THE JOURNAL FOR CMAs

THE MANAGEMENT ACCOUNTANT

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MUNICIPALITY PANCHAYATI RAJ AND RURAL DEVELOPMENT

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory body under an Act of Parliament)

www.icmai.in

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)

EXAMINATION TIME TABLE & PROGRAMME – JUNE- 2017

FOUNDATION COURSE EXAMINATION

Day & Date	Foundation Course Examination Syllabus-2012 Time 2.00 p.m. to 5.00 p.m.	Foundation Course Examination Syllabus-2016 Time 2.00 p.m. to 5.00 p.m.
11th June, 2017 Sunday	Fundamentals of Economics & Management	Fundamentals of Economics & Management
12th June, 2017 Monday	Fundamentals of Accounting	Fundamentals of Accounting
13th June, 2017 Tuesday	Fundamentals of Laws & Ethics	Fundamentals of Laws & Ethics
14th June, 2017 Wednesday	Fundamentals of Business Mathematics & Statistics	Fundamentals of Business Mathematics & Statistics

Examination Fees

Foundation Course Examination	**Inland Centres**	**Rs. 1200/-**
	Overseas Centres	**US $ 60**

1. **The Foundation Examination will be conducted in Offline, descriptive (Pen & Paper) mode only**. E**ach paper will be of 100 marks and for 3 hours duration.**

2. Application Forms for Foundation Examination can be filled up either through online **or** in offline mode.

3. 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. Demand draft should be made in favour of The Institute of Cost Accountants of India, payable at Kolkata. In case of overseas candidates, forms are available at Institute's Headquarters only on payment of $ 10 per form.

4. (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

5. Last date for receipt of Offline Examination Application Forms without late fees is 31st March, 2017 and with late fees of Rs. 300/ is 10th April, 2017. 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 and the last date for application is 10th April, 2017.

6. 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.

7. **A candidate who is completing all conditions for appearing the examination as per Regulation will only be allowed to appear for examination.**
8. **Probable date of publication of result**: **23rd August, 2017.**

DR. D. P. NANDY
Director
(Examination)

*** For any examination related query, please contact exam.helpdesk@icmai.in**

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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.

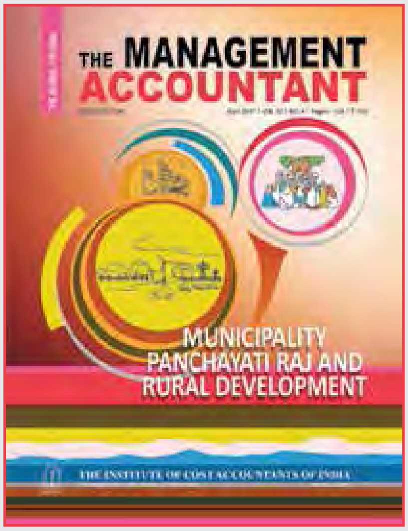
VISION STATEMENT

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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APRIL 2017

INSIDE COVER STORY

The Management Accountant, official organ of The Institute of Cost Accountants of India, established in 1944 (founder member of IFAC, SAFA and CAPA)

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EDITORIAL

Greetings!!!

Panchayat and Municipality are the generic terms for the governing body at the local level. Both exist as three tier systems – at the lower, intermediate and upper levels. The 73rd Constitutional Amendment Act provides for a Gram Sabha as the foundation of the Panchayati Raj system. It is essentially a village assembly consisting of all the registered voters in the area of the Panchayat. The state has the power to determine what kind of powers it can exercise, and what functions it has to perform at the village level.
Similar to the Panchayati Raj system, the Nagar Palika Act or the Municipalities Act, 1992 set up through the 74th Amendment Act also provides for a three tier municipal system
namely:

1. Nagar Panchayat for a transitional area between a rural and urban area.
2. Municipal Council for a small urban area.
3. Municipal Corporation for a large urban area.

Municipalities represent urban local self-government. Most of the provisions of the two acts are parallel, differing only in the fact that they are being applied to either a Panchayat or a Municipality respectively. Each Gram Sabha is the meeting of a particular constituency called ward. Each ward has a representative chosen from among the people themselves by direct election. The chairperson of the Panchayat or Municipality at the intermediate and district level are elected from among these representatives at the immediately lower level by indirect election.

