A preliminary study was conducted at this stage by way of interviews and discussions with focus groups to identify specifically the relevant indicators to be considered for measuring and the focus group suggested that a detailed introduction to the study and the set of questions should be provided in the questionnaire in a noticeable manner which can be answered without difficulty and within a maximum of 20 minutes. Data from 315 respondents were collected using a structured online questionnaire. The questions were designed as closed ended questions, where the respondents were expected to make their responses on a 5 point Likert scale, varying from strongly disagrees to strongly agree. The respondents were from all over India representing 21 states. The target population included the Finance & Accounting managers in the manufacturing sector. A census study was attempted and a total of 315 usable responses were obtained against the target population of 1000 managers from Finance & Accounting function. It represents 1000 companies in the manufacturing sector in India and the responses received were confirmed as the sample for the purpose of this study.

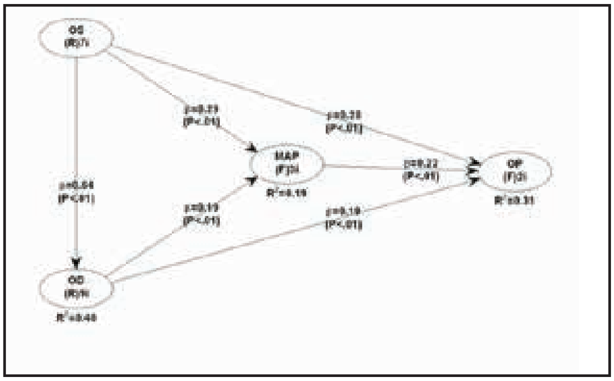
Table 4: Validity/reliability criteria adopted in this study

Sl No	Consideration	Guideline Warp PLS 4.0	
		Reflective Constructs	Formative Constructs
1	Cronbach Alpha co-efficient	>0.07	NA
2	Composite Reliability	>0.07	NA
3	Average Variance Extracted	>0.5	>0.5
4	Convergent Validity	p values associated with the loadings be < .05; and that the loadings be equal to or > 0.5	VIF <5,all indicator weights should be with p <0.05
5	Discriminant Validity	The square root of the average variance extracted should be higher than any of the correlations involving that latent variable	The square root of the average variance extracted should be higher than any of the correlations involving that latent variable

Data Analysis:

To analyse causal relationships between constructs used in the study, the structural equation modelling (SEM) approach was adopted. Structural equation modelling is a statistical technique used for testing and estimating causal relationships based on statistical data and qualitative causal assumptions. The SEM technique can be divided into two parts. The measurement model is the part which relates measured indicators to latent variables. The structural model is the part that relates latent variables among one another. The estimation of the model requires calculating of the parameters related to both measurement model and structural model using appropriate estimation methods. Analysis of the research model was done using the Partial Least Square (PLS) based software, Warp PLS 4.0. The choice of Partial Least Square Analysis was justified on two counts. The first was that PLS can accommodate both reflective and formative scales easily, compared to covariance structure analysis. The second aspect was that PLS does not require any a priori distributional assumptions and a relatively small sample size is acceptable (Chin et al., 2003). The major features of Warp PLS 4.0 include model fit indices, 'p' values for path coefficient and latent variable coefficients to assess reliability and validity considerations. Warp PLS 4.0 evaluates both measurement model as well as structural model simultaneously. The PLS regression algorithm with boot strapping method of re-sampling was used for estimation of the model that maximises the variance explained in the latent variable scores by the latent variable indicators. The estimates included path coefficients with 'p' values, indicators' weights, loadings, and factor scores. The validity and reliability criteria vary depending on the nature of the construct. The guidelines are shown in Table 4. For evaluation of measurement indicators, the loading/weights of the indicators should be more than 0.5 and the corresponding 'p' should be less than 0.01 after estimation, or else the indicator was not considered relevant and was removed and re-estimated to obtain a valid model. Causality assumptions were verified only on the basis of a valid model. The pre-processing of data as part of Warp PLS 4.0 analysis confirmed the quality of data for further analysis with regard to missing values, zero variance and so on. The estimated model with path coefficients and corresponding 'p' values are illustrated in Figure 3 below.

Figure 3: Estimated model

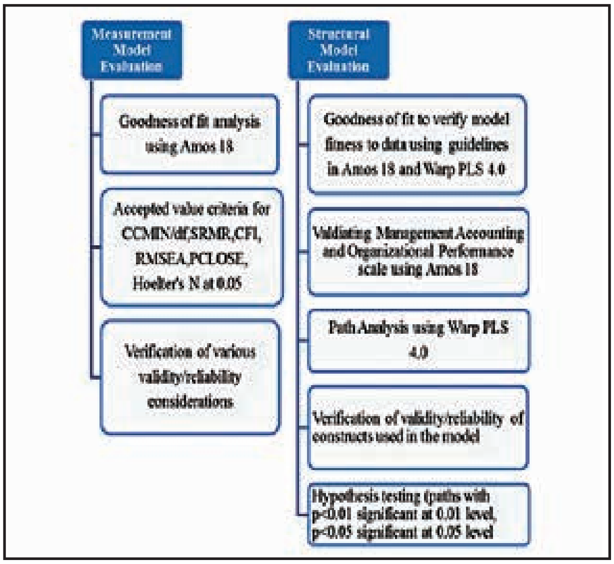


A three level approach was adopted to analyse the data after screening the data for missing values, outliers, normality, and satisfying with important assumptions related randomness, independence of observation etc.to confirm that the collected responses follow randomness needed for statistical estimations.

The first attempt was to identify the existence of any distinct factor structure with regard to Management Accounting Practices construct by performing an Exploratory Factor Analysis (EFA) of 16 indicators used for measurement. The analysis confirmed existence of three factors and no indicator variables were eliminated for poor loading.

The second attempt was to develop measurement models for all latent constructs considered for the study. Using Confirmatory Factor Analysis (CFA) and by testing the goodness of fit, measurement models were developed and final indicators capable of measuring the constructs were finalised. The structural model for Management Accounting Practices (MAP) construct was found to represent data with fifteen indicators belonging to three distinct dimensions and Organisational Performance (OP) construct was found to represent the data with ten indicators belonging to two distinct dimensions based on goodness of fit criteria as shown in Figure 4 below.

Figure 4: Model Evaluation stages



Scale so confirmed was then tested for Common methods variance, Convergent validity and Discriminant validity for checking applicability to the assumed population.

Thirdly, the structural model (final) with all the constructs which are measured as reflective/formative were tested for its ability to represent the data as per guidelines for testing using warpPLS 4.0. Management Accounting Practices (MAP) and Organisational Performance (OP) constructs are assumed as formative (represented by 'F') and Organisational Strategy (OS) and Organisational Design (OD) constructs are assumed as reflective (represented by 'R').The validity of the model was evaluated with various fit indices. To assess the model fit with the data, it was recommended that the p-values for both the Average Path Coefficient (APC) and the average r-squared (ARS) be both lower than .05. In addition, it was also recommended that the Average Variance Inflation Factor (AVIF) be lower than 5 (Ned Kock 2009). The significant paths in the model are utilised for drawing various conclusions in the study.

It was found that all three fit criteria were met and the model had an acceptable predictive and explanatory quality as the data was well represented by the model. All the factor loadings of the reflective indicators were found to be more than 0.5 with 'p'<0.01. The formative indicators were with VIF<5 and 'p'<0.01. The composite reliability, Cronbach alpha and average variance extracted (AVE) were above the threshold limits. The model emerged as one with satisfactory value for R-squared being the indicator for predictive validity. The square root of AVE for all constructs was found to be more than any of the correlations involving that latent variable. All these observations confirmed the reliability and validity of the constructs making it suitable to draw conclusions on causality Table 5 below

Table 5: Details of critical considerations regarding validity & reliability

Sl.No	Construct	OS	OD	MAP	OP
	Criterion				
1	Cronbach alpha coefficient	0.904	0.911	0.888	0.887
2	Composite reliability	0.922	0.928	0.852	0.893
3	Average variance extracted	0.630	0.588	0.658	0.806
4	Full Collinearity VIF	1.877	1.749	1.301	1.418
5	Effect sizes of Path Coefficient	0.29	0.19	0.22	NA
6	Convergent validity	Established as 1. All '*p*' values <0.05; loadings >0.5; cross loadings <0.5 for reflective measures. 2. VIF< 5; '*p*' values < 0.05 for indicator weights of formative measures.			
7	Discriminant validity	Established as square root of average variance extracted was found higher than any of the correlations involving that variable.			

Findings and conclusions

In this study all the five hypotheses tested using structural equation modellingwere found significant. It was found that there is a significant relationship between organisational strategy and organisational design ($\beta = 0.64$ and $p < 0.01$) and organisational strategy would influence the management accounting practices ($\beta = 0.29$ and $p < 0.01$). It is also proved that organisational design has a significant relationship with the management accounting practices ($\beta = 0.19$ and $p < 0.01$) and management accounting practices would eventually lead to better organisational performance ($\beta = 0.22$ and $p < 0.01$).It is established that the organisational factors of organisational strategy and organisational design aligned with management accounting practices would bring 31% ($R^2 = 0.31$) change in organisational performance which is quite significant.

Integrated financial reporting is the need of the hour. It is impossible for the Finance and Accounting managers to work in silos from beginning to end. Management Accounting Practices (MAP) should include discussions about customer expectations, market demand and cost innovations with cross-functional teams and also generate statistical information, on a continuous basis. This statistical information must be synthesized into financial data and cash flow intelligence for which the Finance & Accounting Managers must acquire the required Information Technology skills. It is also high time that Finance & Accounting managers in the management accounting space be equipped with strategic analysis, integrating management accounting practices (MAP), statistical and software applications with other business processes and use the data to make qualitative decisions in order to maximise productivity gains and optimise costs leading to enhanced organisational performance. Therefore, the Organisational performance (OP) will be consistent with the technology of the organisation, its product strategy and its organisational structure (Johnson & Kaplan, 1987).

All the respondent companies use one software or other including ERP solutions.40% of the respondents were found using SAP R/3 ERP Software. Today, Software has become a disruptive force in any industry.Information Technology will also play a bigger role in organisations in setting strategy. The future of management accounting practices lies in experience, expertise and knowledge of high velocity software-driven contemporary businesses, where information delivery is made at any time anywhere so that appropriate course corrections could be made possible.

Measuring organisational performance is an important strategy-evaluation activity. This activity includes comparing expected results with the actual results, examining deviations from plans, assessing individual performance and examining progress being made toward meeting specified objectives. Both long-term and annual objectives are usually used in this progress. Failure to make acceptable progress toward achieving long-term or annual objectives signals a need for course correction.Strategy evaluation is based on both financial (quantitative)and non-financial (qualitative) criteria.Selection of the exact set of criteria for appraising strategies depends on a particular organisation's size, industry, strategies and management viewpoint.

The future of management accounting is analytics that produces new information.

Limitations of the study

This research was conducted within the national setting to identify the adoption of management accounting practices and its influence on organisational performance from the perception of finance and accounting managers in the manufacturing sector. Any generalisation of this study's results to non-manufacturing organisations cannot be made without considerable caution. However,since the methodology adopted to conduct the study was on the basis of strong empirical evidences, the same can be considered suitable for any study related to MAP in different industry settings.

Though in framing the theory related to this research ,references adopted are based on studies conducted both in developed and developing economies, of which most of the references were from developing countries .The theoretical underpinnings behind such studies were suitably blended with limited studies conducted in the Indian context to finalise the theoretical framework for the study. This extension of conceptual facts from one context to another context can create certain element of ambiguity among respondents which can create a bias in the findings. MA

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Management Accounting can be defined to include all those accounting and reporting functions which facilitate control and decision making; deciphered, Management Accounting includes Value Accounting and Value Reporting, among other functions. So a graphical representation, albeit not inclusive of all functions of Management Accounting, for the purpose of this paper, is as follows:

Management Accounting functions:

Figure – (1) Management Accounting functions

There are four functions viz. two Cost Function and correspondingly two complementing Value Functions. The Management Accounting cannot be said to be complete unless both the functions are considered side by side. Cost generates Value; if not, the same is not Cost but can at best be termed as only Expenditure.

Among the two, Cost function is easier to comprehend and account, although managing the same is not so easy. Precisely this is the reason, at least, the author believes so, why costing is often casually taken or not given the status it deserves. Entrepreneurs or anyone who is interested in the operational performance of an entity look at the top

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MANAGEMENT ACCOUNTING

– A VALUE PROPOSITION

and bottom-line of the profitability report and once this satisfy their expectation, they presume sufficient value is created. An accountant may further look at the value addition for which he consider the Sales (-) Material cost, which gives an indication, in real sense, the cost plus profit added to mark the selling price. For a fairly reasonable calculation of value generated, one has to separate the cost of Non-Value Adding Activities from the financial reports, including the Non-Value Adding activities included in the opening and closing stock. Even the Value Adding Activities did not have contributed to true value creation, that is, a value higher than its cost.

In the graph shown in figure (1) Cost Accounting is split into two sub-functions, the accounting and management function. Similarly the Value function is also split into the twin functions, viz. accounting and management. Where the first sub-function is meant to denote the Accounting, either Cost or Value, the second function denotes Management; we shall be limiting our discussion to Value Management.

What is Value?

Value, albeit clearly felt, is personal that value is perceived differently by different persons and for this reason Value is one of the most difficult words to describe in absolute terms. In relation to a product or service two broad types of value are being discussed, the Use value and the Esteem value; besides, there are many variants of values, that are not covered for discussion here. More the complexity the value concept is, more challenging the practice, but more rewarding too. All value products are complex, look at the car assemblies, look at the home appliances we use, computers, printers, mobile, et al, or look at the manufacturing plants; the entire universe is full of complexities. But then, the silver line is "All Complexities are collection of many Simple Processes".

The amount of sacrifice, in terms of money, the customer is willing to pay in buying the goods or services can be considered as a fair description of value, especially in a perfect competitive market where an equilibrium price exists. Even so, the customer may perceive some surplus value or deficit value in the goods or services he buys, enabling some companies with surplus value product or services to outperform others.

Studies related to values are referred to as Value Analysis, Value Engineering and Value Management; here in this Paper the term Value Management is used to denote a continuous process of managing value rather than taking few tasks as projects with a start and end.

Value Measurement

Can companies improve values that prevail in an equilibrium price scenario? A brief discussion on two strategies, viz. Cost Competiveness and Differentiation, often referred to as the grand strategies, can bring some clarity. When a tooth paste company adds a pinch of salt weighing 1gm in their 100 gm pack, they are replacing 1 gm of paste with a perceived value of unpacked paste, say, of Rs.50 per 100 gm ÷ 100 gm = Rs.0.50 per gm with salt with a cost of Rs.0.02 per gm enabling a surplus of Rs.0.48 per 100 gm of paste to the provider of paste. This is a classic case of differentiation at the product level; the market is replete with large number of such differentiation.

The example above shows that the value can also be studied and measured in terms of cost differentials and revenue increments. Value creation at the process level too can be measured in terms of differential cost and incremental value. As long as the incremental value is greater than the differential cost or there is value generation with a differential effort or with zero or negative differential cost being incurred. Mathematically expressed, the incremental value is generated as long as $\Delta v - \Delta c > 0 \forall \Delta c \in R$ (v and c represent 'value' and 'cost' respectively).

Role of Management Accountant

The example of "paste and salt" represents one case of differentiation at the product level, probably, a product design initiative of the R & D process. The role of Management Accountant is limited here except to extent of measuring and reporting the value and cost differentials. But in case of a continuous improvement initiative of an entity, the Management Accountant is better placed to have a significant role in actively involving in the process from start, in defining, measuring, analyzing, documenting, training and controlling as well as to act as a facilitator. Even in the absence of a movement in the company the Management Accountant of the company can initiate a process in co-ordination with the process owners and management.

I remember having read, "There is enough money out there to be saved in business processes, notwithstanding that it appears as optimally efficient"; this is particularly true for India where many organizations, big as well as MSME (Micro, Small, Medium, Enterprises) are still evolving to best practices, implying large potential for Management Accountants whether in service or in practice. Where cost propositions fail, value propositions will be enthusiastically considered at reasonable costs, as has been the experience of the author.

Exploring Value

How do you know there is potential for value creation in business processes; everything may be appearing as normal and optimally efficient. Monthly cost reports did not have pointed to any possibility of incremental value. Following are some truths worth exploring.

- ✤ If you cannot measure, you cannot improve it. (Lord Kelvin) Start measuring activities / processes not being measured now – quantitatively.
- ✤ Pearls lie deep; you can't find it in shallow water, we need to analyze thoroughly.
- ✤ Where summaries fail to reveal, details may give many surprises.
- ✤ Process / Activity variations points to possibilities of value
- ✤ Shift Variance analysis process from monthly routine to daily activity
- ✤ Bottle necks and backlog depletes value
- ✤ Process requirement shall decide application of tools and not vice versa.

There are different philosophies and statistical tools are available; an appropriate one which suits the best needs to be used. Identifying activities of a business and subjecting the activities into study as to whether they generate value for customer or not is the philosophy of ABCM (Activity Based Cost Management). This can be tried irrespective of whether an entity is practicing Activity Based Costing or not. Activities subjected to a detailed study as to whether they add value to the final customer; some add value, others not; activities not adding value are called NVA (Non Value Adding) activity. Again some NVA may be necessary having regard to Governance framework and few may be unnecessary meaning no value whatsoever is generated either to customer or in relation to Governance. Such unnecessary NVA's can be eliminated with proper management directions. Care must however be taken to ensure, before eliminating any NVA, that an NVA is truly unnecessary having regard to all Governance and / or Compliance perspectives. It is therefore extremely essential that the decision shall involve all customers of the organization, not necessarily the external customer. As a part of the value exploration study, a detailed SIPOC (Supplier, Input, Process, Output, Customer) diagram of activities / processes can be useful in defining activities / processes and in identifying the customers of the activity results / outputs, input output relationship, cost drivers, etc.. ABCM is not a very easy process as it appears; it is like something easier said than done. Considerable effort and time is required for a meaningful study of the activities.

Selection of Processes / Activities for measurement

What to measure, what to measure first and how much to measure? These are all questions that confront the Value Management team. Attempting to measure everything all at a time is nearly impossible. The team needs to evaluate each area, decide the manner of collection of data, periodicity, whether random sampling to be considered or not, and priority of the activities / processes to be initiated first. Haphazardly attempted data collection will soon backfire and once failed, it takes a long time to regain and start again. In prioritizing the measurement plan Pareto Analysis can be helpful tool. One approach is to get the cost involved in each process and gather the probable savings from different processes as per the opinion of the process owner and the people directly involved in the operations. Arrange these activities in descending order of probable savings against which write frequencies (probable savings), cumulative frequencies and % cumulative frequencies. It can be seen that nearly 70 to 80% of the cumulative value-saving potential activities around 20% of the number of activities, enabling selection of 20% of these activities first.

Another approach of selection is to start from the business perspectives and to prioritize the processes depending upon the perspective selected as a priority. Business perspective may be one of the following, viz. Financial, Customer, Social and Environmental. This is a listing, as per the opinion of the author, is a balanced one. Select a priority perspective and measure the business processes / activities of the entity that results in achieving these perspectives. For example, suppose, Environmental perspective is considered as the first priority for detailed measurement then the selection of processes that generates / uses power & fuel may be appropriate as a reduction in the usage of power & fuel may have a direct impact on reducing the carbon emission. This will in turn save cost facilitating the financial perspective as well.

Measurement / Targets

Let us consider for illustration a steel product company manufacturing Angles, Beams and Channels from the use of Billets. The Management Account in consultation with the process owners decides to measure the electricity in KWH and compare with the production on a day to day basis. The data collected for the first 10 days are as follows:

Day	Prod MT	KWH	KWH/ MT	Day	Prod MT	KWH	KWH/ MT
1	150	7500	50	6	142	7526	53
2	160	6880	43	7	158	7900	50
3	138	7452	54	8	159	8745	55
4	155	7440	48	9	145	7830	54
5	140	7140	51	10	152	7448	49

Electricity is considered as a directly variable cost as almost cent percentage is used directly in production. It is therefore expected that the KWH per MT of production shall tend to be a fixed amount. Let us do some simple analysis.

The AM (Arithmetic Mean) of KWH / MT is 50.7 KWH / MT and the Range is 11. The Standard Deviation, =

$$\sqrt{\frac{\Sigma x^2}{n} - \left(\frac{\Sigma x}{n}\right)^2}$$

$$= \sqrt{\frac{25821}{10} - \left(\frac{507}{10}\right)^2} \qquad = \sqrt{11.61} \qquad = 3.41$$

Let us consider a USL (Upper Specification Limit) of per day average at 48 KWH / MT, then:

$$\textbf{δ}\ \text{SCORE} \quad = \frac{AM-USL}{\sigma} \quad = \frac{50.7-48}{3.41} \quad = 0.8$$

With an achievable target of 48 KWH / MT the **δ** SCORE of 0.8 seems to be very low, reason being a high standard deviation. This now calls for dialogues with the operating personal to find ways and means in finding the right solution to reduce the **δ** and improving the **δ** SCORE. The Management Accountant may also go ahead in finding the correlation coefficient between the two variables Production and Electricity consumption. Again a line diagram can be drawn depicting the consumption vis-à-vis production.

A very simple illustration is given here to make a point. In practice, when complex manufacturing process are involved complexities will be multi-fold necessitating the use of statistical computer applications to facilitate the analysis.

Let us again assume that the company is using a DG set of 750 KVA to generate power. Now the challenge will be to analyze different efficiencies of the DG set for which the Management Account must use his technical knowledge. At a PF of 0.8, a 750 KVA DG set shall generate 600 KW per hour at maximum load where a standard of 150 liter of diesel is used. This can be set as a basic standard to analyze further. With this background let us frame some ratios.

1. Input factor – the rate at which diesel is input or diesel used ÷ hours run which may indicate the load factor of the DG set at which it is run,
2. Fuel efficiency factor – the rate at which per unit of fuel generates power - KWH generated ÷ fuel used, compared with the ideal standard of 4 KWH per liter (600 KWH ÷ 150 liters) of diesel.

You may or may not get 4 KWH per liter; this will be a cause for dialogue. Then the variation, if any, of power per liter of

There is enough money out there to be saved in business processes, notwithstanding that it appears as optimally efficient. Management Accounting has to continually evolve in facilitating the Value Management process. Cost function is important; equally or perhaps more important, is the Value function; where value is involved, effort is involved, reward will follow.

diesel will be another cause for dialogue and to subject these to analysis as done in the case of analysis of usages shown earlier. Often it is not a bad idea to for the Management Accountant to be inquisitive in his approach to question even the validity of the scientific standard itself; although this may sound absurd. Once I inquired, when 1 liter of diesel with a Kcal value of 9600 is input, why only electricity 4 KW with a total Kcal value of 4 X 860 Kcal per KW = 3440 Kcal value is output? Because my understanding of energy was that the Energy is neither gained nor lost and hence, energy input will always equal to energy output plus losses. In the case of DG set I am told that a lot of heat is generated in the process of generation and a waste heat recovery system can use this heat to generate steam.

Organizational Structure – Value Management

Value Management can only be a team effort; each team member shall own and actively participate. According to my opinion, the requisites of a good system are:

- ✤Initial direction from the top management and continued support
- ✤ Coordination / Facilitation by the Management Accountant and his team
- ✤ Active participation of and regular interactive meeting with the operational staff
- ✤ Sufficient documentation of the initiative, minutes, process, method, analysis etc.
- ✤ Periodic apex body and process owner meetings
- ✤ A suitable reward system, not necessarily a monetary one, will have a boosting effect.

Conclusion

No system can be perfect from start, it needs time to mature. Initially lot of resistance might happen, but then when benefits starts coming, there will be appreciation. Since the system is intended as a continuous process, an overall organizational cultural change, sooner or later, is a necessity. MA

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THE JOURNAL FOR CMAs

THE MANAGEMENT ACCOUNTANT

-: PAPERS INVITED :-

Cover stories on the topics given below are invited for 'The Management Accountant' for the four forthcoming months.

May 2016

Theme: *Strategic Cost Management in Telecom sector*

Subtopics

- Tariff and subsidy mechanism
- Sustainability through cost effectiveness
- PPP model
- Infrastructure issues
- FDI in telecom sector
- Govt. policies and initiatives
- Role of CMAs

June 2016

Theme: *Startups for Sustainable Growth*

Subtopics

- Impact of Startups in Indian Economy
- Eco-system for nurturing Innovation and Startups
- 'Make in India' through Startups
- Patents & IPRs
- Government initiatives
- Role of CMAs
- Case Study

July 2016

Theme: *Achieving Business Excellence*

Subtopics

- Bench-marking Business Performance
- Business Excellence Tools
- Total Quality Management
- Best Practices and Innovation
- World class Business Strategies
- Role of CMAs
- Case Studies

August 2016

Theme: *Capacity Building for Sustainability*

Subtopics

- Capacity building approaches & its importance
- Capacity building for competitive advantage and cost efficiency
- Capacity building as a strategic plan for development
- Capacity Building - the catalyst and constant fuel for a process of change
- Capacity building for enhancing value and creating opportunities
- Engaging Communities to create sustainable change
- Skill development for capacity building
- Capacity building for CMAs

The above subtopics are only suggestive and hence the articles may not be limited to them only.

Articles on the above topics are invited from readers and authors along with scanned copies of their recent passport-size photograph and scanned copy of declaration stating that the articles are their own original and have not been considered for publication anywhere else. Please send your articles by e-mail to editor@icmai.in latest by the 1st of the previous month.

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MANAGEMENT

A Comprehensive System for

Prime Minister has called for scientific audits at 103rd Indian Science Congress at Mysore University campus on 3rd Jan'16. A paragraph from the news published by Times of India on 4th Jan'16 is cited below:

"Though the Prime Minister did not elaborate on the issue, scientists who gathered here from across the country referred to it as a significant announcement which will not only infuse accountability into institutions but also free it from the clutches of 'unscientific' audits including the one being done by the CAG".

Will the above event trigger scientific approaches in corporate and tax audits ? In this article, we will review management accounting as an answer to this question

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Changing standards for financial reporting, auditing & governance

Adequacies of traditional accounting, finance & auditing are seriously questioned after rampant global scams and repeated economic melt-downs. Several countries have since revisited standards for financial reporting & auditing, instituted concurrent checks including forensic accounting & auditing and have reviewed finance discipline.

India has also started recognizing some of these facts after Satyam and other scams. Various measures that have been introduced are as follows :

- **Overhauling of Companies Act in 2013 –**
  - The new Act enshrines corporate governance through responsive key managerial personnel (KMP), directors, independent directors (in specified public companies), statutory auditor, internal auditor and Audit Committee (in specified public companies) [Some of the specific provisions are included in points below].
  - Directors' duties have been made more specific u/s 166 and enlarged in different sections of Companies Act, 2013. Many of these attract penal liabilities for contraventions.
  - Auditors are subject to penal liabilities for willful contravention of provisions relating to audit report (regarding its contents u/s 143 and signing requirements

ACCOUNTING

Supporting Scientific Audit

u/s 145) and non-audit services (u/s 144).

- Introduction of secretarial audit in listed and prescribed public companies (S. 204).
- Auditor rotation (S. 139) & adjudication of alleged misconduct of statutory auditors by NFRA, a new body (S. 132).

Fraud reporting and investigation –

- External auditors are now obliged to report frauds, if any, to Central Govt (S. 143). It is noteworthy that even omission of material fact in statements, report, return, prospectus, etc may become 'false statement' u/s 448 attracting penal liabilities for 'fraud' u/s 447, a new provision. Further, offences of fraud are non-bailable, the cognizance of which can be taken by Special Court (set up u/s 435) against complaint by Director of SFIO or any other officer authorized by Central Govt. S. 212 details such offences and provides for investigation by SFIO.
- Valuation of assets-liabilities by registered professionals – Audit Committee, if any, or the Board of directors may initiate such valuations (S. 247).
- Revamped provisions on transactions with related parties & insiders (Companies Act 2013 & SEBI guidelines include disclosure & approval of related party transaction and prohibition of insider trading. Different tax laws address arm's length price or 'fair value' in their own ways).
- Use of electronic system is now on anvil for accounting, voting in GM, notice & proceedings of Board meetings and inspection of minutes under Companies Act.

New reporting standards –

- Erstwhile Accounting Standards (AS) have been replaced with Indian Accounting Standards (Ind AS), drawing mainly from IFRS and Indian GAAP [Note : Standards for accounting and auditing shall be prescribed by Central Govt in consultation with NFRA u/s 133 and 143 respectively].
- Board's report has been enlarged to include matters relating to loans, investments, related party contracts, unspent CSR amount, if any, audit qualifications, extract of Annual Return, observance of internal financial controls & legal requirements (S. 134 read with S. 92, 135, 186 & 188).
- Income computation standards (ICD) have been introduced by CBDT.

- Revisions in RBI guidelines for NBFCs.
- Penalties for non-disclosure of foreign assets & income by Indian residents under Income-Tax Act.

Appointment of SIT by Supreme Court on black money – The SIT has since made some recommendations after reviewing various provisions of Income-Tax Act, Customs Act, FEMA, Security Laws, etc. These are under considerations of concerned authorities. Further, tax evasions above threshold limit are being considered for predicate offence under Prevention of Money Laundering Act.

Growing practice of integrated management[1] :

Ongoing market globalization and rapid technological advancements are increasingly compelling every enterprise to be competitive. Various models that have emerged for competitive edging, stress more on business processes as causes than results as effects. These are traceable from century old Taylorism to today's ISO-6Sigma-Deming-ValueChain-BSC-TOC[2], etc. Unfortunately, process-result relationship is difficult to be established quantitatively. Therefore, enterprises grope as ever in uncertainties or risks even with reasonable focus on processes. However, one enlightening fact is that most of these models suggest indispensability of learning from results (including experimentation as per some models). The emerging practices are outlined below :

✪ ICT-enabled processes, e-Commerce & informatics –

Advancements in information & communication technology (ICT) have revolutionized modern management. Computers with networks today interface several electronic applications including the following –

- Bar Coding, CAM, PLC, Auto-CAD, GPS, Audio-Visual systems, etc besides key boards for voucher entries. Such digital technologies are used for managing inventory, work-flow, vehicle movements, machine conditions, product drawing, site survey, face recognition, employee attendance, etc.
- Outsiders' systems for e-Commerce (e.g. net banking, e-bidding, e-ordering, e-billing, e-Returns, etc).
- Software for quantitative solutions to problems – This is an emerging facet of informatics where algorithmic logic is tailored for executing mathematical and statistical programs for solving objectives that are constrained. Examples can be cited on optimization of storage locations, plant layout, queue size, inventory replenishment, equipment replacement, etc Other quantitative techniques include forecasting, statistical quality control (SQC), risk analysis.

Above advancements in digital technology are increasingly enabling integrated approach to management.

Diagram 1 illustrates Bar Coding adopted for online invoicing, sales accounting & inventory management integrating data fed by marketing, production & quality control.

✪ Supply Chain Management (SCM)[4] –

SCM emerging in 90's, is being adopted widely for integration of erstwhile purchase-stores-production-distribution. It rationalizes supply process (from sourcing to distribution) using ICT for attuning the enterprise not only to enterprise's resources but also to suppliers' resources. SCM is a tool for focusing more on core activities for competitive edging than on non-core activities which can be outsourced, though in-sourcing is deployed wherever advantageous. Thus, vendor partnering can be an important competitive strategy for upgrading knowhow in core activities. As an offshoot, SCM streamlines logistics (inbound, in-house & outbound) for reducing cycle-times and storage, handling & transportation costs.

✪ Organizational learning -

Progressive companies are increasingly recognizing virtuous learning[3] throughout the organization with every employee involved in continuous improvements. ICT is well utilized as a medium for it.

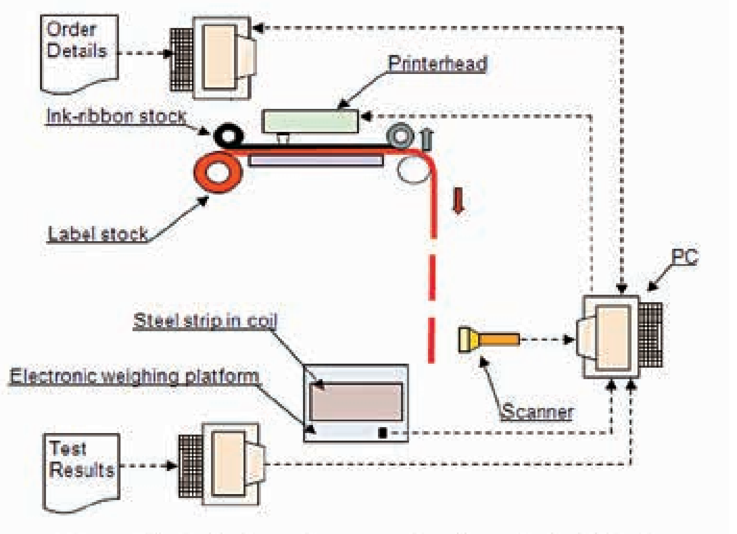

Diagram 1 illustrating bar code scanner decoding order details, test results and weight of steel coils from labels that are affixed to such coils. Networked information are codified by a server that drives the printer (Adapted from a Steel Coil Rolling Plant)

Engineering standards & analysis adoptable in Management Accounting :

✪ Types & sources of engineering standards - Matching cost-revenue, analyzing their relationship and controlling wasteful expenditure, require accounting of expenditure-income not only in financial terms but also in terms of enterprise's performance standards. These include following physical or engineering standards :

1. Specifications for products, materials & machineries
2. Norms for input-output, time-work & capacity measurement

Various sources of physical standards are as follows :

a. Enterprise's product literature (drawings, formulae, etc).
b. Patent document.
c. Technical collaboration agreements.
d. Equipment manufacturer's norms for input-output, operation & maintenance.
e. Norms published by Bureau of Indian Standards & manufacturers' associations.
f. Standard input-output norms (SION) considered in Govt's EXIM policy.

✪ Uses of engineering standards in management accounting - Some of the important areas where one or more of engineering standards are used, are as follows :

- Enterprise's budgets (OPEX, CAPEX and Working Capital).
- Project reports for bank loans and share issue.
- Declarations to Pollution Control Boards & Excise authorities.
- Cost-benefit analysis of all forms – from contribution analysis to projected internal rate of return (IRR).

We have seen in Diagram 1 how relevant information including test results are integrated through bar codes in a steel plant. We will see in Diagram 2 how laboratory analysis captured in information system can be used for analyzing normal costs in a ferro-chrome plant. We will also consider an example in Diagrams 3.1, 3.2 & 3.3 illustrating various standards in an engineering works.

Diagram 2 below shows how benefits of integrated information can be reaped in analyzing process costs for a ferro-chrome arc-furnace. Sample results of laboratory analysis for a batch of 400 Kgs of dry chrome ore (lumpy and friable) indicate 32.84% chromium (Cr) in ore out of which 172.42 Kgs ferro-chrome containing 64% Cr is obtained. Similar analysis is available for spillage, slag and flue gas. If 85% Cr recovery is considered normal, ferro-chrome short produced is 2.04 Kgs [=172.42-32.84×0.85×400/64]. Such loss has cost implications depending on input costs with labour & overheads, and should be examined by verifying furnace and operational efficiencies. Similar analysis can be made for coke (Flux used for separating Silicon present in ore, is not shown in the diagram).

INPUT-OUTPUT BALANCE FOR A BATCH OF 400 KGS. BLENDED CHROME ORE											
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

Diagram 2 illustrating lab results of a ferro-chrome plant that can be used for process costing

Techno-Commercial analysis of Quality-Cost-Value projects - Competitive edging focuses on three prime and inter-related areas viz. Quality-Cost-Value. Often it involves capital projects like modernization, diversification, simplification, etc supported by R&D, benchmarking or collaboration as appropriate. Normally, such projects call for detailed Techno-Commercial analysis in a group for the enormity of factors like market, product, technology, plant location & layout, process control, supply-chain, organization, etc. Management accountants have important roles to play for evaluation of such capital projects.

Scientific approaches in Activity Based Costing (ABC) – ABC is gaining popularity in industries for its scientific measures of activities that give rise to costs. Such scientific measures (referred to as "Cost Vectors") not only remove arbitrariness of cost allocations but also establish activity-cost relationship. Owing its origin to Kaplan & Bruns (1987), ABC takes into account constraints described in Goldratt's TOC, transfer pricing needs and target cost validation. Because of work volume in ABC, integrated software (ERP) is of immense help specially in big plants and multi-product situations. ABC is an opportunity as well as a challenge in service sector for difficulties in defining and recording cost vectors.

We will now review an example of cost vectors adopted in an engineering works. Diagram 3.1 shows top and front views of a flanged conical hopper made from mild steel sheet in an engineering works. D, d, l, f are the prime parameters from which value for b and finally, values for 79a and 79c are determined (Refer sheet layout drawing in Diagram 3.2). Accordingly, appropriate sheet size is selected for minimum scrap. Various cost vectors like length of cut, hopper area & weight, etc derived from drawing as well as operation-wise time-standards fixed after Works Studies for D=500 mm, d=100 mm, l=1200 mm and f=150 mm using sheet thicknesses of 2 mm & 4 mm are shown in Diagram 3.3.

To elaborate the use of cost vectors, let us take welding for 4 mm quality. It takes 7 Hours & 32 minutes approx (= 8.5 minutes × 53.15 inches : Ref Diagram 3.3). Since man-machine is standardized in Works Studies, clock-hour is an adequate measure for labour & overheads. Similarly, painting quantity (primer & enamel) and time can be calculated from hopper area, handling time from hopper weight & distance moved, and so on.

Thus, costs (including labour & overheads) can be easily linked to cost vectors. In wielding for example, electrode consumption is directly related to sheet thickness and length of weld while labour & overheads may be absorbed on hourly basis (Ref calculation above). Different thicknesses (viz. 2 mm & 4 mm) account for differences in costs of steel, welding electrodes, cutting operation (gas cutting for 4 mm and nibbling for 2 mm) and other costs. Interestingly, cost per Kg is lower for 4 mm quality compared to that of 2 mm quality due to doubling of weight in former while total cost does not increase proportionately. Some reasons for these can be found out from Diagram 3.3 e.g. fixed work-times for marking & painting.