Municipal governance in India has been in existence since the year 1687 with the formation of Madras Municipal Corporation and then Calcutta and Bombay Municipal Corporation in 1726. In early part of the nineteenth century, almost all towns in India had experienced some form of municipal governance. In 1882, the then Viceroy of India, Lord Ripon's resolution of local self-government laid the democratic forms of municipal governance in India. In 1919, a Government of India Act incorporated the need of the resolution and the powers of democratically elected government were formulated. In 1935, another Government of India Act brought local government under the purview of the state or provincial government and specific powers were given.

The purpose of municipal governance and strategic urban planning in a country is to create effective, responsive, democratic, transparent, accountable local governance framework organised according to a rational structure that promotes responsiveness and accountability; to provide responsive policy guidance and assistance to sub-national entities; to strengthen the legal, fiscal, economic and service delivery functions of municipalities and to foster greater citizen participation in the governance of local bodies.

As a result of economic development in India, urbanization is proceeding at a very rapid rate. Cities and towns contribute to more than 60% of the GDP, so one can understand the strong correlation between urbanization and economic development. So it is imperative to develop an efficient urban or municipal government. The conceptualization of Smart City, varies from city to city and country to country, depending on the level of development, willingness to change and reform, resources and aspirations of the city residents. A smart city would have a different connotation in India than, say, Europe. Even in India, there is no one way of defining a smart city. Some definitional boundaries are required to guide cities in the Mission. In the imagination of any city dweller in India, the picture of a smart city contains a wish list of infrastructure and services that describes his or her level of aspiration. To provide for the aspirations and needs of the citizens, urban planners ideally aim at developing the entire urban eco-system, which is represented by the four pillars of comprehensive development-institutional, physical, social and economic infrastructure. This can be a long term goal and cities can work towards developing such comprehensive infrastructure incrementally, adding on layers of 'smartness'.

The Government of India has launched the *Atal Mission for Rejuvenation and Urban Transformation (AMRUT)* with the aim of providing basic civic amenities like water supply, sewerage, urban transport, parks as to improve the quality of life for all, especially the poor and the disadvantaged. The focus of the Mission is on infrastructure creation that has a direct link to provision of better services to the citizens. The purpose of "AMRUT" mission is to (i) ensure that every household has access to a tap with assured supply of water and a sewerage connection (ii) increase the amenity value of cities by developing greenery and well maintained open spaces e.g. parks and (iii) reduce pollution by switching to public transport or constructing facilities for non-motorized transport.

On the other side, it is noteworthy that rural development implies both the economic betterment of people as well as greater social transformation. In order to provide the rural people with better prospects for economic development, increased participation of people in the rural development programmes, decentralization of planning, better enforcement of land reforms and greater access to credit are needed.

This issue presents a good number of articles on the cover story theme 'Municipality, Panchayati Raj and Rural Development' 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.

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.

Theme: Activity Based Costing & its applications

May 2017

Subtopics

- Applications in:
  - Railways
  - Aviation
  - Ports
  - SME sector
  - Services sector
- Global practices
- Success and failure of Activity Based techniques
- Time-driven Activity Based Costing
- Activity Based Planning and Budgeting
- Activity Based Management

Theme: Global Economic Sustainability

June 2017

Subtopics

- Prospective Cost Competitiveness
- Sustainable Cost Leadership strategies
- New regulatory frameworks and smart policies
- Strengthening International Cooperation
- Global trends and challenges to sustainable development
- Government initiatives for business success
- Business Models for Sustainability
- Role of CMAs in Economic sustainability

Theme: Ease of Doing Business in India

July 2017

Subtopics

- Business regulations in India
- Entrepreneurship & Skill development
- Business environment
- Make in India & GOI initiatives
- Benchmarking & Economy rankings
- Role of World Bank, ADB and other International agencies
- Role of CMAs

Theme: Competition Act: Key Driver of Competitiveness

August 2017

Subtopics

- The MRTP Act: Predecessor of the Competition Act (2002)
- Consumer Protection Act v/s Competition Act
- Competition Advocacy
- Cartelization: Recent Trends
- Corporate Leniency and Corporate Efficacy
- Per se Illegality in respect of Anti-competitive Agreements
- Impact of Competition Act on Cross-border Mergers
- Pricing Competition - Role of 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.

Directorate of Research & Journal

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Success is no accident. It is hard work, perseverance, learning, studying, sacrifice and most of all, love of what you are doing or learning to do.

-- Pele

CMA MANAS KUMAR THAKUR
President
The Institute of Cost Accountants of India

My Dear Professional Colleagues,

Namaskar.

National Students Convocation

I am pleased to inform that the Institute organized its National Students Convocation – 2017 at Eastern Zonal Cultural Centre (EZCC), Kolkata on March 30, 2017. **Shri KeshariNathTripathi**, Hon'ble Governor of West Bengal graced the convocation as the **Chief Guest**. He released the convocation souvenir and Institute profile in the inaugural session. While addressing the vast gathering,the Chief Guest expressed his happiness to award the professional students and also appreciated the Institute's role in pursuing its vision of cost competitiveness, cost management, efficient use of resources and structured approach to cost accounting as the key drivers of the profession.

The event was also graced by Prof.Dhrubajyoti Chattopadhyay, Vice Chancellor, Amity University, Kolkata Campus, Prof.Basab Chaudhuri, Vice Chancellor, West Bengal State University, Prof.Saikat Maitra, Vice Chancellor, MaulanaAbulKalam Azad University of Technology, West Bengal, Mr. Sanjay Budhia - MD, Patton Group. Swami Kripakarananda of Ramakrishna Mission SevaPratishthan rendered his thought provoking deliberations in the motivational session. Dr. Gaurav Chandra Dutt, IPS, Mr. VenguswamyRamaswamy, Global Head, TCS iON, Mr. VibhorTandon, AVP, MCX, CMA A.B. Nawal, Council Member, CMA Aditi Dasgupta, Deputy Director of the Institute were among the panellists during motivational session which inspired the audience for their betterment in life in near future.

In my address to students I reminded them about their duties and responsibilitie towards society for sustainable development. CMA P.V.Bhattad, Past President, CMA AvijitGoswami, CMA H.Padmanabhan, CMA P Raju Iyer, CMA Niranjan Mishra, CMA BiswarupBasu, CMA Dr. I Ashok, CMA Papa Rao Sunkara, CMA A.B. Nawal, Council Members, Shri Sushil Behl and Shri Praveer Kumar, Government Nominees of the Institute, CMA BibekannadaMukhopadhyay, Chairman of EIRC, CMA V. Murali, Chairman of SIRC, CMA Kaushik Banerjee, Secretary addressed during the Convocation and felicitated them with prizes, rank certificates, medals.

During this auspicious program, the Institute entered into four path-breaking MoUs with: Tata Consultancy Services (TCS), Times Centre for Learning Ltd. (TCLL), MaulanaAbulKalam Azad University of Technology (MAKAUT) and Bhawanipur Education Society (BES) for collaborative research programs, short-term professional courses, career awareness programs, skill development programs etc. and to operate in various areas of professional education for the benefits of students and the society at large.

The convocation ended with Career Orientation programme for the professionally qualified students to assist the future professionals to scale up new heights of success and growth.

The Convocation witnessed an august participation of eminent personalities including academicians, corporate, professionals and huge numbers of students cutting across the length and breadth of the country.

National Conference on Sustainable Infrastructure

I am pleased to inform that, the Institute has organised a One Day National Conference on **"Sustainable Infrastructure"** at Hotel Taj Mansingh, New Delhi on 23rd March 2017. The objective of the seminar was to make people aware of Sustainable Infrastructure and to explore the role of CMAs in development of this important growth engine of economy. The deliberations were focused around the significance of Power, Railways, Ports,Civil Aviation, Highways and Petroleum as means of Sustainable Infrastructure. The Conference was inaugurated by the **Chief Guest Shri Suresh Prabhakar Prabhu**, Hon'ble Union Minister for Railways while **Shri Arjun Ram Meghwal**, Hon'ble Minister of State for Finance and Corporate Affairs was the Guest of Honor. **Shri Piyush Goyal**, Hon'ble Union Minister of State (IC) of New & Renewable Energy, Power and Coal addressed the participants through video conference.

Shri Suresh Prabhu appreciated the theme of the conference and emphasized the need for Infrastructure development which is sustainable.He informed that the budgeted provision of the current year for development fund of Indian Railways has been kept all time high to the extent of Rs 3.50 lakh crores. He further elaborated that his ministry made a careful planning for expansion of 3000 km rail lines per year to meet the challenges enhancing the passenger services and freight carrying ability so as to empowering the growth engine to take the responsibility of providing major logistic support to economic activities. He appreciated the role of the Institute and said that signing of the MoU with the Institute is expected to go a long way in providing necessary inputs to Indian Railways in terms of Costing of Railway Services and implementation of the Cost Management though Performance Costing.