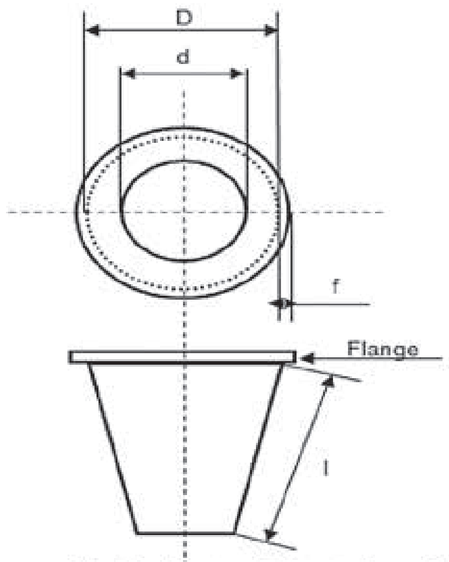

Diagram 3.1 showing top & front views of flanged conical hopper (Adapted from an Engg Works)

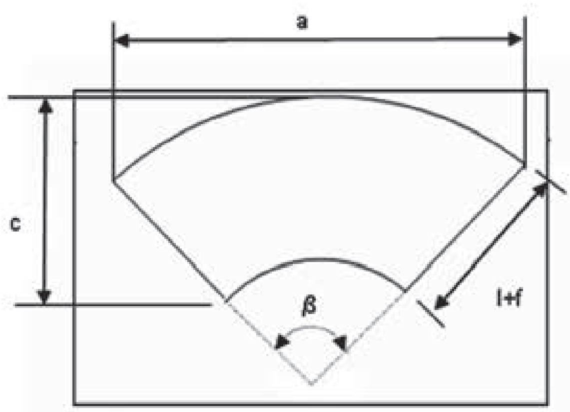

Diagram 3.2 showing sheet layout for cutting hopper surface

Cost Vectors	Unit	2 mm	4 mm
Length of cut with allowance for grinding	In	189.57	189.57
Length of weld	In	53.15	53.15
Sheet Area	Sq In	4,805	4,805
Hopper Area	Sq In	1,233	1,233
Hopper Weight	Kg	12.49	24.98
Marking	Minute/ In	0.17	0.17
Nibbling	Minute/ In	0.90	
Gas cutting	Minute/ In		0.35
Grinding	Minute/ In	0.20	0.40
Rolling	Minute/ In	0.04	0.05
Welding	Minute/ In	6.94	8.50
Flanging	Minute/ In	0.61	0.77
Painting	Minute/ Sq In	0.06	0.06
Handling	Minute/ Kg-Ft	0.01	0.01

Diagram 3.3 showing cost vectors for steel flanged conical hopper of given dimensions

Effects of changing scenarios on Management Accounting

- In the present scenario, adequate data base is required for catering to management's needs for timely decision-making and performance evaluation besides statutory compliance. These include data on availability of resources, order fulfillment, input-output, cycle-time, cost vectors, product performance and many others.
- Because of limitations of traditional accounting, finance & audit, industries are increasingly relying on complementary functions including internal audits. The areas of such functions include –
  - Techno-commercial evaluation of capital expenditure
  - Systems for locating errors and frauds
  - Forensic audit for supporting domestic enquiries, external investigations & Court prosecutions.

Management accounting is well poised for the above functions as a specialized information link between accounting and management. In many cases, it partakes as an overall function.

- Information analysis is becoming a professionalized service for early identification of opportunities & risks and for effective strategy-making. Such analysis also uses quantitative techniques[2] with computers. Diagram 4 exhibits a typical process of integrated information that may confront CMAs.

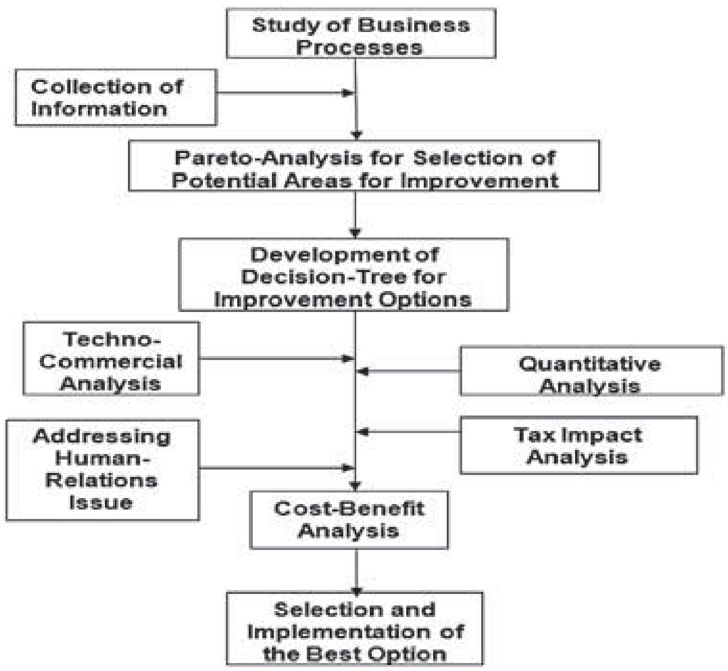

Diagram 4 illustrating a typical information-analysis for strategic actions

Challenges before CMA :

- Changing regulatory requirements and management practices outlined above offer various challenges. CMAs as finance officers are expected to facilitate implementation of internal controls including integrated software with special reference to accounting, costing and management reporting.
- Another area of opportunity is valuation of related party transactions (RPT). It is mention worthy that companies required to maintain cost records under Rule 5(1) of Cost (Records & Audit) Rules, 2014 read with Rule 3 under S. 148(1) of the Companies Act, 2013 has to maintain particulars relating to RPT.
- Cost information/ Cost Audit Reports (CAR) with quantitative details are increasingly being referred by tax authorities & Courts for adjudging normal costs. Several cases involving captive consumption under Excise provisions, arm's length pricing under Income-Tax Act & other tax laws deliberated on legitimacy of expenditure including overheads allocation taking capacity utilization into account. These presuppose Cost & Management Accounting.
- Industries today need accountants who can use integrated information and interpret enterprise's business economics in accounting language. Management accountants have fair advantages over others in fulfilling such need.
- It is noteworthy that industries do not expect CMAs to be engineers. But they expect basic understanding of products, materials, production processes and quantitative & information techniques.

Need for appropriate regulations for scientific audits :

- Corporate and tax audits are based on traditional or financial accounting which has limitations for fixed principles of money measure, entrepreneurial entity and historical records. Such accounting does not recognize internal processes and enterprise's performance standards. Consequently, it is not enough for true assessment of the following :
  - Propriety of expenditure for a given income.
  - Profits lost due to deficiencies (wasteful expenditure of all forms including idle resources, inappropriate income-mix, etc).
  - Adequacy of transfer pricing.
- We have seen in above paragraphs that management accounting integrates information drawn from various systems. With increasing use of integrated information systems, management accounting is becoming more useful an instrument for risk assessment, strategic planning & performance reviews. We have also seen above that it supports modern management and internal audit with scientific outlook and that cost information/ CAR is being increasingly used in tax adjudications. Thus, management accounting is a comprehensive system which can be used for infusing scientific approaches in corporate & tax audits. Adequate regulatory provisions in this perspective in corporate & tax laws are sure to make such audits more useful.

Before we conclude, we end our discussions with a flow chart in Diagram 5 below to show how management accounting today interfaces all other systems for improved financial management :

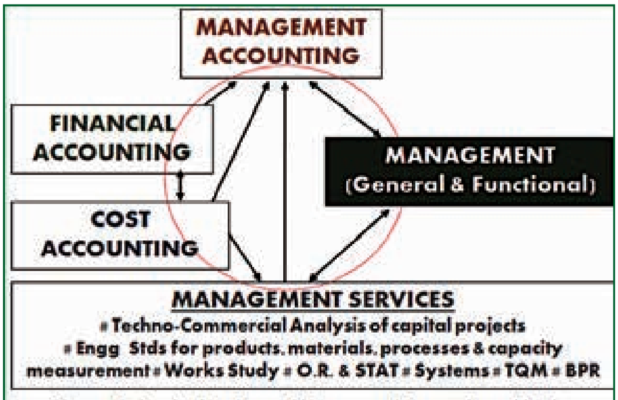

Diagram 5 showing interfaces of Management Accounting with other systems; Circle represents Integrated Information System connecting all systems; Arrows represent information-flows.

Notes :

(1) Integrated management is also termed as 'holistic management' (Ref. Kotler & Keller in "Marketing Management", 14th Edn).

(2) While Operations Research applies mathematics & statistical techniques for solving constrained objectives, Goldratt's TOC points to the fact that as a constraint is resolved, new constraint is expected to creep into. Moreover, an unresolved constraint operating as a threat adds to business risk. Therefore, a managerial process is required for continuous assessment & resolution of constraints. It is noteworthy that contribution analysis and ABC take into account various constraints that limit demand & supply.

(3) Deming, Kaizen, Drucker, Kaplan, Goldratt and many others suggested for organizational learning. Malcom Gladwell (2000) added further dimension as his finding revealed that small but continuous improvements give rise to 'virtuous learning' that progresses faster in an organization than big & sudden onetime change. Such small improvements accumulate to a big change over a time, surpassing 'tipping point' (point of no return) and obviate crisis situations needing suddenchanges.

(4) SCM (Keith Oliver, 1982) and Value-Chain approach (Michael Porter, 1985) complement each other for internal integration and business segmentation respectively.

Conclusion :

Management accounting uses various information drawn from different systems besides accounts in supporting enterprise's risk assessment, strategic planning and performance reviews. Today, it not only complements traditional or financial accounting, but also serves as a specialized information link between accounting and management. It has widened enough to include scientific findings like those of Techno-Commercial Analysis, Operations Research, Statistics, Works Study and Systems Analysis. Thus, management accounting today is a comprehensive system that can be used for strengthening all-round performance besides statutory compliance. It is different from traditional or financial accounting in that it is adopted for internal use with futuristic outlook and not for mere statutory disclosures & historical records. It is a growing discipline and not bound by fixed principles. Therefore, management accounting is bound to support scientific audits, whether internal or external. MA

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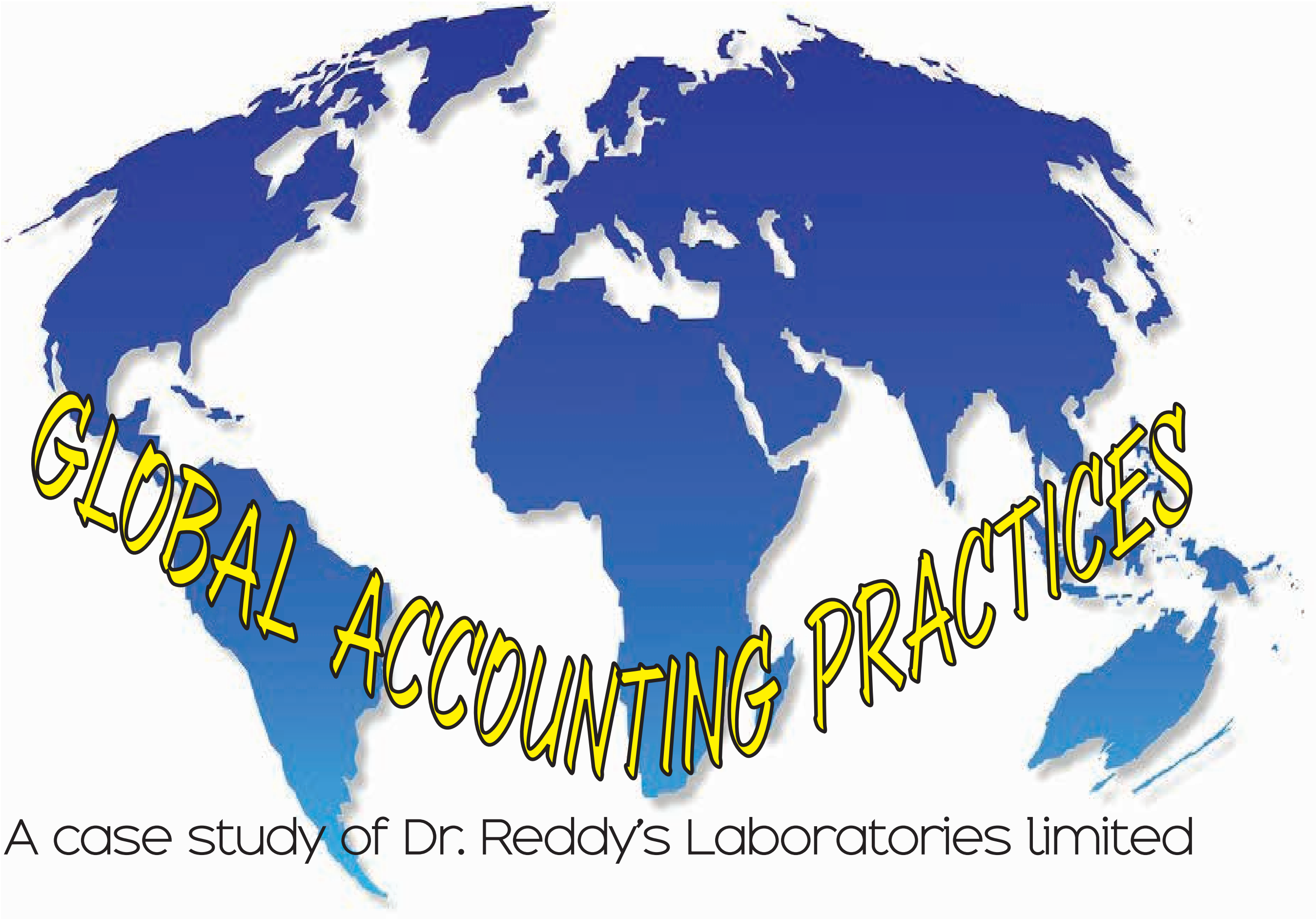

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Global Accounting: An Introduction

Accounting, primarilyis a language of business. It conveys the performance of a particular business to the stakeholders. It also discloses the financial parameters of five key elements of accounts, i.e. assets, liabilities, shareholders equity, revenues and expenses. The companies disclose the performance of business elements systematically to the stakeholders by implementing various accounting standards. Such accounting standards are different for different countries. The listed Indian companiesusethe IGAAP (IndianGenerally Accepted Accounting Principle) as it is mandated by ICAI (Institute of Chartered Accounting of India) for disclosure of financial reporting. WhileIndian companies listed in US are using FASB (Financial Accounting Standards Board) mandate,in the form of US GAAPaccounting rules for disclosing the reports, the Indian companies listed in UK capital markets are mandatedby IASB (International Accounting Standards Board) to implement IFRS (International Financial Reporting Standards) accounting rule, for disclosure.

Need for the Study

In the current global scenario an increased momentum in international movement of capital has spurred interest in a worldwide common financial reporting system. This has become common for institutions and also individuals to invest money in other economies other than their home country. It is as evident in various research outcomes by the fact that approximately two third of US investors are owning securities of outside their home country. This being the reason the interest in common accounting standards are increasing continuously. The existing popular accounting standards across the globe are USGAAP accounting rules and IFRS accounting standards. In India IGAAP rules are mandated by ICAI and also by the regulator SEBI (Securities Exchange Board of India) for reporting of financial performance to Indian capital markets. The present study is been conducted to infer the highlights among the differences in three accounting GAAP rules, i.e. USGAAP; IFRS and IGAAP.

Importance of the Study:

The listed BSE 50 (Bombay Stock Exchange) companies in India,are using IGAAP accounting rules to report financials to the regulators and investors for Indian capital markets. Whereas the same set of companies are implementing IFRS accounting rules by maintaining separate set of books of accounts for global investors, by submitting the financial reports by filing form 20F to US regulators i.e. SEC (Securities Exchange Commission). To name few Indian companies which are implementing IFRS as global accounting standards are, Infosys ltd, Dr.Reddy's ltd, and Wipro ltd are using different GAAP's for Indian investors and global investors. The other major giant companies from the list of BSE 50 are also implementing IGAAP and IFRS. Finally, this study explains the differences in IFRS accounting rules and IGAAP rules by conducting research study on Dr.Reddy's financials in order to come across the differences in accounting rules and its impact on income statements and balance sheet. The study also focused on mentioning the impact on ratios, while adopting different accounting systems and their final results on valuation of the firm and equity in the global capital markets.

Objectives of the study:

- ✪ To study the significance of global accounting standards.
- ✪ To understand different accounting standards by using financial reports.
- ✪ To examine the global accounting standards adopted in Dr. Reddy's limited.

Implications of different accounting standards on Dr.Reddy's financials:

In recognition of the international movement of capital, many countries are adopting or have adopted a version of IFRS issued by IASB. Traditionally, companies were required to produce financial statements based on country specific financial reporting standards. As a result, individuals who invest in companies listed in different markets must adjust with local financial statements based on different financial "languages". This kind of country specific reporting creates confusion in the minds of the stakeholders especially, when an investment is in the form of FII (Foreign Institutional Investors), FPI (Foreign Portfolio Investors) and FDI (Foreign Direct Investment). To give an example of reporting of Inventory in financial statements, US GAAP standard uses LIFO (Last in first out) method for reporting of inventory. Thiswill reporthigher cost of inventory and the unsold inventory is reported at a lowercost.This results in reporting of lower profits, leading to lower taxes.

On the contrary, IGAAP and IFRS permitsreporting of inventory using either FIFO (First in first out) method or Weighted Average Method. If FIFO method is adopted by the company, it reports lower cost of inventory as expense and unsold inventory is reported at higher cost. This results in reporting higher profit, and leads to increase in taxes.

Comparable Profitability Accounting Analysis of Dr.Reddy's for 2014-15:

Dr.Reddy's reported cost of goods sold into four different line items using IGAAP standards and presented cost of material consumed Rs. 28259 million, purchases of stock in trade Rs.9420 million, changes in inventories of finished goods, work-in-progress and stock in trace were reported for assessment year 2014-2015 is (Rs.558) million. It had also reported conversion chargers Rs.1929 million. The same company uses IFRS accounting standards for the submission of financial statements to SEC (Securities exchange commission). Under IFRS cost of goods sold had been presented single line item "cost of revenues" i.e.Rs.62786 million. Hence there is a difference in reporting of cost of revenues and cost of goods sold in the income statement. IGAAP income statement reported cost of revenues at lower cost, which result into reporting higher gross profit.Whereas, under IFRS cost of goods sold was reported at higher cost result into report of lower gross profits. The immediate impact of reporting the cost of goods differently, result into an increase in gross profit ratio under IGAAP and lower under IFRS.

The operating profit i.e. EBIT under IFRS is Rs.26286 million reported in the income statement; whereas IGAAP reported EBIT Rs.30078 million which is also leading to increase in operating profit margin.While performing comparative analysis of various profits published under income statement, IGAAP being conservative reported lower expenses which is resulted into report of higher profits. Hence Dr.Reddy's Indian financials reported high profitability ratios, and reflecting better profitability margin ratios in contrast under the IFRS. By which, it results into high valuation multiples were observed, moving to better valuation of the firm and also equity for Indian markets. On contrary Dr.Reddy's IFRS reportslower profits, by which reported lower profitability ratios, leading to lower valuation of firm and also equity in global markets for global investors.