Shri Piyush Goyal mentioned that the energy sector including power, Coal &Solar energy have achieved a remarkable growth process forwarding the eco-friendly concept. Hon'ble Prime Minister of India has set a target of achieving 1 lakh MW under Solar mission by 2022.Under this mission Ministry is expected to achievethe target of 20000 MW by next year.

Shri Arjun Ram Meghwalexplained how India has taken lead to be most happening country in the world and need for development of infrastructure cannot be overemphasized. The way the pace of all round development for New India is set as envisaged by the visionary Prime Minister of India is exemplary. He indicated that GOI has kept a budget provision of Rs 3.97 lakh crores for the year 2017-18 for infrastructure development in the country. He opined that it would display a remarkable height of growth before the world by the year 2022, the Platinum Jubilee Year of Indian Independence.

In my presidential address, I expressed happiness that the Institute could take a constructive role in organizing a conference on a topic which has a significant role in economic development process of the country and also framing a platform for exchange of thought and ideas to forge a new path which will be more balanced in terms of time, outcome and sustainability. CMA Sanjay Gupta, Vice-President of the Institute of Cost Accountants of India highly appreciated the dynamic steps taken by the Present Government in transforming the Indian economy and building a New India. He reconfirmed the dedication of the CMA profession towards to provide all possible support in terms of expertise and act as catalyst in the growth process.

The high quality deliberations were hugely enjoyed by the participants who were gathered in large numbers to attend the conference. The eminent speakers from renowned organisations of public and private sector reiterated that Good Infrastructure drives economic growth by facilitating manufacturing, services and trade by means of good roads, ports, power plants, transportation etc. In order to achieve good development in the times of diminishing natural resources, infrastructure needs to be sustainable. Sustainable infrastructure enables sound economic development and enhances quality of life, increases positive impacts, helps protect our vital natural resources and environment, and promotes a more effective and efficient use of financial resources.

MoU with Ravenshaw University, Odisha

I wish to inform that, in order to encourage skill development the Institute and Ravenshaw University signed one MOU on 25th March 2017. The idea is to build capacity of both Institutes in the areas of conducting jointly Skill Development Program, Entrepreneurship Development Program, UGC Sponsor/ CSR Fund Sponsored Program, Preparing Project Templates/ Research Bulletin on various Service sectors, Joint Reassert Activities,Facilitating Students to Pursue CMA Course during pursuing their college Course and many more initiatives for the development of Students and economy of the State of Odisha. To commemorate the occasion one Joint International seminar was organized on the theme **"Changing Paradigms of IFRS and Indian Adjustments"** at the Auditorium of Commerce Departments, Ravenshaw University, Odisha. Around 300 Participants including HOD Commerce/Professors/Faculties from different Colleges and Universities, students of Ravenshaw University and CMAs participated in the Program.

MoU with Fakir Mohan University, Odisha and Odisha Commerce Association

I wish to inform that aMemorandum of Understanding (MOU) was signed between Fakir Mohan University and the Institute on 26th March 2017.On the same day another MOU was signed between Odisha Commerce Association &the Institute to encourage conducting joint Skill Development Programs, Entrepreneurship Development Programme, UGC Sponsor/CSR Fund Sponsored Program, Project Templates/Research Bulletin, Facilitate Students to Pursue CMA Course with their college course through opening of CMA Support Centres/Extension Centres in the premises of university and any other suggested colleges campus. To mark this occasion one national seminar was jointly organized by the Institute and FM University on the theme **"GST-An Overview and its Practical Aspects".** Around 300 Participants which includes HOD Commerce/Professors/Faculties from different Colleges and Universities, students of FM University and CMAs attended the seminar.

MoU with Techno India Group (TIG)

I am pleased to inform that, to give a boost to the engineering students and those studying cost accounting, the Institute and the Techno India Group (TIG) have signed a Memorandum of Understanding (MOU). I hope that the collaboration of academics and extra-curricular programs based on principles of equality and honesty in this age of digitisation will prepare the youngsters for revolutionary 'Digital India' initiative.