The 21st century is also called by some as a global village, where countries across the world are connected for business operations across vast distances. India is no exception, and it is evident, since many Indian companies are listed in US and UK financial markets. This listing results in the expansion of global business operations to and creates value. Some renowned Indian companies from information technology, pharmaceuticals, auto industry and banking sector are listed in global capital markets to attract investments from Foreign Institutional Investors. This is also to provide goods and services to the customers across the globe. Such companies strictly follow statutory regulatory requirements of the respective nations. It is done by adopting global accounting standards to disclose financial reports to the stakeholders. The set of companies performing businesses in domestic and foreign markets, are incurring huge expenditure, and are also taking a lot of time for preparing 'accounting books' using different GAAPs (Generally Accepted Accounting Principles)to different investors i.e. local &global.These differences in accounting procedures confuse the investors for a proper understanding of the language of the business.

There are many other examples to highlight differences in accounting standards.For pharma companies Research &Development is a big expenditure, which influences their value estimates. Hence, the reporting of Research &Development cost; under USGAAP is treated as an expense, and it will reduce profits significantly leading to reduction in taxes. But, R&D reporting under IGAAP and IFRS, separates 'Research' expenditure and 'Development' expenditure. Here, Research is treated as an expense; and Development cost is treated as an asset. This results in less research expenditure which means more profits and result in higher taxes.There are a good number of Indian Pharma companies which are listed in US securities marketslike Dr.Reddy's, Sun pharma, Cipla and etc..

Dr.Reddy's fills up form 20F to be submitted to SEC (Securities Exchange Commission) to disclose accounting reports. Here R&D expenditure is shown as expense, leading to less profit and less taxes and less EPS (earnings per share). The above company uses IGAAPto report research expenditure as an expense and this results in reporting more profits, and consequently more taxes in India. Dr.Reddy's reported profit after taxes under IGAAP for the year 14-15, INR 23364 million and diluted EPS of INR 136.59. Whereas under IFRS reported in form 20F for the same year was INR 22179 million and diluted EPS of INR 129.75. The difference in profits is due to the accounting treatment for R&D in case of IFRS as an expense, due to which the company reported lower profits, leading to lower EPS and lower stock valuation.

Comparable Balance Sheet Accounting Analysis of Dr.Reddy's Ltd, 2014-15:

Balance sheet is a statement prepared as on a particular date. It conveys the position of assets, liabilities and owner's equity. Since Dr.Reddy's adopted both the accounting standards i.e. IGAAP & IFRS; by which reporting of various line items differ inside balance sheet. IGAAP mentions balance sheet must be prepared using the order of permanence i.e. reporting of Share Capital as a starting point in the balance sheet and under assets side, non-current assets are reported first.

According to the IGAAP balance sheet the total of non-current assets reported Rs. 67211 millionand under IFRS Rs.74,924 million. There is a difference of reporting in non-current assets due to the accounting treatment of R&D expenditure; and also treatment of intangibles are different under both of the accounting standards due to which, resulted in reporting of high non-current assets balances in IFRS in comparison to IGAAP.

The next highlighted line item in balance sheet is the total of current assets reported under IGAAP Rs.118,767 million and under IFRS Rs.119,838. Here is also reporting of higher current assets under IFRS than IGAAP, which is also due to the accounting treatment of inventory under both the standards.

The reporting of share capital in the IGAAP balance sheet is Rs.98531 million. Under IFRS is Rs. 111,302, and also non-current liabilities are reported under IGAAP Rs. 19,234 million and IFRS Rs. 19,465. The share capital is more and also non-current liabilities under IFRS in comparison to IGAAP. This is due to the differencesin reporting of non-current liabilities recognition issues and also in share capital. The reporting of current liabilities under IGAAP Rs. 68213 million and IFRS Rs. 63,995.

Summary of balance sheet analysis:

The IFRS balance sheet in contrast with IGAAP reporting higher amount under all the heads expect under current liabilities. IFRS accounting rules are aggressive in reporting balance sheet transactions, where the same was conservative in preparing the income statement. Hence balance sheet also reporting different accounting numbers for various line items. These difference will impact on ratios relating to balance sheet especially turnover ratios, leverage ratios and also Return on Assets, and Return on equity.

Comparable Cash Flow Statement Analysis of Dr.Reddy's Ltd, 2014-15:

Profit is not same as Cash. This is the essence of preparing the cash flow statement. Dr. Reddy's reported operating cash flows under IGAAP is Rs.25235 million and the financing cash flows under IGAAP is Rs. (4332) million. The investing cash flows using IGAAP Rs.(22647) million. Dr.Reddy's does not presented report on cash flow statement using IFRS, in place of which they had presented statement of other comprehensive income, which highlighted accounting for sale of available securities.

A brief Analysis of Other Companies across sectors in India:

The other major companies across different sectors in India, are using both IFRS& IGAAP to report financial statements differently for different investors. The list of accounting differences is quite exhaustive and it influences on various accounting ratios. There are numerous qualitative differences between GAAP and IFRS i.e. level of details and specificity in the standards. This difference manifests in a number of ways, including more standards, more implementation guidance and more bright line rules under GAAP than under IFRS. Finally it results in to the confusion in the minds of investors in understanding financial statements by adoptingdifferent accounting standard by the companies.

Conclusion:

Hence, we require "a single global accounting", which can help to the investors in understanding financial statements better. This requireslot of preparation from company's point of view to face the challenging issues and they must be prepared to look after the transitions issues, and also ready to incur the expenditure as implementation cost. Finally, Foreign Institutional Investors are playing a crucial role on Indian capital markets. This understand by the regulators SEBI and ICAI and also ministry of corporate affairs announced implementation of IFRS accounting standards for thecompanies listed in India capital markets with effect from 1st April 2016 as " a single global accounting standards". It will be leading to attract more global capital from global investors by educating the investors better by following IFRS as "a single global accounting'. MA

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CENTRAL EXCISE ACT 1944

SecNo.	Amendment Effective Date	Provision	Existing Provision	Amendment in Existing / New Provision	Analysis
5A (5&6)	From the date of Ascent of President of India	Power to grant exemption from duty of excise	(5) Every notification issued under sub-section (1) or sub-section 2(A) shall, (a) unless otherwise provided, come into force on the date of its issue by the Central Government for publication in the Official Gazette; (b) also be published and offered for sale on the date of its issue by the Directorate of Publicity and Public Relations, Customs and Central Excise, New Delhi, under the Central Board of Excise and Customs constituted under the Central Boards of Revenue Act, 1963 (54 of 1963). (6) Notwithstanding anything contained in sub-section (5) where a notification comes into force on a date later than the date of its issue, the same shall be published and offered for sale by the said Directorate of Publicity and Public Relations on a date on or before the date on which the said notification comes into force.	(5) Every notification issued under sub-section (1) or sub-section 2(A) shall, - (a) unless otherwise provided, come into force on the date of its issue by the Central Government for publication in the Official Gazette;	Now there is no requirement of publishing and offering for sale any notification issued, by the Directorate of Publicity and Public Relations of CBEC
11A	From the date of Ascent of President of India	Recovery of duties not levied or not paid or short-levied or short-paid or erroneously refunded.-	(1) Where any duty of excise has not been levied or paid or has been short-levied or short-paid or erroneously refunded, for any reason, other than the reason of fraud or collusion or any wilful misstatement or suppression of facts or contravention of any of the provisions of this Act or of the rules made thereunder with intent to evade payment of duty,- (a) the Central Excise Officer shall, within one year from the relevant date, serve notice on the person chargeable with the duty which has not been so levied or paid or which has been so short-levied or short-paid or to whom the refund has erroneously been made, requiring him to show cause why he should not pay the amount specified in the notice; (b) the person chargeable with duty may, before service of notice under clause (a), pay on the basis of,- (i) his own ascertainment of such duty; or (ii) duty ascertained by the Central Excise Officer, the amount of duty along with interest payable thereon under section 11AA. (2) The person who has paid the duty under clause (b) of sub-section (1), shall inform the Central Excise Officer of such payment in writing, who, on receipt of such information, shall not serve any notice under clause (a) of that sub-section in respect of the duty so paid or any penalty leviable under the provisions of this Act or the rules	(1) Where any duty of excise has not been levied or paid or has been short-levied or short-paid or erroneously refunded, for any reason, other than the reason of fraud or collusion or any wilful misstatement or suppression of facts or contravention of any of the provisions of this Act or of the rules made thereunder with intent to evade payment of duty,- (a) the Central Excise Officer shall, within Two years from the relevant date, serve notice on the person chargeable with the duty which has not been so levied or paid or which has been so short-levied or short-paid or to whom the refund has erroneously been made, requiring him to show cause why he should not pay the amount specified in the notice; (b) the person chargeable with duty may, before service of notice under clause (a), pay on the basis of,- (i) his own ascertainment of such duty; or (ii) duty ascertained by the Central Excise Officer, the amount of duty along with interest payable thereon under section 11AA. (2) The person who has paid the duty under clause (b) of sub-section (1), shall inform the Central Excise Officer of such payment in writing, who, on receipt of such information, shall not serve any notice under clause (a) of that sub-section in respect of the duty so paid or any penalty leviable under the provisions of this Act or the rules made thereunder. (3) Where the Central Excise Officer is of the opinion that the amount paid under clause (b) of sub-section (1) falls short of the amount actually payable, then, he shall	Period of limitation has been increased from one year to two years for issuing SCN & Demand Notices, in case not involving fraud, suppression of facts, willful mis-statement, etc However, period of limitation has not been extended in the matter of refund in Section 11B.

SecNo.	Amendment Effective Date	Provision	Existing Provision	Amendment in Existing / New Provision	Analysis
			made thereunder. (3) Where the Central Excise Officer is of the opinion that the amount paid under clause (b) of sub-section (1) falls short of the amount actually payable, then, he shall proceed to issue the notice as provided for in clause (a) of that sub-section in respect of such amount which falls short of the amount actually payable in the manner specified under that sub-section and the period of one year shall be computed from the date of receipt of information under sub-section (2). (4) Where any duty of excise has not been levied or paid or has been shortlevied or short-paid or erroneously refunded, by the reason of- (a) fraud; or (b) collusion; or (c) any wilful mis-statement; or (d) suppression of facts; or (e) contravention of any of the provisions of this Act or of the rules made thereunder with intent to evade payment of duty, by any person chargeable with the duty, the Central Excise Officer shall, within five years from the relevant date, serve notice on such person requiring him to show cause why he should not pay the amount specified in the notice along with interest payable thereon under section 11AA and a penalty equivalent to the duty specified in the notice. (5) Where, during the course of any audit, investigation or verification, it is found that any duty has not been levied or paid or short-levied or short-paid or erroneously refunded for the reason mentioned in clause (a) or clause (b) or clause (c) or clause (d) or clause (e) of sub-section (4) but the details relating to the transactions are available in the specified record, then in such cases, the Central Excise Officer shall within a period of five years from the relevant date, serve a notice on the person chargeable with the duty requiring him to show cause why he should not pay the amount specified in the notice along with interest under section 11AA and penalty equivalent to fifty per cent of such duty. (6) Any person chargeable with duty under sub-section (5), may, before service of show cause notice on him, pay the duty in full or in part, as may be accepted by him along with the interest payable thereon under section 11AA and penalty equal to one per cent of such duty per month to be calculated from the month following the month in which such duty was payable, but not exceeding a maximum of twenty-five per cent of the duty, and inform the Central Excise Officer of such payment in writing. 7) The Central Excise Officer, on receipt of information under sub-section (6) shall- (i) not serve any notice in respect of the amount so paid and all proceedings in	proceed to issue the notice as provided for in clause (a) of that sub-section in respect of such amount which falls short of the amount actually payable in the manner specified under that sub-section and the period of Two years shall be computed from the date of receipt of information under sub-section (2). (4) Where any duty of excise has not been levied or paid or has been shortlevied or short-paid or erroneously refunded, by the reason of- (a) fraud; or (b) collusion; or (c) any wilful mis-statement; or (d) suppression of facts; or (e) contravention of any of the provisions of this Act or of the rules made thereunder with intent to evade payment of duty, by any person chargeable with the duty, the Central Excise Officer shall, within five years from the relevant date, serve notice on such person requiring him to show cause why he should not pay the amount specified in the notice along with interest payable thereon under section 11AA and a penalty equivalent to the duty specified in the notice. (5) Where, during the course of any audit, investigation or verification, it is found that any duty has not been levied or paid or short-levied or short-paid or erroneously refunded for the reason mentioned in clause (a) or clause (b) or clause (c) or clause (d) or clause (e) of sub-section (4) but the details relating to the transactions are available in the specified record, then in such cases, the Central Excise Officer shall within a period of five years from the relevant date, serve a notice on the person chargeable with the duty requiring him to show cause why he should not pay the amount specified in the notice along with interest under section 11AA and penalty equivalent to fifty per cent of such duty. (6) Any person chargeable with duty under sub-section (5), may, before service of show cause notice on him, pay the duty in full or in part, as may be accepted by him along with the interest payable thereon under section 11AA and penalty equal to one per cent of such duty per month to be calculated from the month following the month in which such duty was payable, but not exceeding a maximum of twenty-five per cent of the duty, and inform the Central Excise Officer of such payment in writing. 7) The Central Excise Officer, on receipt of information under sub-section (6) shall- (i) not serve any notice in respect of the amount so paid and all proceedings in respect of the said duty shall be deemed to be concluded where it is found by the Central Excise Officer that the amount of duty, interest and penalty as provided under sub-section (6) has been fully paid; (ii) proceed for recovery of such amount if found to be short-paid in the manner specified under sub-section (1) and the period of Two years shall be computed from the date of receipt of such	

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			respect of the said duty shall be deemed to be concluded where it is found by the Central Excise Officer that the amount of duty, interest and penalty as provided under sub-section (6) has been fully paid; (ii) proceed for recovery of such amount if found to be short-paid in the manner specified under sub-section (1) and the period of one year shall be computed from the date of receipt of such information. (8) In computing the period of one year referred to in clause (a) of subsection (1) or five years referred to in sub-section (4) or sub-section (5), the period during which there was any stay by an order of the court or Tribunal in respect of payment of such duty shall be excluded. (9) Where any appellate authority or Tribunal or court concludes that the notice issued under sub-section (4) is not sustainable for the reason that the charges of fraud or collusion or any wilful mis-statement or suppression of facts or contravention of any of the provisions of this Act or of the rules made thereunder with intent to evade payment of duty has not been established against the person to whom the notice was issued, the Central Excise Officer shall determine the duty of excise payable by such person for the period of one year, deeming as if the notice were issued under clause (a) of sub-section (1). (10) The Central Excise Officer shall, after allowing the concerned person an opportunity of being heard, and after considering the representation, if any, made by such person, determine the amount of duty of excise due from such person not being in excess of the amount specified in the notice. (11) The Central Excise Officer shall determine the amount of duty of excise under sub-section (10)- (a) within six months from the date of notice in respect of cases falling under subsection (1); (b) within one year from the date of notice in respect of cases falling under subsection (4) or sub-section (5). (12) Where the appellate authority modifies the amount of duty of excise determined by the Central Excise Officer under sub-section (10), then the amount of penalties and interest under this section shall stand modified accordingly, taking into account the amount of duty of excise so modified. (13) Where the amount as modified by the appellate authority is more than the amount determined under sub-section (10) by the Central Excise Officer, the time within which the interest or penalty is payable under this Act shall be counted from the date of the order of the appellate authority in respect of such increased amount. (14) Where an order determining the duty of excise is passed by the Central Excise Officer	information. (8) In computing the period of Two years referred to in clause (a) of subsection (1) or five years referred to in sub-section (4) or sub-section (5), the period during which there was any stay by an order of the court or Tribunal in respect of payment of such duty shall be excluded. (9) Where any appellate authority or Tribunal or court concludes that the notice issued under sub-section (4) is not sustainable for the reason that the charges of fraud or collusion or any wilful mis-statement or suppression of facts or contravention of any of the provisions of this Act or of the rules made thereunder with intent to evade payment of duty has not been established against the person to whom the notice was issued, the Central Excise Officer shall determine the duty of excise payable by such person for the period of two years, deeming as if the notice were issued under clause (a) of sub-section (1). (10) The Central Excise Officer shall, after allowing the concerned person an opportunity of being heard, and after considering the representation, if any, made by such person, determine the amount of duty of excise due from such person not being in excess of the amount specified in the notice. (11) The Central Excise Officer shall determine the amount of duty of excise under sub-section (10)- (a) within six months from the date of notice in respect of cases falling under subsection (1); (b) within two years from the date of notice in respect of cases falling under subsection (4) or sub-section (5). (12) Where the appellate authority modifies the amount of duty of excise determined by the Central Excise Officer under sub-section (10), then the amount of penalties and interest under this section shall stand modified accordingly, taking into account the amount of duty of excise so modified. (13) Where the amount as modified by the appellate authority is more than the amount determined under sub-section (10) by the Central Excise Officer, the time within which the interest or penalty is payable under this Act shall be counted from the date of the order of the appellate authority in respect of such increased amount. (14) Where an order determining the duty of excise is passed by the Central Excise Officer under this section, the person liable to pay the said duty of excise shall pay the amount so determined along with the interest due on such amount whether or not the amount of interest is specified separately. **Explanation**-For the purposes of this section and section 11AC,- (a) "refund" includes rebate of duty of excise on excisable goods exported out of India or on excisable materials used in the manufacture of goods which are exported out of India;	

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			under this section, the person liable to pay the said duty of excise shall pay the amount so determined along with the interest due on such amount whether or not the amount of interest is specified separately. **Explanation** -For the purposes of this section and section 11AC,- (a) "refund" includes rebate of duty of excise on excisable goods exported out of India or on excisable materials used in the manufacture of goods which are exported out of India; (b) "relevant date" means,- (i) in the case of excisable goods on which duty of excise has not been levied or paid or has been short-levied or short-paid, and no periodical return as required by the provisions of this Act has been filed, the last date on which such return is required to be filed under this Act and the rules made thereunder; (ii) in the case of excisable goods on which duty of excise has not been levied or paid or has been short-levied or short-paid and the return has been filed on due date, the date on which such return has been filed; (iii) in any other case, the date on which duty of excise is required to be paid under this Act or the rules made thereunder; (iv) in a case where duty of excise is provisionally assessed under this Act or the rules made thereunder, the date of adjustment of duty after	(b) "relevant date" means,- (i) in the case of excisable goods on which duty of excise has not been levied or paid or has been short-levied or short-paid, and no periodical return as required by the provisions of this Act has been filed, the last date on which such return is required to be filed under this Act and the rules made thereunder; (ii) in the case of excisable goods on which duty of excise has not been levied or paid or has been short-levied or short-paid and the return has been filed on due date, the date on which such return has been filed; (iii) in any other case, the date on which duty of excise is required to be paid under this Act or the rules made thereunder; (iv) in a case where duty of excise is provisionally assessed under this Act or the rules made thereunder, the date of adjustment of duty after the final assessment thereof; (v) in the case of excisable goods on which duty of excise has been erroneously refunded, the date of such refund; (c) "specified records" means records including computerised records maintained by the person chargeable with the duty in accordance with any law for the time being in force.'	
37B	From the date of Ascent of President of India	Instructions to Central Excise Officers. -	The Central Board of Excise and Customs constituted under the Central Boards of Revenue Act, 1963 (54 of 1963), may, if it considers it necessary or expedient so to do for the purpose of uniformity in the classification of excisable goods or with respect to levy of duties of excise on such goods, issue such orders, instructions and directions to the Central Excise Officers as it may deem fit, and such officers and all other persons employed in the execution of this Act shall observe and follow such orders, instructions and directions of the said Board : **Provided** that no such orders, instructions or directions shall be issued- a) so as to require any Central Excise Officer to make a particular assessment or to dispose of a particular case in a particular manner; or	The Central Board of Excise and Customs constituted under the Central Boards of Revenue Act, 1963 (54 of 1963), may, if it considers it necessary or expedient so to do for the purpose of uniformity in the classification of excisable goods or with respect to levy of duties of excise on such goods OR for the implementation of any other provisions of this Act, issue such orders, instructions and directions to the Central Excise Officers as it may deem fit, and such officers and all other persons employed in the execution of this Act shall observe and follow such orders, instructions and directions of the said Board : Provided that no such orders, instructions or directions shall be issued- a) so as to require any Central Excise Officer to make a particular assessment or to dispose of a particular case in a particular manner; or b) so as to interfere with the discretion of the Commissioner of Central Excise	Section 37B is being amended so as to empower the Board for implementation of any other provision of the said Act in addition to the power to issue orders, instructions and directions Earlier clarifications issued u/s 37B was only applicable for goods and those are binding on Assessee as well as Department. Now, powers has been given to the Central Excise Department even to issue the clarifications u/s 37B for any provisions under the Act. It means Department may issue the circulars u/s 37B for each provision under this Act and that will be binding on Department as

SecNo.	Amendment Effective Date	Provision	Existing Provision	Amendment in Existing / New Provision	Analysis
			b) so as to interfere with the discretion of the Commissioner of Central Excise (Appeals) in the exercise of his appellate functions.	(Appeals) in the exercise of his appellate functions.	well as Assessee. This is absolutely wrong provision and needs to be represented by Trade & Industries.
Third Schedule	1st March 2016	Deemed Manufacturing	Schedule provides the process which is deemed to be manufactured in accordance with Sec 2(f)(iii). Tariff No. 3401 : Soaps in any form other than the following (i) soap, other than for toilet use, whether or not containing medicament or disinfectant; (ii) soap, in or in relation to the manufacture of which no process has been carried on with the aid of power or of steam; and (iii) laundry soaps produced by a factory owned by the Khadi and Village Industries Commission or any organisation approved by the said Commission for the purpose of manufacture of such soaps Tariff No. 3402 : All goods other than sulphonated castor oil, fish oil or sperm oil	All Goods All Goods	It means, packing, repacking, labeling, relabeling etc for the purpose of retail sale of the following products also will amounts to manufacture: (i) soap, other than for toilet use, whether or not containing medicament or disinfectant; (ii) soap, in or in relation to the manufacture of which no process has been carried on with the aid of power or of steam; and (iii) laundry soaps produced by a factory owned by the Khadi and Village Industries Commission or any organisation approved by the said Commission for the purpose of manufacture of such soaps sulphonated castor oil, fish oil or sperm oil (Tariff No. 3402) All Goods falling under Chapter Heading 7607 related to Aluminum Foil Wrist wearable devices commonly known as Smart Watches falling under Chapter Heading 8517 62 Parts, Components and **Accessories** and Assemblies falling under Chapter Heading 87 excluding vehicle falling under 8712, 8713, 8715, 8716 Parts, Components and **Accessories** and Assemblies falling under Chapter Heading 84 excluding vehicle falling under 8426 4100, 8427, 8429, 8430 10

Contributed by :
Taxation Committee
Institute of Cost Accountants of India

EASTERN INDIA REGIONAL COUNCIL

The Region organized a 'Panel Discussion on Union Budget' on March 4, 2016 at J N Bose Auditorium, Kolkata. Panelists were CMA (Dr.) Avijit Sen, Former Chairman, EIRC, Mr. Narayan Jain, Direct Tax Expert, Mr. Anjan Sarkar, Indirect Tax Expert and CMA Sabyasachi Mitra, Director (F), Howden Solyvent India (P) Ltd. It was moderated by Ms. Ishita Ayan Dutt, Resident Editor of Business Standard, Kolkata and two esteemed guests Mr. Rakesh Kumar Goyal, IRS, Commissioner of Income Tax, Kolkata and Mr. Aloke Biswas, FA & CAO of South Eastern Railway, Kolkata enlightened the programme.

Asansol Chapter of Cost Accountants

The Chapter conducted a programme on 'Discussion on Union Budget, 2016' held on March 5, 2016. CMA S.P.Padhi, Chairman & CMA Bibekananda Mukhopadhyay, Vice Chairman EIRC felicitated CMA Arati Ganguly, Ex Chairperson of the chapter on her being elevated the post of General Manager(F&A) and Unit Head of Burn Standard Co. Ltd., Burnpur Works and CMA Md. Tashfeen, Ex Chairman of the chapter on his being elevated the post of General Manager(Finance), BCCL, Dhanbad.

Durgapur Chapter of Cost Accountants

On March 6, 2016 the Chapter organized one half day programme on 'Union Budget 2016-17'. CMA Sabyasachi Mitra, Director Finance, Howden Solyvent (India) Pvt. Ltd. and CMA Mrityunjay Acharjee, Associate Vice-President, Corporate taxation & Internal Audit, Balmer Lawrie & Co. Ltd. were the speakers on the occasion. Both the speakers deliberated about different aspects of direct as well as indirect taxation as proposed in the union budget and their impacts. The programme had been chaired by CMA Debasis Sinha, past chairman of the chapter and Director, Mines & Regularity Services and Company Secretary of Durgapur Projects Ltd.

Bhubaneswar Chapter of Cost Accountants

A Panel Discussion on 'Promoting Business Cases for Transparency in Smart Cities' had been jointly organized by UN Global Compact India, the Chapter and EIRC of the Institute on February 18, 2016 at its conference hall. Ms. Shabnam Siddiqui, Director, GCNI CEGET, New Delhi shared Smart City as one of the most opportune ideas of the current government with tremendous potential. Mr Sumeet Sharma, Asst. Vice President-Govt. and Infrastructure Practice, Jones Lang LaSalle presented Smart City Proposal for Bhubaneswar. CMA Damodar Mishra, Chairman, Training, Placement and Publicity Committee of Bhubaneswar Chapter extended formal vote of thanks. On the same day, CMA C. Venkata Ramana, Regional Council Member and Chairman, Students Training and Facilities Committee, EIRC of the Institute, Kolkata interacted with the students of the chapter and assured the students for giving all assistance for the betterment of their study. The Chapter organized an evening talk on February 19, 2016 on the theme 'Companies Act, 2013 vis a vis Finalization of Accounts'. CMA (Dr.) Mohammed Hanif, Senior

Professor (Accounting & Finance), St. Xavier's College (Autonomous), Kolkata & Author of Modern Accountancy, Tata McGraw Hill Education Private Ltd., New Delhi was the resource person and deliberated in details about the provisions for finalization of company accounts under

Companies Act, 2013.

From February 29, 2016 till March 12, 2016 the chapter conducted the Pre-placement 15 Days Students Orientation Programme for December, 2015 term qualified Cost Accountants. On the 1st day of the programme dated February 29, 2016, CMA Niranjan Mishra, Council Member & Chairman, Regional Councils and Chapters Coordination Committee of the Institute inaugurated the programme as Chief Guest and also blessed the students and assured them to provide best with assistance from the Institute. On the occasion CMA B.B.Nayak, chairman of the chapter , CMA S.N. Mishra, vice chairman of the chapter, CMA S.P.Kar , chairman, coaching committee of the chapter & CMA Damodar Mishra, chairman, students training placement and publicity committee of the chapter also addressed and blessed the students for their bright professional career. Another Session was grooming and personality development session where Dr. Anita Mishra, one of the repute Soft Skill Trainer at Bhubaneswar guided the students. After that there was self introduction session where Dr. RKS Mangesh Dash, Director, TWARAN, Institution of Corporate Trainer , Dr. Anita Mishra, Soft Skill Trainer, Shri Amit Tripathy, Soft Skill and Communication Skill Trainer guided the students and mentioned the techniques to introduce themselves during interview. The chapter organized a panel discussion on 'Union Budget-2016' on March 3, 2016 at its conference hall. CA A.K.Sabat, a leading Tax Consultant and Budget Analyst in Odisha was the guest speaker and made a critical analysis on 'Direct Taxation and Union Budget-2016 & its impact on individual and industry'. Shri Dillip Satapathy, Chief of Bureau, Business Standard, Bhubaneswar was another resource person and delivered on 'Economic Proposals & Union Budget-2016'. CMA Niranjan Swain, G.M (Finance), OPGC Ltd, Bhubaneswar was other Resource Person on the occasion and deliberated on 'Indirect Taxation & Union Budget -2016 & its impact on Indian Economy'. The chapter celebrated its '47th Annual Function cum Students Felicitation Function and Blood Donation Camp' on March 13, 2016 at its premises. Shri H.P.Nayak, IRAS, Director (Finance), OPGC Ltd., OPTCL & GRIDCO Ltd. inaugurated the Blood Donation Camp and 47th Annual Function as Chief Guest in the presence of Dr. Lekhasri Samantsinghar, Academician & State Secretary, BJP, CMA Papa Rao Sunkara, Council Member and Chairman, Training & Facilities Committee of the Institute, CMA Niranjan Mishra, Council Member & Chairman, Regional Councils & Chapters Coordination Committee of the Institute, CMA Shiba Prasad Padhi, Chairman, EIRC, CMA C. Venkata Ramana, Regional Council Member and Chairman, Students Training & Facilities Committee, EIRC, CMA B.B.Nayak, chairman of the chapter and all the Managing Committee Members of the Chapter. CMA Damodar Mishra, Chairman, Training & Development Committee of the Chapter deliberated the welcome address and highlighted the students' activities and performance of the chapter at all India Level in December,2015 term . CMA Bibhuti Bhusan Nayak, chairman of the chapter blessed the pass out students for their bright professional career. A press meet also had been organized by the chapter on this auspicious day to high light the Cost and Management Accountancy Profession.

At a panel discussion on "Union Budget-2016"organised by the Chapter on 3rd March,2016. Seen on the Dais from Left to Right: Shri Dillip Satapathy, Chief of Bureau, Business Standard, Bhubaneswar was one of the Resource Persons and delivered on "Economic Proposals & Union Budget-2016", CA A.K.Sabat, a leading Tax Consultant and Budget Analyst in Odisha was the Guest Speaker and made a critical analysis on "Direct Taxation and Union Budget-2016 & its impact on individual and industry" & CMA Niranjan Swain, G.M (Finance), OPGC Ltd, Bhubaneswar was other Resource Person on the occasion and deliberated on "Indirect Taxation & Union Budget -2016 & its impact on Indian Economy".

Shri H.P.Nayak, IRAS, Director (Finance), OPGC Ltd., OPTCL & GRIDCO Ltd. inaugurating 47th Annual Function of the Chapter as Chief Guest.

Seen from the left side of Chief Guest: CMA Papa Rao Sunkara, Central Council Member and Chairman, Training & Facilities Committee ICAI, CMA Niranjan Mishra, Central Council Member & Chairman, Regional Councils & Chapters Coordination Committee, ICAI, CMA Shiba Prasad Padhi, Chairman, EIRC of ICAI, Shri H.K.Biswal, AAO of the Chapter, CMA B.B.Nayak, Chairman of the Chapter & Dr. Lekhasri Samantsinghar, Academician & State Secretary & Spokes Person, Bharatiya Janata Party.

CMA Bikram Keshari Das, Chairman, Professional Development Committee of the Chapter Felicitating to CMA Papa Rao Sunkara, Central Council Member and Chairman, Training & Facilities Committee ICAI & Guest of Honour on the occasion as his first visit to Bhubaneswar Chapter

on the occasion 47th Annual Function cum Student Felicitation Function and Blood Donation Camp held on 13.03.16 (Sunday)
Seen on the left side of Guest of Honour : CMA Damodar Mishra, Chairman, Students Training & Development Committee of the Chapter.
Seen on the Right side of Guest of Honour : CMA Surya Narayan Mishra, Vice Chairman of the Chapter.
CMA Bibhuti Bhusan Nayak, Chairman of the Chapter delivering the key Note address
Seen on the dais from the left to right: CMA Shiba Prasad Padhi, Chairman, EIRC of ICAI, Kolkata, CMA Niranjan Mishra, Central Council Member and Regional Councils and Chapter Coordination Committee , ICAI, Kolkata, CMA Papa Rao Sunkara, Central Council Member and Chairman Students Facilities Committee, ICAI, Kolkata , CMA H.P.Nayak, IRAS, Director (Finance) , OPGC Ltd., OPTCL and GRIDCO Ltd., Bhubaneswar, Dr Lekhasri Samantsinghar, Academician , Secretary & Spokes Person, Bharatiya Janata Party, Odisha and CMA C.Venkata Ramana, Regional Council Member, and Chairman, Students Training and Facilities Committee, EIRC of ICAI Kolkata.

On behalf of the Chapter and Institute CMA Papa Rao Sunkara, Central Council Member and Chairman, Students Facilities Committee, ICAI felicitating to Shri H.P. Nayak, IRAS, Director (Finance), OPGC Ltd, OPTCL and GRIDCO Ltd. for his contribution by way of creating avenues in his organization for creating Post for Inter and Final Qualified Students as well as creating avenues for our Practicing Members on the occasion 47th Annual Function of the Chapter held on 13.03.16. CMA N.Mishra, Central Council Members and Chairman, RCS and Chapter Coordination Committee , ICAI , CMA Shiba Prasad Padhi, Chairman, EIRC of ICAI and CMA C.Venkata Ramana, Regional Council Member and Chairman, Students Training & Facilities Committee, EIRC of ICAI Accompanying.

Howrah Chapter of Cost Accountants

The Chapter organized a CEP program on 'Capital Market & Financial Market, Union Budget-2016 and Cost Audit & XBRL' on March 12, 2016 at its premises. CS Hansraj Jadia, Company Secretary ,Tata Group of Industries explained on the financial market, security analysis & portfolio management , CMA CS Timir Baran Chatterjee ,eminent tax consultant explained on the recent changes proposed in the Union Budget -2016 .CMA Kunal Banerjee ,past president explained in details on Cost Audit in different Industries with relevant examples , interacted with the practitioners and discussed the role of the Cost Auditor in Industries. CMA Pranab Chakrabarty, secretary, EIRC explained the recent activities and future plan of the chapter towards this profession. CMA Bibekananda Mukherjee, vice chairman, EIRC explained the recent activities & future plan of EIRC and the chapter.

South Odisha Chapter of Cost Accountants

On March 16, 2016 the chapter organized an evening talk on 'Union Budget 2016-17' where CA Amar Kanta Padhi, the chief speaker eloquently spoke on direct taxes and particularly elucidated about sections 87A, 44 AB, 44AD, 43B and section 80E, their amendments, applications and benefits to the tax payers in the Union Budget, 2016-17. CMA A.K. Swain, the speaker discussed the key focus areas in the present budget on agriculture, rural sector, social sector, education, skills & job creation, financial sector reforms etc. CMA Ch. Venkata Ramana, Member EIRC deliberated on gram panchayat, water shed projects and detailed about importance given for agricultural developments in present budget. CMA Narasingha Chandra Kar, treasurer of the chapter concluded the programme with the vote of thanks.

Rajpur Chapter of Cost Accountants

On March 13, 2016 the chapter organized a Budget Meet to discuss on the union budget proposals made by Finance Minister dated February 29, 2016. CMA Vivekananda Mukhopadhyay, Vice Chairman, EIRC of the Institute gave a brief overview on the budget issues. Shri Sanjay Mukherjee, Addl. Commissioner, Income Tax, Kolkata was the Chief Guest and CMA Debasish Ghosh, Director, Deloitte LLP and CMA Mrityunjay Acharjee, Associate VP (Fin & Txn), Balmer Lawrie Ltd were the speakers on the occasion. Shri Mukherjee mentioned the new schemes proposed and effects thereof. CMA Debasish Ghosh gave brief review on the indirect tax proposals in the budget and stressed on the central excise and service tax cases where there are further scope of clarifications. CMA Mrityunjay Acharjee acting as moderator highlighted the main points of both direct and indirect tax proposals. CMA S.N. Das, vice chairman of the chapter gave the vote of thanks.

NORTHERN INDIA REGIONAL COUNCIL

Jaipur Chapter of Cost Accountants

The Chapter organized full day seminar on service tax and TDS on February 21, 2016 at its premises. Key Speaker of the first technical session was CMA Atul Kumar Gupta, Ex-Chairman, NIRC, New Delhi. He gave detailed presentation on Service Tax and in the second technical session, key speaker was CA Rajeev Sogani, leading practitioner who detailed various provisions of TDS. CMA R.S. Bhati, regional council member, NIRC was also present in the occasion. A twelve days pre-placement orientation program had been organized by the chapter for the students who qualified for December 2015 Final Exam of the Institute. The programme was inaugurated on March 1, 2016 by Professor S.P. Garg, Dean, Swami Keshwanand Institute of Technology. In his inaugural address, Prof. Garg explained in detail the expectations of the interviewing organizations and gave valuable tips for success in the interviews. On March 6, 2016 the chapter organised a full day seminar on Union Budget 2016 and in the first technical session, key speaker CA Pramod Kumar Boob, Vice-Chairman, CIRC of ICAI (CA) gave detailed presentation on various amendments in the Budget related to Income Tax. In the Second Technical Session, CA Virendra Parwal, leading practitioner explained in details the various amendments in the Budget related to service tax.