Placement Month

As informed through my previous communique the Institute is organising campus placement program for the CMAs qualified in December 2016 term examination.Placement Directorate of the Institutehas scheduled its campus placement program during the month of April 2017 across India. I would like to thank the industry partners for collaborating with the Institute over the years. I extend a warm welcome to all corporate for the campus placement in the current academic year. Our target is 100% placement and for this I once again remind all the members, especially those who are in service, to help the Institute for placing the students appropriately. I wish all the best to the students who are appearing for the campus placement.

Special drive for Young CMAs to build their bright Professional Career

To groom/help the Young qualified CMAs for their bright professional career, the Institute is organising a unique special drive. The first such program will be held on 4th April 2017 at Kolkata where around 60such CMAs will participate and a panel of the Institute officials headed by me will be listening to their problems one by one. The aim is to provide solution to the problems / clearing the impediments these CMAs facing in achieving their goal. We will try to resolve the issues relating to personality development, communication skills, technical skills etc. during the program. After analysing the results of the program, the same will be repeated at other centres also. We have also planned to organise the programs on same lines for the practicing CMAs, who have not been successful in setting up good practice due to various reasons.

Vasant Utsav at HQ

I am pleased to inform that the **'Vasant Utsav'**was organized by the Institute on 13thMarch 2017 at J.N. Bose Auditorium, Headquarters where CMA Biswarup Basu, Council Member, CMA Harijiban Banerjee, Past President and officials of the Institute graced the occasion along with all other office staff and a brief cultural programme was also arranged to commemorate the occasion.

Felicitation

I am pleased to inform you that I felicitated **Shri Upender Gupta**, Commissioner, GST, CBEC for winning Presidential award at New Delhi. I also felicitated **Shri Khaled Anwar**, Additional Commissioner, West Bengal on winning Presidential award for GST on 14th March 2017.

Initiatives by various departments of the Institute

Continuing Professional Development

- I am pleased to inform that the CPD Department conducted a webinar on **'Maharashtra Co-operative Societies Act 1960 and Rules'** on 11thMarch 2017 which was very well received by the members. For those who could not attend the event, a recorded webinar is now available on Institute's website under Featured Links.
- A half day program on **"Capital Market and SEBI Regulations"**was organised on 16thMarch 2017 at CMA Bhawan, New Delhi. CMA PVS Jagan Mohan Rao, CCM was the Key speaker of the program.
- PHD Chamber of Commerce & Industry in association with the Institute conducted a seminar on **"Business Responsibility Reporting – A journey towards Effective Governance"** on 22nd March 2017 at New Delhi.
- The Department played major role in organising the National Conference on **"Sustainable Infrastructure 2017"** on 23rdMarch 2017, at The Taj Mahal Hotel, New Delhi.

I sincerely appreciate our Regional Councils and Chapters for organizing more than 70 programs, seminars and discussions on the topics of professional relevance and importance for the members such as, Union Budget, GST, Demonetization-Effect on Economy, IND AS and INSOLVENCY & BANKRUPTCY CODE, Foreign Trade Policy, Internal Audit, Emerging e-commerce so on.

International Affairs

- I wish to inform that the Institute was represented in a meeting called by Ministry of Corporate Affairs on 8thMarch 2017 with a view to develop a short-term and long term action plan for tapping the potential to provide services in the Accounts and Finance Sector to access overseas markets.
- CMA Dr.PVS Jagan Mohan Rao, Council Member and Member of the IFAC-PAIB committee along with CMA Sanjay Gupta, Vice President and Technical Adviser to Member, IFAC-PAIB attended the meeting of Professional Accountants in Business Committee of International Federation of Accountants (PAIBC-IFAC) during 28th-30th March 2017 at New York, USA.
- I am pleased to inform you that the Committee has planned various activities to connect with the CMA professionals across the globe to propagate the importance of Cost and Management Accounting structure. In continuation to the efforts to connect with the members, the Committee conducted a Webinar on "International Transfer Pricing-Role of CMAs" presented by CMA (Dr.) Ashish P Thatte on 31st March 2017. It was well received by the members in India and abroad.

Membership Department:

I convey my heartiest congratulations and welcome all the new

418 Associate members who were granted membership and all the 76 members who were advanced to Fellow membership. I again call upon and request all members to clear their membership fees for the new financial year. I also request all members in practice who have not yet made application for renewal of their Certificate of Practice to immediately apply for the same. The Institute has decided that those who have not yet earned minimum mandatory CEP credit hours can cover the shortfall by attending programmes latest by May 15, 2017.

Professional Development Department

- **Representation with Government, PSUs, Banks and Other Organizations**:

  On representations made by the PD Directorate, National Housing Bank (NHB) and Jodhpur VidyutVitran Nigam Ltd. have included Cost Accountants in EOIs. Further, the eminent organizations like Indian Rare Earths Limited, Punjab State Power Corporation Limited, National Health Mission, Uttar Pradesh, Kerala Medical Services Corporation Limited, Puducherry Tourism Development Corporation Limited (PTDC), Madhya Pradesh PoorvKshetraVidyutVitaran Co. Ltd., Madhya Pradesh PaschimKshetraVidyutVitran Co. Ltd., Orissa State Health & Family Welfare Society and Municipal Council of Buldana, Maharashtra and Jammu And Kashmir State Power Development Corporation Limited recognized CMA profession in their Tenders/EOIs in the month of March.

- **Meeting with Smt. Nirmala Sitharaman**

  I am pleased to inform that CMA Amit AnandApte, CCM and Chairman (PD Committee), along with CMA Sanjay Gupta, Vice-President met with Smt. Nirmala Sitharaman, Hon'ble Minister of State (Independent Charge) for Commerce & Industry to discuss about enhancement of Scope of Cost Accountants in the Special Economic Zones.

- **Data Bank of PCAs**

  Professional Development Committee of the Institute has decided to create a "Data Bank" of PCAs specifying their professional skills, experience, expert domain areas and geographical jurisdiction of practice. It is intended to share this data bank with the concerned Central and State government departments/agencies, regulatory bodies and tax authorities, etc. as may be required by them. The members are requested to provide their details as per the Performa available at: ***http://eicmai.org/PD_Application_Test/***

Research and Journal Department

- **Workshop on GST for Eastern Railway**

  I am pleased to inform that the Institute organized a workshop on Goods and Services Tax (GST) from 6th to 9th March 2017 at JN Bose Auditorium, Kolkata to impart training to the officers of the Accounts Department of Eastern Railway. Shri DipankarLahiri, FA CAO, Eastern Railway, Md. JavedMahzar, FA CAO SG Eastern Railway, Smt. Tanuja Thakur, FA, CAO-WT, Eastern Railway, Shri Ramesh Kumar, Dy. CAOG, Eastern Railway & other officials of Eastern Railway and Kolkata Metro Rail Corporation were the eminent dignitaries who graced the occasion. CMA A.B. Nawal, Council Member of the Institute, CMA MrityunjayAcharjee, Vice President (Internal Audit & Taxation), Balmer Lawrie & Co Ltd, Shri Ajay Agarwal, Deputy Manager, Indirect Tax, Deloitte Haskins & Sells LLP, Kolkata, CA VivekJalan, Partner, Member Indirect Tax Committee, Visiting Faculty for Indirect Tax, The Bengal Chamber of Commerce & Industry, Shri Narayan Guriya, Jt Commissioner, Commercial Tax, West Bengal were among the eminent resource persons enlightening the participants with their deliberations. CMA Sanjay Gupta, Vice President along with the officials of the Institute attended the valedictory session of the workshop. The four day workshop provided participants with sound knowledge on GST and impact of GST on Railway Accounting & Taxation.

- **Focused Group Discussion with Competition Commission of India (CCI)**

  It is a pleasure to inform that Competition Commission of India (CCI) and the Institute signed a path-breaking MOU to develop a competition advocacy strategy. For the first time in Kolkata, a Focused Group Discussion (FGD) was organized on 16th March 2017 at EIRC Auditorium of the Institute, mainly to emphasize on competition advocacy and spread awareness about Competition Act. Shri Yogesh K. Dubey, Dy. Director (Eco.), Advocacy Division, Competition Commission of India, New Delhi, CMA Pratap Kr. Chakravarty, a Professional and Management Consultant, CMA AvijitGoswami, Central Council Member & Chairman, Research, Journal & IT Committee and CMA BibekanandaMukhopadhyay, Chairman, Eastern India Regional Council of the Institute and myself were among the eminent dignitaries present at the Discussion Meet. There was an august participation of eminent academicians, researchers, industry people and professionals and the event concluded with overwhelming response from the participants.