Udaipur Chapter of Cost Accountants

Northern India Regional Council Chapters Coordination meeting was held on March 5, 2016 at the premises of JRN University at Udaipur. CMA Niranjan Mishra, Chairman - Chapters Coordination & Council Member of the Institute, CMA S.K. Bhatt, Chairman NIRC, CMA Ravi Sahani Vice Chairman NIRC, CMA R. S. Bhati, RCM, NIRC, CMA Arnab Chakraborty Sr. Director of the Institute and various chapters' representatives were present in the meeting. Chapters' activities and their problems and other emerging issues were discussed in details during the meeting. Further it was also mentioned that advertisement in national leading news papers or any other mode of advertisement should be given and also career counselling activities may be carried out by panel of experts of the Institute and a seperate cell may be created at the Regional Council offices. A Conference on 'Make in India: Role of Commerce academia and CMA Professionals' was arranged on 5 and 6 March, 2016 by Janardan Rai Nagar Vidhyapeeth University in collaboration with the Institute, Northern India Regional Council, New Delhi & the chapter. The Conference was inaugurated by chief guest Prof. K.C. Sodani, Hon'ble Vice Chancellor of M.D.S University Ajmer, CMA Niranjan Mishra Council Member was guest of honour, CMA S.K.Bhatt Chairman NIRC & CMA Ravi Sahani Vice Chairman NIRC were the special guests. Key note speaker was Prof. Subhadip Roy, faculty member of Indian Institute of Management, Udaipur. He elaborated on various fields of Make in India.CMA S.K.Bhatt, Chairman NIRC has explained in details about the role of CMAs in Make in India and CMA Niranjan Mishra, Council Member of the Institute mentioned that Make in India requires a concrete roadmap that will support not only the manufacturing of today, but also of the future. On March 6, 2016 one technical Session was chaired by Prof. G.S.Soral and co-chaired by CMA Y.L. Jain, secretary of the chapter and key note speaker was Dr. Girish Goyal Executive Member of Jaipur chapter. He explained in details the various aspects of GST. CMA Anil Sharma, treasurer of NIRC also explained various issues involved in implementation of GST. The second technical session on 'What should be Commerce Education in future' was chaired by Prof Dr Anil Kothari, FMS MLSU and co-chaired by CMA R.S. Bhati, regional council member, NIRC, New Delhi. The key note speakers were CS Pawan Talesara, Prof.Harshita Shrimali, CMA N.K.Soni . All the speakers emphasised the change in the education pattern which according to them should be job oriented. The valedictory session was chaired by Prof. S.S. Sarangevot, Hon'ble Vice Chancellor of JRN University, Mrs Mohini Daljeet Singh, CEO, Max India Foundation was the chief guest, CMA Anil Sharma, treasurer, NIRC was guest of honour and CMA R.S.Bhati, regional council member of NIRC, New Delhi was special guest in the session. Mrs. Mohini Daljeet Singh said 1.3 billion educated young people are unemployed due to lack of skill and required qualification, CMA Anil Sharma said that the available resources in the country should be optimum utilised for the development of the nation, resource are available in the country but not properly utilised. Prof. G.L.Dave emphasised that through 'Make in India' we can utilize available resources for nation development. Shri N.L.Joshi Director, college education emphasised for change in college education. At the end of seminar CMA N.K. Soni gave vote of thanks.

SOUTHERN INDIA REGIONAL COUNCIL

Madurai Chapter of Cost Accountants

The Chapter conducted a half day professional development programme on the theme 'Union Budget – 2016 – Direct Tax and Indirect Tax Amendments' on March 12, 2016. The session was presided over by CMA Dr. I. Ashok, CAT Committee Chairman, Council Member of the Institute. The Direct Tax Amendments had been handled by CA. S. Thirunavakkarasu, Practising Chartered Accountant in Madurai. He briefly explained the amendments of income tax in a lucid and practical approach with its impact on various assessees. Another Speaker, CMA. J. Balasubramanian handled indirect tax amendments proposed in the Union Budget 2016.

Coimbatore Chapter of Cost Accountants

On January 28, 2016 the chapter conducted a meeting on 'Support to MSME' for the members. Er. P. Shanmugasiva, Assistant Director (Technical)/ Project Manager conducted the programme. The Chapter signed MOU with Hindustan College of Arts & Science, Coimbatore for Foundation Course Satellite Center on January 13, 2016. The chapter celebrated corporate law week conducting various programmes held between January 18 and January 24, 2016. An orientation programme at VLB Janakiammal College of Arts & Science had been conducted by Chairperson CMA Meena Ramji & Vice Chairman CMA Subbaraman. Chairperson CMA Meena Ramji delivered on 'Latest Amendments to Companies Act 2013 - Special Reference to Women Director' at Avinashilingam University, Coimbatore. A PDP was conducted at the chapter on 'E Commerce - Legal aspects revolving it' where CA Manjula Narasimhan, Head-Presale & Finance (MIS) at KG Financial Software Pvt. Ltd., Coimbatore was the speaker. A Lecture on ' Companies Act,2013 – highlights' delivered by CMA R. Maheswaran, Vice President - Finance & Infrastructure, KGISL Technologies & Infrastructures Pvt. Ltd., Coimbatore to the oral students. An unique debate had been conducted by the oral students on the topic 'Which is important for a Corporate -Production? Finance?? Costing???' at the chapter. CMA Vidhya Shankar. K, Dy.General Manager & Company Secretary, Bimetal Bearings Limited, Coimbatore was the moderator. The Chapter conducted a Press Meet on January 24, 2016 to show case the developments in opportunities for the CMA professionals as well as to make the public informed of the conduct of the National Cost Convention held on 30 and 31 January 2016 at New Delhi. On February 27, 2016 the chapter arranged an industrial visit for oral coaching students to High Field Tea Factory, Coonoor. This visit helped the students to translate their book knowledge into practical one.

Cochin Chapter of Cost Accountants

On February 8, 2016 the chapter organized a career awareness programme at Chinmaya Vidyalaya, Vaduthala. On March 3, 2016 the chapter in association with Kochi Chapter of Company Secretaries of India, Cochin Chamber of Commerce and Industry and Indian Chamber of Commerce and Industry organized Annual Post Budget Analysis 2016-17 where Shri. Homi P. Ranina, Formost Tax Consultant and Practicing Attorney was the speaker in the Meet. The chapter held a discussion on Draft Companies Cost (R&A) Rules, 2016 on the same day at its premises. CMA Sankar P Panicker, SIRC nominee led the discussion. CMA Pushpy B Muricken, treasurer of the chapter, CMA Rakhesh R Warrier, chairman, PD Committee and CMA Blaise P B, Practicing Cost Accountant also attended the discussion and suggested their views.

Trivandrum Chapter of Cost Accountants

The chapter organized a professional development programme on February 28, 2016 on the theme 'Project Finance -A Conceptual Analysis'. Shri B Jyotikumar, Executive Director, Kerala State Industrial Development Corporation Ltd was the guest speaker. The speaker analyzed the various aspects of project financing with particular emphasis to startup financing, ongoing projects, financing sick units as part of reconstruction etc and detailed through case studies. The meeting was attended by members and large number of students and concluded with vote of thanks by CMA Joseph Louis, secretary of the chapter .

Visakhapatnam Chapter of Cost Accountants

The Chapter celebrated Golden Jubilee and conducted Disha 2016 student festival on February 19, 2016 for all the college students from Visakhapatnam, Srikakulam & Vizianagaram. More than 1500 students participated in various events and the winners were awarded prizes on the next day dated February 20, 2016 at main function being conducted at Dr.Y.V.S.Murthy Auditorium, Engineering College Grounds, Andhra University, Visakhapatnam.

Dr. K.Hari Babu, Member of Parliament, Visakhapatnam was the chief guest. Prof M. Mutyala Naidu, Vice Chancellor, Adikavi Nannayya University, CA S.Charles, Director of finances Dredging Corporation of India, CMA Dr. PVS Jaganmohan Rao, Council Member of the Institute and CMA K.Sanyasi Rao, Chairman, SIRC attended the function being Guests of Honour .

The Chapter for the first time organised Alumni Meet of CMAS at its premises. SIRC chairman, CMA K. Sanyasi Rao, past chairman of the chapter CMA U.Prakash , secretary of the chapter , CMA M. Rama Krishna and senior members of the profession spoke on the occasion. CMA C.S.Sundara Murthy, CMA S.Siva kumar, CMA U.Lakshmana Rao , CMA N.Aruna and other members participated in the program.

Lighting of Lamp by Dr K. Haribabu Member of Parliament Visakhapatnam, on the Occasion of Golden Jubilee Celebrations at Dr .Y.V.S.Murthy Auditorium on 20th Feb 2016 Visakhapatnam and other dignitaries of the program.

Hyderabad Chapter of Cost Accountants

On February 4 and 5, 2016 a two day seminar on 'Indian Accounting Standards (IND AS)' had been organized where CA B. Sekkizhar, speaker and the chief guest of the program, provided a sketch about the IND AS. The other speakers included Sri Manish Muralidhar, Senior Manager, Deloitte Haskins & Sells, CA Ananthakrishnan G, Partner, Audit & Assurance Services, BDO India and Sri Naga Durga Sudhakar, Associate Director- Finance, Global Financial Reporting team of Dr. Reddy's Laboratories. Each of the speakers wonderfully explained the selected accounting standards with relevant illustrations. On February 7, 2016 a students programme was organized on 'Design your destiny' at CMA Bhavan and Sri Raajh Shekhar, Soft Skills, Personal Effectiveness Trainer, Author & Life Coach was the speaker. On February 10, 2016 discussion on 'Draft Rules of National Company Law Tribunal (NCLT)' at CMA Bhavan had been conducted where speaker was CMA A C Gangaiah, Practising Chartered Accountant. On February 13, 2016 a half day seminar on 'Accounting & Regulations in Telecom Industry' was organized where Chief guest CMA K. Narasimha Murty, Director, ONGC speakers Sri Debasis Chatterji, CEO, Netxcell & CMA Rohit Kumar, Circle Business Controller, Aircel, Chennai enlightened the seminar. On February 27, 2016 a programme held on 'Overview and Transition to GST & Role

of CMA' where CMA Ashok B Nawal, Council Member & Chairman-Taxation Committee was the speaker. On February 28, 2016 a joint programme with ICSI, Hyderabad Chapter on 'Cost Accounting Provisions as per Companies Act, 2013' had been held and Speaker CS Datla Hanumantha Raju, Past President, ICSI & Practicing Company Secretary discussed the Cost Accounting provisions in the Act and also the amendments in the Act since the last one year.

On February 27, 2016 CXO Meet had been held with President of the Institute & Council Members and the meeting witnessed CMA CFOs expressing their thoughts about educating, training, and shaping the skill sets of young CMAs and students.On February 28, 2016, Members Meet was organized with President and Council, of the Institute & Council Members. Council members CMA Ashok Nawal, CMA Dr. P.V.S. Jagan Mohan Rao, CMA Biswaroop Basu interacted with the members and took their inputs. CMA Nawal focused on how various trainings for the betterment of students are being organized, including the campus recruitment drives.

WESTERN INDIA REGIONAL COUNCIL

Pune Chapter of Cost Accountants

The Chapter celebrated its golden jubilee from January 21, 2016 till January 24, 2016 on 'Together we make- Great India Greatest'. On January 22, 2016 celebrating the students day, Shri Kishor Desai, CMD, Kishor Pumps Pvt Ltd was the chief guest of the function and Air Marshall (Retd.) Bhushan Gokhale was the guest of honour. Shri. Kishor Desai advised the students to become entrepreneur and thereby generate employment as part of 'Make in India' and contribute to the society as much as possible. Air Marshall (Retd.) Bhushan Gokhale talked about the association of the defence and costing profession since World War II and explained how costing was the main aspect which guided while purchasing of new defence hardware. On January 23, 2016 in the inaugural session the Chief Guest was Dr Deepak Tilak (Grandson of Late Bal Gangadhar Tilak), Vice-Chancellor, Tilak Maharashtra University and Editor, Daily Kesari. Guest of Honour was Shri Pramod Chaudhari, Founder, Executive Chairman, Praj Industries Ltd. Dr Deepak Tilak spoke about the education sector and the challenges faced by the concern. Shri. Pramod Chaudhari talked about his association with cost accountants fraternity. Four technical sessions were organised. First Session was Stimulating Economy, Industry and Agriculture. The speakers for the session were Dr Vinayak Govilkar and Dr Pradeep Bawadekar. Dr Govilkar talked about the Indian Economy vis a vis World economy and Dr Pradeep Bawadekar spoke about the various initiatives taken by Govt to boost the Industry. Second Session was Advancing in Science, Technology and Environment. Speakers for the same were Dr Yogesh Gurjar, Dr Suresh Kulkarni and Mr Rahul Nawale. Third session was Social Harmony, Law, Justice and Equilibrium. Speakers for the session were Mrs Mukta Manohar and Mr Vivek Velankar. Mrs. Mukta Manohar is a renowned social worker and organiser of Pune Municipal Corporation Safai Karmachari Employee Union. She explained the disparity between the life of urban and rural population and the condition of safai karmacharis and how their life has been made miserable by the urban population. Mr Vivek Velankar is an RTI activist and is founder of Sajag Nagrik Manch, a consumer protection organisation. He explained how to deal with various agencies in resolving the service related issues. On the same day Lady Conventions was organised and Mrs Aruna Koulgud from Rambhau Mhalgi Pratishthan was the Chief Guest and CMA Ulka Kalaskar, CFO of Pune Municipal Corporation and CMA Jyoti Satish, RCM from SIRC, were the Guest of Honour for the same. Fourth Technical Session was based on Upgrading Security and Quality of Life. Speakers for the session were Mrs Sulakshana Mahajan, Dr L Ramkrishnan, and Justice Ambadas Joshi. Fourth technical session was followed by valedictory session. Shri Anand Deshpande Founder Chairman and Managing Director of Persistent systems Ltd. was the chief guest for the session. He spoke about the IT industry and latest developments like cloud computing etc and how they will make the life easy.

On January 26, 2016 the chapter celebrated the Republic Day and managing committee members, faculty, staff members and students attended the occasion. CMA Anant Dhavale, chairman of the chapter, the speaker urged the students to participate in chapter activities especially organized for the benefit of the students. CMA Neeraj Joshi, RCM, narrated about the Golden Jubilee celebration which recently took place and praised the staff and students for their whole hearted participation in the celebrations. CMA Amit Apte, council member discussed about the increasing share of the CMA profession as a service to the nation and economic growth of India. He also briefed the challenges in front of the profession.

Chief Guest of Inaugural ceremony of Golden Jubilee Dr Deepak Tilak, Vice-Chancellor of Tilak Maharashtra University lighting the lamp along with Guest of Honour Shri Pramod Chaudhari Founder , Executive Chairman Praj Industries Ltd and other dignitaries

Nasik Ojhar Chapter of Cost Accountants

The chapter in association with Nasik Chapter of WIRC of ICSI organized a Half Day Seminar on 'Union Budget - 2016' on March 6, 2016. CMA V.S Datey spoke on budget overview, Dr. Sanjay Bhargave and CMA Pradnya Chandorkar explained on service tax amendments, CMA R.K. Deodhar discussed on Central Excise, Dr. Shilpa Parkhi explained Income tax and Mr. Arun Sawant expressed views on Customs provisions.

Surat South Gujarat Chapter of Cost Accountants

On February 16, 2016 the Chapter with South Gujarat Productivity Council jointly organized a CEP on 'Mission – Make in India Efficiently' inaugurated by CA C. S. Jariwala, President of Southern Gujarat Chamber of Commerce and Industry and he shared his views on 'Make in India' in the programme. President of SGPC Mr. Arvind Kapadia also envisaged the role and significance of growth story. CMA Manubhai Desai, chairman of the chapter outlined the role of CMAs in 'Make in India'. The key note speaker of the seminar CMA Kenish Mehta addressed the topic by touching upon all the sectors of 'Make in India' where CMAs could contribute and would play a pivotal role in India's growth. On February 25, 2016 the chapter organized a Press Meet regarding result for December 2015 examination at its office and the result of the chapter was comparatively very encouraging all over WIRC.

Kolhapur Sangli Chapter of Cost Accountants

On February 7, 2016 a CEP had been organized on the theme 'On-line Cost Accounting Solutions for Industry-Particularly Sugar Industry' at its premises conducted by CMA D.D Jadhav, an experienced & senior member of the Institute. CMA B.N.Mule, treasurer of the chapter introduced the faculty and CMA A. A. Katyare, chairman of the chapter thanked the faculty and members present in the programme.

BENEVOLENT FUND
FOR THE MEMBERS OF THE INSTITUTE

Objective & Purpose

The objective for which the fund is established is to provide financial assistance for maintenance, education or any other similar purpose to necessitous persons.

Benefits

✯ Outright grant to the maximum extent of Rs. 1,00,000.00 in the event of critical illness.

✯ Outright grant to the maximum extent of Rs. 2,00,000.00 in the event of death.

✯ Financial assistance of prescribed amount repayable in prescribed manner in case of financial distress due to prolonged illness or temporary loss of employment, illness of spouse/dependent children of member of the Fund.

✯ Members of the Fund are covered by the group personal accident policy from New India Assurance Co. Ltd as per the MOU between the Institute and New India Assurance Co. Ltd.

Procedure

✯ By one time payment of Rs. 2500.00 to become life member.

Eligibility

✯ Members whose names continue to exist in the Registrar of Members of the Institute.

Contributions to MBF qualify for Sec. 80 G Exemption

For details : membership.sanjoy@icmai.in

Role of CMAs in GST in India

- **Consultant:**

The introduction of Goods and Services Tax (GST) would be a very significant step in the Indian arena of indirect tax reforms. By integrating a large number of Central and State taxes into a single tax, it would mitigate cascading or double taxation effect in a major way and pave the way for a common national market. CMA with his academic knowledge and professional expertise can play a crucial role as a consultant and a catalyst for due compliances of law relating to goods and services tax to the general business community and spread tax-literacy and GST awareness.

- **Business Advisory services:**

Managing a business in today's world is very complex and presents many confrontations to the corporate houses. CMAs are qualified, proficient and knowledgeable professionals, who can interpret the proposed GST law and may provide required guidance and advisory services to eradicate bottlenecks in finance, production, taxation, administration, supply chain management, etc.GST would require proper record keeping and accounting. Systematic records of credit of input/output service and its proper utilization is necessary for the success of GST. CMAs are well equipped to perform such tasks too.

- **GST - Procedural Compliances:**

The effective management of indirect taxes is crucial in today's global market place. Indirect taxes must be actively managed throughout the business if they are to work with the framed strategic agenda. Like present tax law, taxpayer would be required to do Registration, Return Filing, Tax Payment, Tax Assessment, etc. under the proposed GST law. A CMA is well equipped to assist the business entities in providing assistance towards GST Registration, Claiming tax credits, ensuring all the necessary legal compliances, procedural formalities and other administrative follow ups.

- **Representations under Dispute resolution post GST:**

  In GST regime, there could be various disparities between the Centre and the States on account of various issues with reference to cross-border transactions, issues arise in respect of levy and administering of Destination State's share of revenue, dealing with inter-state movement of goods and services. Hence, for the resolution of the various issues in GST regime, there is a need to have dispute settlement mechanism in order to have smooth flow of structure. CMAs are recognized to make representations before the Appellate Tribunals under the Indirect Taxation statutes in India. They would continue to represent even in post-implementation of GST for Dispute Resolution.

- **Systems Audit and systems development to be GST compliant:**

  A systems audit involves a detailed analysis and evaluation of a complete system, often the accounts payable or accounts receivable system. There would be a sea-change required in the ERP or Accounting systems established. Those systems are to be made GST-compliant. CMAs would be the facilitator to conduct the systems audit rigorously and guide in systems development.

- **Assisting Government towards Make-in-India Initiative:**

  Honarable Prime Minister of India, Shri Narendra Modi's dream policy is the "Make-in-India" project, which would enable India to become a global manufacturing hub. If implemented well, it will create job opportunities for the rapidly increasing jobless youth of the country. The current indirect tax regime is clearly one of the biggest hindrances which have adversely impacted the domestic manufacturing sector as well as flow of FDI: hence introduction of GST is important to assuage the situation. GST would reduce the cost of manufacturing both from a tax perspective as well as on compliance front. Assisting the government, both Central & State, for proper implementation of GST law across the country, CMAs can act as a medium to place amongst Tax Payers, the most important and powerful tax-resurgence engine to ensure and establish investor-friendly tax environment for ease of doing business in India thereby motivating Investors-Manufacturers to establish business in India to support and achieve the path-breaking goal of "MAKE-IN-INDIA". CMAs would facilitate both Tax Administrators and Tax Payers in transforming the paradigm shift from a Multi-Stage Taxation to a Uniform GST regime in India.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

GUIDELINES FOR MANDATORY TRAINING FOR ALL MEMBERS OF THE INSTITUTE UNDER CONTINUING EDUCATION PROGRAMME

(Amended with effect from 1st January, 2016)

1. INTRODUCTION

1.1 The Institute of Cost Accountants of India was set up under the Cost and Works Accountants Act, 1959, as amended to educate, impart training and develop the profession of Cost Accountancy. In the current changing dynamic economic scenario it is essential for Cost Accountants in practice and in employment to continuously update and equip themselves with the new skills and concepts to meet the challenges and render efficient service to trade, commerce, industry and the society at large. A profession cannot maintain the cutting edge unless its members regularly update their knowledge.

1.2 As advised by the Quality Review Board, recommended by the Members' Facilities & Services Committee and approved by the Council at its 291st Meeting held on 30th January, 2015, the Institute is pleased to announce revised CEP requirements for members in practice & industry vide Notification dated 12th February 2015. At least 50% of the CEP hours of the members should be in respect of the subjects pertaining to the topics of professional relevance for members as per **Schedule-I** of the said Guidelines.

1.3 In line with the recommendations of the International Federation of Accountants (IFAC) and feeling the need to have compulsory and continued training of the members of the Institute, the Council has made training mandatory for all members to ensure constant updating of knowledge and skills of members. The Council has framed the following guidelines covering the requirement of eligible training, awarding and recording of credit hours as well as features for considering programmes eligible to award credit hours.

1.4 The objective of Continuing Education Programme is to assist the members in widening their knowledge base and in improving their skills to be at the cutting edge of technology by providing training and expertise in critical areas.

2. KEY DEFINITIONS

2.1 **"Institute"** means the Institute of Cost Accountants of India.

2.2 **"Continuing Education Programme (CEP)"**–Programmes of the Institute specifically designed to cater to specific learning activity imposing continuing education requirements on members intended to expand their knowledge base and stay up-to-date on new developments.

2.3 **"Approved CEP Programmes"** means programmes organized by the Institute including programmes of the Regional Councils and Chapters, approved Study Circles, or any entity recognized by the Council from time to time for this purpose, National Cost Conventions, Regional Cost Conventions, participative certificate programme of ICAI, Seminars or Conferences organized jointly with other professional bodies and Chambers of Commerce that are approved by the CEP Directorate for granting CEP Credit Hours.

2.4 **"Year"** for the purpose of these guidelines shall mean the period commencing from 1st day of April and ending on 31st of March.

2.5 **"Continuing Education Programme Directorate (CEP Directorate)"** means the directorate of the Institute set up for overseeing the academic, technical and administrative functions of CEP programmes.

2.6 **"Continuing Education Programme Committee (CEP Committee)"** means a committee of the Council of the Institute entrusted with the task of setting strategic directions and overseeing CEP activities.

2.7 **"CEP Credit Hours"**means credit hours awarded to the member for participating in any approved CEP Programme.

2.8 **"Permanent Disability"** means a person suffering from not less than 40% of any disability as certified by a medical authority.

3. AUTHORISATION AND REGULATION

3.1 In terms with the powers vested with the Council of the Institute under the Cost and Works Accountants Act, 1959 and the Regulations framed thereunder, the Council of the Institute is empowered to frame rules and guidelines for the maintenance of the status and standard of professional qualifications of the members of the Institute.

3.2 Compliance with these guidelines is mandatory for the members in practice below the age of 65 years and recommendatory for other members.

3.3 In case of any queries concerning these guidelines, the clarifications and interpretations of issued by the CEP Directorate shall be final.

4. EFFECTIVE DATE

4.1 These guidelines are effective from 1st January 2016.

5. APPLICABILITY OF GUIDELINES

5.1 The requirement of CEP Credit Hours is divided in various categories and need to be met by the members as prescribed in **Annexure A.**

5.2 All members of the Institute are required to meet the CEP requirement(s) as specified by the Council from time to time subject to the category **exempted** as below:

(i) A member who has attained the age of 65 years.

(ii) For the first year for a member who is admitted to the membership of the Institute. A year in this context is to be considered as the period from April 1 to March 31.

(iii) A member who is having permanent disability and members who have been handicapped due to an accident/ sickness for a prolonged period may be exempted from fulfilling the requirement of CEP Hours on submission of valid documents in support of the same.

(iv) A member who is resident outside India.

(v) In case of members residing outside India for a period of not less than 6 months may be exempted from the requirement for the particular year on submission of valid documents in support of the same. However, no such exemption/relaxation is available to a member who has obtained membership of the Institute in accordance with the MOU entered into between the Institute and any other foreign Institute and such member would be considered to have earned Credit Hours if the member has fulfilled the Credit Hour requirement of that foreign Institute.

(vi) The CEP Committee may in their absolute discretion grant full/partial exemption specifically or generally to a member or a class of members based on facts and circumstances on a case to case basis.

6. BASIS OF AWARDING CEP CREDIT HOURS

A member is awarded the credit of CEP Hours by the CEP Committee on the basis of the learning activities undertaken during the year. To undergo the mandatory training, the CEP Committee has specified various learning activity options for a member which may be attended by the members. These are:

i. Attending an approved CEP Programme.

ii. Attending an approved Webinar conducted by the Institute for members. Mere registration for Webinar will not be sufficient to earn the credit hours and the members must attend the full session.

iii. The in-house trainings imparted by an organization, having a turnover of Rs.100 Crores or above per annum, to their employees subject to the condition that the training programme should be on a subject of professional relevance and provided the organization seek prior approval by the CEP Directorate. The organization would be required to submit the attendance records of the members attending the programme to the CEP Directorate.

iv. Members attending CEP programmes of the Institute of Company Secretaries of India under the reciprocal arrangement between the Institute and ICSI.

v. Any other activity as specified in Annexure B.

The basis of awarding CEP Credit Hours for attending the aforesaid programmes in para 6 would be guided by the conditions prescribed in **Annexure B.**

7. Monitoring and Review of CEP activities

The CEP Directorate under the supervision and guidance of the CEP Committee will monitor and review the programmes conducted by the various regions, chapters, and study circles from time to time.

Mechanism to be followed by the organizer of the CEP Programme:

i. Seek prior approval from CEP Directorate for holding the programme on topics of professional relevance and importance **as per the Schedule-I**.

ii. Submit online details of the programme to the CEP Directorate at least 5 days prior to the scheduled date of the programme. Detail of online submission mechanism is available with the CEP Directorate.

iii. Maintain attendance records of the programme in the manner as stipulated by the CEP Directorate from time to time.

iv. Submit the attendance records to the CEP Directorate within 3 working days of the programme to upload the CEP Credit Hours in the portal.

v. In case of any missed attendance, CEP Credit Hours of a member can be claimed within 90 days from the date of programme.

8. POWER TO MODIFY GUIDELINES

The Council of the Institute on the basis of recommendation of the CEP Committee can modify these guidelines at any time to meet the requirements of CEP.

9. OBLIGATIONS OF THE MEMBERS

9.1 Compliance with the said guidelines is mandatory for the Members of the Institute of Cost Accountants of India read with Clause 5. Members can view the status of CEP Credit Hours awarded during the year on the Institute's website in Members' Section.

9.2 The Institute shall maintain the record of attendance of members at approved CEP Programmes. However, members should also maintain a personal record of compliance with the requirements of Credit Hours as also for undertaking other CEP Learning activities for which CEP Hours are granted and produce the same for verification.

9.3 Members holding Certificate of Practice are required to confirm that they have secured the minimum annual CEP Credit Hours at the time of renewal of membership and certificate of practice.

10. ACTION AGAINST NON-COMPLYING MEMBERS

The Certificate of Practice of members who fail to comply with the requirements of these guidelines shall not be renewed as provided in Regulation 10(1) of the Cost and Works Accountants Regulations, 1959 (as amended).

Annexure A

Applicability and CEP Credit Hours requirement

Para 5 of the Guidelines

The new block is effective from 1.4.2015 and supersedes the earlier block.

Effective April 1, 2015, the requirement of CEP Credit Hours are as below subject to exemptions under para 5 of the guidelines.

CEP Credit Hours requirements for the block of three (3) years starting effective April 1, 2015 to March 31, 2018, to be complied with by different categories of members.

Members holding Certificate of Practice

Below the age of 65 years: The member should undergo minimum mandatory training of 15 hours per year and 50 hours in a block of 3 years.

Holding Certificate of Practice for part of the year:

A member holding Certificate of Practice is exempt from the CEP requirement for the first year or part of the year.

Members not holding Certificate of Practice

It is recommended that a member should undergo minimum training of 7 hours per year and 25 hours in a block of 3 years.

Note:

- No carry forward is allowed for excess Credit Hours from block of three years to the next block of three years.

The Institute of Cost Accountants of India
12,Sudder Street, Kolkata – 700 016.

Annexure B

The Basis of awarding CEP Credit Hours

Approved CEP Programmes:

Duration of the approved CEP Programme	Credit Hours
Less than 1 hour	Nil
I hour and more and upto 2 hours	1
More than 2 hours and upto 4 hours in a single day	2
Beyond 4 hours in a single day	4
Programme spanning 1 and half day	6
Programmes spanning 2 days	8
Programme spanning beyond 2 days (minimum 6 hours per day)	10

Note:

- No credit hours will be given to a participant who attends a programme partially.

Approved CEP Webinars/(E-Learning):

Duration of the approved CEP Webinar	Credit Hours
Less than 1 hour	Nil
I hour and more and upto 2 hours	1
More than 2 hours and upto 4 hours in a single day	2
Beyond 4 hours in a single day	4

Note:

- No credit hours will be given to a participant who attends a Webinar partially.

Other Eligible Learning Activities and CEP Credit Hours:

Sl.No.	Learning Activities	CEP Credit Hours
1.	**Acting as a Speaker or Discussion Leader** A member who is acting as a visiting faculty/guest faculty in a programme or seminar offered by any UGC recognized University/AICTE approved Institution/Management Institutions/Institutions of National Importance. ***Members are not eligible for CEP Credit Hours for acting as a faculty in Oral Tuition Classes for students.***	Equivalent to the basis of the CEP Credit hours for the approved CEP Programme or Webinars/E-learning.
2.	**Technical Materials Submitted for Publication** A member whose Technical articles, monographs, or books are published is eligible for CEP credit hours subject to the condition that the publication is accorded International Standard Serial Number (ISSN)/ International Standard Book Number (ISBN). For joint authorship, the hours will be equally divided.	6 hours each
3.	**Books and Monographs** For the first time of publication. *(Note: The Institute will assign specific CEP hours on receipt of a copy of the publication)* For joint authorship, the hours will be equally divided.	10 hours for each publication
4.	**Articles Published in Management Accountant** A member whose article is published in 'Management Accountant'. For joint authorship, the hours will be equally divided.	4 hours
5.	**Diploma Courses/Certificate Courses** On successful completion of Diploma Courses/Certificate Courses (including e-Learning) as	Equivalent to the basis of the CEP Credit hours for the approved CEP Programme or Webinars/E-

Sl.No.	Learning Activities	CEP Credit Hours
	monitored by the Institute and its Central Committees.	learning.
6.	**Participation in Meetings**	
6.1	Members who participated in Meetings of the Council Committees/Technical Committees of the Institute/Task Force/Technical Discussions in the Council/Study Groups.	Equivalent to the basis of the CEP Credit hours for the approved CEP Programme. (Subject to a minimum meeting duration of one hour).
6.2	Attending meetings/Seminars/workshops by SAFA/CAPA/IFAC or any other International bodies where the Institute is a member.	
7.1	**Courses/ Programmes by Foreign Institutes**	
	A member who has obtained membership of the Institute in accordance with the MOU entered into between the Institute and any other foreign Institute.	It would be considered to have earned Credit Hours if the member has fulfilled the Credit Hour requirement of that foreign Institute.

Note: The CEP Credit will be given to the member only after submission of authenticated proof in this regard to the CEP Directorate.

Schedule-I

List of Topics of Professional Relevance

(i) Role of CMAs in Risk Management

(ii) Forensic Accounting

(iii) Direct Tax Code

(iv) Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2001

(v) VAT

(vi) Role of CMAs in Health sector

(vii) Role of CMAs in Education sector

(viii) Role of CMAs in Internal Audit

(ix) Role of CMAs in Banking sector

(x) Role of CMAs in Insurance sector

(xi) Role of CMAs in Capital Markets

(xii) Role of Independent Directors, Board members

(xiii) Valuation of assets - Role of CMAs

(xiv) Cost Audit

(xv) Direct Taxation

(xvi) Indirect Taxation

(xvii) Corporate Laws

The above list is illustrative only and not an exhaustive one.

The Institute of Cost Accountants of India
12,Sudder Street, Kolkata – 700 016.

GUIDELINES FOR CEP STUDY CIRCLES FOR THE MEMBERS OF THE INSTITUTE OF COST ACCOUNTANTS OF INDIA w.e.f. 1st January, 2016

Specific Norms for members in Industry on the formation and functioning of CEP Study Circles within India

1.0 Context

1.1 These Guidelines are issued for the formation of Study Circles, which will carry out functions as specified in this document in order to further the objectives of the Continuing Education Programme Committee of the Institute.

1.2 In view of the mandatory CEP credit hours requirements for members of the Institute as laid down by the Council of the Institute of Cost Accountants of India, it has been thought prudent to create another level of Programme Organising Units (POUs) to facilitate the members in complying with the said requirements.

1.3 These guidelines shall supersede earlier guidelines issued by the Institute on the subject.

2.0 Definition of a CEP Study Circle

2.1 A Study Circle is a forum of members of the Institute of Cost Accountants of India who reside/serve in a particular geographical locality and who constitute themselves as such for the purpose of carrying out the objectives which are given hereinafter.

(i) Study circle within the group of same organization.

(ii) Study circle comprise of participants of same location.

2.2 The constitution, formation and functioning of a CEP Study Circle are subject to the rules as given in these Norms.

3.0 Objectives of a CEP Study Circle

3.1 To provide CEP learning activities to the members of the Institute

3.2 To foster and develop professional fellowship, and exchange professional knowledge amongst the members of the Institute of Cost Accountants of India residing/ serving in a particular locality

4.0 Rules governing Constitution and Formation

4.1 The CEP COMMITTEE of the lCAl is empowered to approve, supervise, support and regulate the functioning of these CEP Study Circles

4.2 Subject to the provisos under Para 2.0 above, CEP Study Circles for members may be formed by minimum 20and maximum 150 members. The Study Circles formed prior to the effective date of these amended guidelines should increase their minimum no. of members to 20 within six months from the effective date of the guidelines and submit the details in the prescribed format.

4.3 CEP COMMITTEE is empowered to reduce the minimum number of members required to form these study circles with due justification.

4.4 Application for the formation of CEP Study Circles for members is to be made to the CEP Committee of ICAI following the rules given below:

(i)In prescribed format as laid down in the **Annexure** 'A' to these Norms through the chapter to the concerned Regional Office of the ICAI within whose geographical jurisdiction the proposed CEP Study Circle falls. In case there is no Chapter then application will be route through Regional Council.

(ii)If CEP COMMITTEE wishes to reject the application, may deny permission for the formation of a CEP Study Circle for members. Such refusal of application will have to be recorded within 30 days of the receipt of the application and intimated to the applicants.

4.5 The number of Study Circles allowed to be formed in a particular city/town where Headquarter/Regional Council/Chapter is situated should not exceed the number, which is arrived by dividing the total number of members in that particular city/town by 250.

4.6 A member of the Institute can become member of only one CEP Study Circle.

5.0 Rules for naming the CEP Study Circles

(i) The Study Circle so formed shall be called (name of the locality/industry etc.) CEP Study Circle for Members of The Institute of Cost Accountants of India (as the case may be).

(ii) The name of a CEP Study Circle should not be the same or similar to that of an existing CEP Study Circle. Name of a CEP Study Circle proposed should reflect its location/Industry only. The CEP Committee has the right to accept or to reject any name that has been proposed by the applicants of a CEP Study Circle.

(iii) The name of the Study Circle so formed should not be on the name of any Company/Organization and also should not reflect the names of the same.

6.0 Registration of CEP Study Circles in the CEP Database

6.1 The CEP COMMITTEE on approving the formation of the proposed CEP Study Circle would update its records and register the newly formed CEP Study Circle on the CEP Portal.

6.2 Once the CEP Study Circle is registered on the CEP Portal, the study circle may seek approval for its programmes through the CEP portal. The approval of the programmes of the CEP Study Circles would be given on the CEP Portal by CEP Committee and a copy of the said approval would also be forwarded to CEP COMMITTEE.

7.0 Rules for Functioning of CEP Study Circles

7.1 The CEP Study Circles shall not have their own rules and bye-laws and should not be registered under any other Act.

7.2 The CEP Study Circles shall not acquire any capital assets except one computer, one printer and related accessories.

7.3 Study Circles shall work under the guidance, supervision and control of the CEP COMMITTEE or any other organ of the Institute which it may develop for this purpose.

7.4 Study Circles are allowed to hold a-maximum of 12 CEP hours of programmes during a month. Within this limitation, they may conduct their learning activities subject to a maximum of 4 CEP credit hours per day and programme should not be continued beyond one day at a time.

7.5 CEP Study Circles should only invite academicians and subject experts as dignitaries for the inauguration / valedictory functions, if any for their CEP programmes.

7.6 The date, topic, venue and faculty for CEP Study Circle programmes have to be informed to the CEP Directorate to seek permission for the programme as per the clause no.7 of Guidelines for all members of the Institute under Continuing Education Programme (clause relating to Monitoring and Review of CEP activities).

7.7 CEP Study Circles shall not use the logo of the Institute on their letterhead or on any of their official stationery.Furthermore the official stationery of the CEP Study Circles should only contain the name of the Convener/Dy. Convener along with their postal address & other contact details like e-mail id, phone nos. etc. for correspondence without mentioning the names of organisations in which they serve. The names of the Past Conveners and other office bearers should not be mentioned on the official stationery of the CEP Study Circles.

7.8 CEP Study Circle cannot conduct any diploma/certificate course.

7.9 CEP Study Circles are not permitted to publish any newsletters of their own.

7.10 **Administration**

7.10.1 CEP Study Circles are mandatory to elect every year a Convener and a Deputy Convener to look after the day-to-day affairs/activities of the CEP Study Circles as well as, maintaining proper accounts of the CEP Study Circle. A person can serve as Convener/ Dy. Convener of a CEP Study Circle for a maximum of two terms of one year each.

7.10.2 Conveners and Deputy Conveners are not permitted to get their visiting cards printed, which contain the details of their association with their CEP Study Circle.

7.10.3 One member can become the Convener or Deputy Convener of only one CEP Study Circle at a time.

7.10.4 The Conveners are responsible for conducting at least one programme per month for the members of the CEP Study Circles to discuss various matters of topical interest, at such predetermined place as may be convenient to members.

7.10.5 The conveners should send copies of the notices convening the programmes and report of such CEP learning programmes including the membership number and names of the members who had attended such programmes to the CEP Directorate within three days of organizing such programmes.

7.10.6 A Convener and a Deputy Convener of any Study Circle cannot hold a position of an office bearer of the Central Council/Regional Council/Chapter of the Institute.

7.10.7 The Study Circles shall organise/ conduct programmes/ meetings/ seminar/ workshop within 3 km radius of its registered office.

7.10.8 CEP study circle shall not conduct any CEP programme/activity coinciding with the programme /activity of their respective Regional Council/Chapter. However, the respective Regional Council/Chapter may permit programme /activity by such CEP study circle coinciding with their programmes, if they feel it appropriate.

7.10.9 Code of Conduct as applicable in the Institute's Election and such other notifications/directives issued by the Institute in this regard from time to time shall be applicable to the Study Circles and it is the responsibility of the concerned Regional /Chapter to disseminate this information for necessary compliance by the Study Circle.

7.11 Accounts

7.11.1 CEP Study Circles are authorized to open Bank Accounts in the names of the respective Study Circles and Conveners and Deputy Conveners are authorized to operate the accounts jointly.

7.11.2 Every CEP Study Circle should maintain annual accounts and submit annually to the members of the Study Circle within one month from the end of the fiscal year.

7.11.3 Conveners of CEP Study Circles may collect a reasonable amount per member to defray the cost of holding learning activities and other incidental charges.

7.11.4 The cost of learning activities would include rent for the venue for organizing CEP programmes, refreshments/lunch/dinner for the participants, traveling cost of faculties, memento to the faculties, printing and postage for circulating the invitation for the programme to the members and printing of the background material only.

7.11.5 The responsibility for ensuring financial propriety in the financial management of the Study Circle, for production of proper audited accounts, whenever required by the CEP COMMITTEE or any other authorized organ of the Institute shall be that of the Convener and Deputy Convener.

7.11.6 The CEP study Circles are not entitled for any grant or financial assistance/sponsorship from the Institute of Cost Accountants of India and/or by the Regional Council/Chapters/by a Charity or any other Institutions. However, Study Circles which are being formed under the category of corporate are to be sponsored only by the concerned Corporate and its associated companies/institutions and not by any other companies/institutions not connected with the concerned corporate.

7.11.7 It should be the endeavor of the conveners to conduct the CEP Programmes on cost competitive and self-financing basis.

7.11.8 Surplus funds of CEP Study Circles at the end of every financial year should be immediately committed for subsidizing future programmes to be conducted by CEP Study Circle. The surplus funds at the end of each financial year must be utilized within one year from the end of that financial year for the benefit of the members. A report and the plan by the CEP Study Circle should be submitted to the CEP COMMITTEE. In case the amount remains unspent, the same shall be transferred to the Cost Accountant Benevolent Fund of the ICAI through CEP COMMITTEE.

7.11.9 The Study Circle shall not be allowed to offer Corporate Membership Scheme or such other schemes to the members.

7.12 Joint Programmes

Two or more Study Circles may jointly organize a programme or a Study Circle may organize together.

7.13 Monitoring of Programmes conducted by CEP Study Circles

CEP COMMITTEE or any other organ designated/developed by the CEP COMMITTEE for this purpose has the power of monitoring the programmes conducted by CEP Study Circles. Such monitoring is to be done in terms of the Advisory issued by the CEP COMMITTEE from time to time in these regards.

7.14 Incidental and Related Matters

7.14.1 There should be no restriction whatsoever placed by the Study Circles on any member of the Institute intending to become a member of a particular Study Circle.

7.14.2 CEP COMMITTEE has the responsibility of publicizing the programmes intended to be conducted by the Study Circles.

7.14.3 For the purpose of information to the general membership, the Continuing Education Committee will maintain a Billboard in the CEP Portal of the Institute where Study Circles may host such information, which they deem to be of general and professional interest.

The Committee shall monitor the content of the billboard.

7.14.4 Enrolment to the programmes, organized by a particular Study Circle where CEP credit is desired should be open to the members of that Study Circles as well as other members of the Institute including those who are not members of that study circle. Reasonable fees for such enrolment may be charged for enrolling such non-Study Circle members for such a programme.

8.0 Dissolution of CEP Study Circles

8.1 The CEP COMMITTEE has the powers to derecognize a CEP Study Circle in the following cases:

8.1.1 **If** the CEP Study Circle is not functioning in accordance with the norms and other decision(s) of the CEP COMMITTEE or the Central Council of the Institute.

8.1.2 **If** the CEP Study Circle is found to be working against the interest/policies of the Institute

9.0 Residual Matters

9.1 In the event of lack of clarity in any matter in the formation of Study Circles or their administration, application should be made to the CEP COMMITTEE, which is entrusted with the responsibility for providing such clarification.

9.2 The Chairman of CEP COMMITTEE acting in consultation with the President of the Institute shall have absolute discretion to decide and intervene in matters concerning Programmes organized by a Study Circle, whether conducted by itself or jointly with any other body as permitted under these Guidelines, and also to

9.2.1 Prescribe such additional conditions in regard to the conduct, monitoring, content, faculty etc. for any such programme and to grant CEP credit hours to such programme conditional upon compliance with any such conditions as may be prescribed, and

9.2.2 Refuse CEP Credit Hours to any such programme if in their view the grant of such CEP Credit hours is not in the overall interest of the Institute, its Programme Organizing Units, the members or for some other reason not in consonance with the policy or objectives of the CEP Committee as laid down from time to time.

9.3 The CEP COMMITTEE, through its administrative arm, is authorized by the Council of the Institute to intervene in any matter so as to either remove hardship or to ensure compliance with the above norms.

The Institute of Cost Accountants of India
12,Sudder Street, Kolkata – 700 016.

Annexure A

Format of Application for seeking approval of the CEP COMMITTEE for forming a Study Circle by Members of ICAI

Date:

THE CHAIRMAN
CONTINUING EDUCATION PROGRAMME COMMITTEE
THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
[Statutory body under an Act of Parliament]
'CMA Bhawan',
3 Institutional Area,
Lodi Road, New Delhi.

Through the Chairman of the Regions/Chapter office of the ICAI under which the location of the proposed StudyCircle falls

Dear Sir/Madam,

Sub: Formation of Study Circle for Members

We, on behalf of the members of the Institute of Cost Accountants of India from ....(name of the locality), whose details are given below, desire to form a Study Circle for Members under the name .... .We have read the Norms framed in this respect by the Institute and we shall abide by the same. Mr./Mrs. .... and Mr./Mrs. .... have expressed their consent to be the first convener and first deputy convener of the Study Circle.

We shall be pleased if the approval is granted at the earliest.

Thanking you,

Yours Faithfully,

(Convener)
(Deputy Convener)
Signatures with Name and Membership Number (Name* of *the*
0rganisation, Designation, Address of *Organisation for the members in Industry)*
Email id, Mobile No. and Landline No.
Not less than twenty *members* of *the proposed Study Circle*

The Institute of Cost Accountants of India
12,Sudder Street, Kolkata – 700 016.

**Signatures* of *the members to be verified by the Membership Department* of *the Institute.*

Note: The details of each signatory members, *(With Name, Membership Number, COP Status (whether holding or not), Name* of *the Organization, Designation, Address* of *Organization, Professional Address, Residential Address, Email ID &Mobile No.) may be given in Columnar Sheet for all Members.*

Annexure B

Format of Letterhead of the CEP Study Circle for the Members:

--------------------CEP Study Circle for the Members of the ICAI
Approval reference no. of CEP COMMITTEE of ICAI
The name of the Convener and Dy. Convener
Postal address
e-mail id,
Phone nos.
Fax nos.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)

EXAMINATION TIME TABLE & PROGRAMME –JUNE 2016

	PROGRAMME FOR SYLLABUS 2012	
Day, Date & Time	**Intermediate 9.30 A.M. to 12.30 P.M.**	**Final 2.00 P.M. to 5.00 P.M.**
Saturday, 11th June, 2016	Financial Accounting	Corporate Laws and Compliance
Sunday, 12th June, 2016	Laws, Ethics and Governance	Advanced Financial Management
Monday, 13th June, 2016	Direct Taxation	Business Strategy & Strategic Cost Management
Tuesday 14th June, 2016	Cost Accounting & Financial Management	Tax Management & Practice
Wednesday, 15th June, 2016	Operation Management and Information Systems	Strategic Performance Management
Thursday, 16th June, 2016	Cost & Management Accountancy	Corporate Financial Reporting
Friday, 17th June, 2016	Indirect Taxation	Cost & Management Audit
Saturday, 18th June, 2016	Company Accounts and Audit	Financial Analysis & Business Valuation

EXAMINATION FEES

Group (s)		Final Examination	Intermediate Examination
One Group	(Inland Centres) (Overseas Centres)	₹1400/- US $ 100	₹1200/- US $ 90
Two Groups	(Inland Centres) (Overseas Centres)	₹2800/- US $ 100	₹2400/- US $ 90

1. **Application Forms for Intermediate and Final Examination has to be filled up through online as well as in offline modes. The examination application form can also be downloaded from the Institute website www.icmai.in and the student may apply in offline mode by attaching demand draft of requisite examination fees. In case of overseas candidates, forms are available at Institute's Headquarters only on payment of $ 10 per form. Online fees will be accepted through online mode (including Pay-fee Module of IDBI Bank).**
2. **STUDENTS OPTING FOR OVERSEAS CENTRES HAVE TO APPLY OFFLINE AND SEND DD ALONGWITH THE FORM.**
3. **(a) Students can login to the website www.icmai.in and apply online through payment gateway by using Credit/Debit card or Net banking.**
   (b) Students can also pay their requisite fee through pay-fee module of IDBI Bank.
4. **Last date for receipt of Examination Application Forms without late fees is 31st March, 2016 and with late fees of Rs. 300/- is 10th April, 2016. In case of online Examination Application with payment gateway by using Credit/Debit Card or Net banking, the late fees of Rs.300/- will be waived.**
5. **The Finance Act 2015 will be applicable for the Subjects Direct Taxation, Indirect Taxation and Tax Management & Practice under Syllabus 2012 for the purpose of June 2016 term of Examination.**
6. **The Companies (Cost Records & Audit) Rules 2014 will be applicable for Paper 10 - Cost & Management Accountancy (Intermediate) and Paper 19 - Cost and Management Audit (Final) for June 2016 term.**
7. **The provisions of the Companies Act 2013 will be applicable for Paper 6 - Law, ethics and Governance (Intermediate) and Paper 13 - Corporate Laws and Compliance (Final) to the extent notified by the Government at least six months prior to the date of the examination.**
8. **If a student obtains at least 60 per cent marks in any paper, the benefit of carry forward/exemption is allowed for the immediately successive three terms of Examination only.**
9. **Examination Centres: Adipur-Kachchh(Gujarat), Agartala, Agra, Ahmedabad, Akurdi, Allahabad, Asansol, Aurangabad, Bangalore, Baroda, Berhampur(Ganjam), Bhilai, Bhilwara, Bhopal, Bewar City(Rajasthan), Bhubaneswar, Bilaspur, Bokaro, Calicut, Chandigarh, Chennai, Coimbatore, Cuttack, Dehradun, Delhi, Dhanbad, Durgapur, Ernakulam,Erode, Faridabad, Ghaziabad,Guntur, Guwahati, Haridwar,Hazaribagh, Howrah, Hyderabad, Indore, Jaipur, Jabalpur, Jalandhar, Jammu, Jamshedpur, Jodhpur, Kalyan, Kannur, Kanpur, Kolhapur, Kolkata, Kota, Kottayam, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Naihati, Nasik, Nellore, Neyveli, Noida, Palakkad, Panaji (Goa), Patiala, Patna, Pondicherry,Port Blair, Pune, Raipur ,Rajahmundry, Ranchi, Rourkela, Salem, Sambalpur, Shillong, Siliguri, Solapur, Srinagar, Surat, Thrissur, Tiruchirapalli,Tirunelveli, Trivandrum, Udaipur, Vapi, Vashi, Vellore, Vijayawada, Vindhyanagar, Waltair and Overseas Centres at Bahrain, Dubai and Muscat.**
10. **A candidate who is fulfilling all conditions specified for appearing in examination will only be allowed to appear for examination.**
11. **Probable date of publication of result: Inter & Final – 23rd August, 2016.**

*** For any examination related query, please contact exam.helpdesk@icmai.in**

A. Das
Director (Examination)

A Brief Report on FDP for Professionals and Academicians On

Business and Financial Market Analysis

One-Week Faculty Development Programme (FDP) for Professionals and Academicians on "Business and Financial Market Analysis" held during 22nd – 28th , February 2016 at EIRC Auditorium, Kolkata, jointly organised by Directorate of Research & Journal, ICAI and University of Calcutta-Calcutta Stock Exchange- Centre for Excellence in Financial Markets (CUCSE-CEFM).

Business analysis is a research discipline of identifying business needs and determining solutions to business problems. Financial Market Analysis deals with the performance of particular financial markets. Business research has become a systematic enquiry with relevant data and information to solve managerial and organizational problems. Hence the need for research methodology training for students, faculty, managers and professionals has become a necessity in business and organization research that requires scientific approach to decision making. The major focus of the FDP is on upgrading the teaching, training, and research skills- especially those who have not had an opportunity to acquaint themselves with recent developments in research methods.

We were privileged to have more than thirty eminent delegates from different Universities & Colleges as well as professionals and resource persons from Industries and Academics. Mr. B Madhav Reddy, President, CSE Ltd being the Chief Guest of the Inaugural session, shared his thoughts on the topic and discussed in details about the outcomes and the utility of the FDP programme. The inaugural session was chaired by Prof. Rajib Dasgupta, Head, Department of Commerce, University of Calcutta, he highlighted the need of FDP programme and discussed in detail about the gap of research on value addition. CMA Avijit Goswami, Chairman,Research, Journal & IT Committee, ICAI, also shared his opinions on ICAI's role in research and developments in India. CMA S.P.Padhi, Chairman, EIRC of ICAI also highlighted the role & responsibilities of the researcher for economic developments and poverty eradications. The welcome address was given by CMA Dr. Debaprosanna Nandy, Director Research & Journal of the Institute.

The topics of discussion in various research areas and methods were - Application of Quantitative Analysis for Business and Financial Data, Business Research Issues, practical training on Capitaline Software, Equity Analysis & Valuation Techniques , Rank analysis, Scatter plot analysis, Convergence-Divergence analysis, Cluster analysis with reference to performance of major manufacturing industry groups in India, Multivariate Analysis with real examples , Time Series Data Analysis tools and techniques along with practical training with EViews Software , different research areas on SMEs and its impacts, technical analysts prepare his strategy by applying different tools and methods, i.e. chart, graph etc., Fundamental Analysis and Sector Analysis, Factor Analysis by using SPSS, Thomas Piketty and Capital in the 21st Century.

Finally the valedictory session has taken by another legend dignitary CMA Prof.Bhabatosh Banerjee. The Valedictory Session was chaired by CMA Manas Kumar Thakur, Vice-President, ICAI and shared his understanding in this regards. CMA Pranab Kumar Chakraborty, Secretary, EIRC of ICAI was present as guest of honour. The FDP ended with the summing up and vote of thanks by Prof. Ashish Kumar Sana, Director, CUCSE-CEFM.

The Institute of Cost Accountants of India

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www.icmai.in

Research Bulletin, Vol. 42, No. II (ISSN 2230 9241)

Call for Research Papers/Articles

We invite you to contribute research paper/ article for "Research Bulletin", a peer-reviewed Quarterly Journal of The Institute of Cost Accountants of India. The aim of this bulletin is to share innovative achievements and practical experiences from diverse domains of management, from researchers, practitioners, academicians and professionals. This bulletin is dedicated to publish high quality research papers providing meaningful insights into the management content both in Indian as well as global context.

Research Bulletin is now a Quarterly Publication of the Institute. The next issue will be published in July, 2016.

Guidelines to submit full Paper

- *Soft Copy of the full paper should be submitted in double space, 12 font size, Times New Roman, keeping a margin of 1 inch in four sides, MS Word (.doc) format.*
- *Each paper should be preferably within 5000 words including all.*
- *An abstract of not more than 150 words should be attached.*
- *The cover page should contain the title of the paper, author's name, designation, official address, contact phone numbers, e-mail address.*

Papers are invited on the following topics, but not limited to:

- *Corporate Governance*
- *Financial Inclusion and Poverty Alleviation*
- *Organizational Emergence: Business Start-Up Issues*
- *Strategic Planning in New Ventures and Young SMEs*
- *Supply Chain Management: Integration and Globalization in the Age of e-Business*
- *NPA Management*
- *Human Resource Management*
- *Decision models related to contemporary issues in management*
- *Boosting agricultural productivity through credit flow: Role of retail and commercial banks*
- *GST in India*

Papers must be received within 5th June, 2016 in the following email id:
research.bulletin@icmai.in

Registered KOL RMS/139/2016-18
Publication date: 10 April 2016 RNI 12032/66

WHY CMA?

Add value to your CAREER after 10+2

The Institute of Cost Accountants of India is a premier professional Institute and a statutory body constituted under an Act of Parliament to regulate and develop the profession of cost and management accountancy in the country.

LARGEST COST & MANAGEMENT ACCOUNTING BODY IN ASIA

Freedom To Pursue

- The CMA Course can be pursued by students during their **10+2 studies**
- An excellent **opportunity** to study CMA Course while studying **regular Degree course.**
- Can be Pursued along with other **full time studies.**
- Can be pursued from **anywhere** in India and even **aboard.**
- **Option for Coaching** through experienced faculties at four Regional Council and Chapters across the Country.
- Option to **write** the examination in **Hindi** medium.
- An excellent **record of campus placement** in renowned **Private** and **Public** Sector Companies for qualified CMAs.
- Admission open throughout the year.
- Quality education at an **affordable** cost with **free** study material.

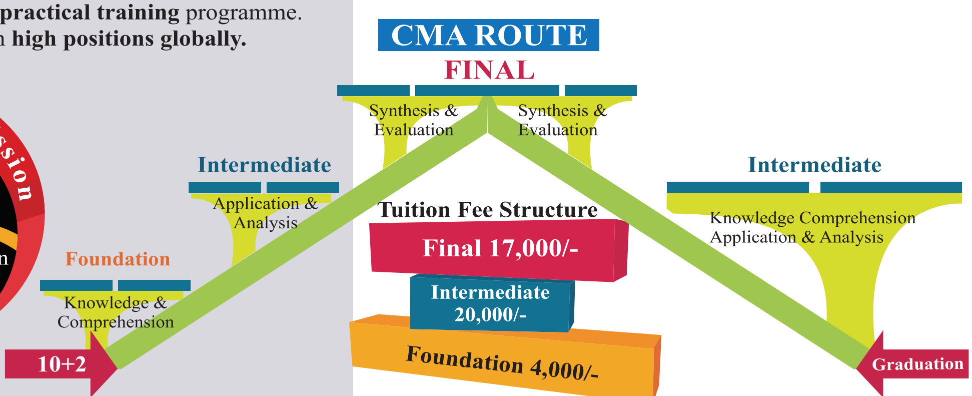
Cultivating and Enhancing Skills of Success

- Course designed to meet **Industry requirements.**
- **Hands on** Computer and Soft skills training.
- **Industry oriented practical training** programme.
- CMAs are placed in **high positions globally.**

Last date for Admission

June Examination
31st January

December Examination
31st July



Toll Free: 1800 110 910 Behind every successful business decision, there is always a CMA website: www.icmai.in