Technical Directorate

- **CASB**

  I am happy to inform that the Cost Accounting Standards Board (CASB) in its recently held meeting approved the "Limited Revision of Cost Accounting Standards (CASs) on account of impact of IndAS". You may be aware that the exposure draft for the said Limited Revision was released by CASB for public comments/ suggestions through the Institute website in February 2017. The Board considered the comments/ suggestions and improved the "Limited Revision". After approval of the Council, the said Limited Revision is being released by the Institute shortly. I believe that this exercise will help the members as well as the students to equip and update themselves with the changes happening in the accounting profession.

- **CAASB**

  I am happy to inform that the Cost Auditing and Assurance Standards Board (CASB) in its recently held meeting considered the draft "Practical Guide to the Standard on Cost Auditing (SCA) 101 - Planning an Audit of Cost Statements". After detailed deliberations, Board directed the CAASB Secretariat to prepare a comprehensive Guidance Note covering all aspects of cost audit as reflected in the Standards on Cost Auditing, i.e. SCA-101 to SCA-119. The said draft Guidance has been hosted on the Institute website for valuable suggestions of all stakeholders. I urge members and other stakeholders to send their comments within stipulated time.

➠ **Insolvency Professional Agency of the Institute (IPA of ICAI)**

❍ I am happy to share that two more Insolvency Professionals who registered under limited period based on 15 years' practicing experience have passed the "Limited Insolvency Examination" conducted by Insolvency and Bankruptcy Board of India (IBBI). I urge the cost accountants who registered as Insolvency Professionals under limited period to pass the examination before their registration expires in May/June 2017. The professionals can perform an excellent job as Insolvency Professionals by utilizing their expertise in revival and resolution process of the sick companies.

❍ The Regional Council and Chapters have conducted 6 seminars/ program in March 2017 on Insolvency and Bankruptcy Code at places like Mumbai, Bhubaneswar, Ankleshwar, KalyanAmbernath and Indore. I expect the Regional Councils and Chapters to conduct more such programs to build the technical capacity of members to enable them function as Insolvency Professionals for revival of sick companies, liquidation and bankruptcy.

❍ I am pleased to inform that Institute in association with EIRC is conducting two such programs: one specifically for bankers on 21^{st}April 2017 where Dr. M.S. Sahoo, Chairperson, Insolvency and Bankruptcy Board of India will be Chief Guest and other on second day especially for the professionals who desire to appear in limited insolvency examination to help them to prepare for the examination.

❍ A webinar on practical aspects of Insolvency and Bankruptcy is being planned in April 2017.

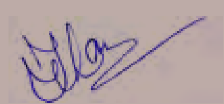
❍ The Insolvency Professional Agency of the Institute will be releasing its weekly bulletin from April 2017. The weekly bulletin will not only help the Insolvency Professionals (IPs), enrolled with the IPA of the Institute, but also to aspiring members of the Institute in enhancing their skills and building capacity to achieve excellence in their role as Insolvency Professionals.

Initiatives by Regions &Chapters

- EIRC of the Institute organized a Programme on "Implementation of GST" on 5^{th} March 2017. CMA Ashok B. Nawal, CCM & Chairman-Taxation Committee of the Institute was the Resource Person. Members both in service & in practice attended the programme.
- EIRC organised an Eastern India Woman CMA Meet to mark the International Women's Day on 8^{th}March 2017. Woman CMA in practise, service & academics were present.
- The Hyderabad Chapter of the Institute organised Woman's day program on 8^{th} March 2017, which was also attended by me.
- A student orientation program was also organised at Hyderabad Center of Excellence by the Hyderabad Chapter of the Institute on 8^{th} March 2017. The students were addressed by me, CMA (Dr.) PVS Jagan Mohan Rao, CCM and the Chairman, Hyderabad Chapter.
- To groom the Young CMAs of eastern region one day orientation programwas organized by the Institute in association with EIRC on 9^{th}March 2017. Young CMAs participated in the programactively and appreciated the initiative.
- Bangalore Chapter in association with Mysore, Mangalore & Bhadravathi - Shimoga Chapters of Cost Accountants organised Karnataka CMA Convention on a the theme 'Global Economy - Steering India Forward' on 11^{th}March 2017 at Bangalore. I congratulated the organisers for choosing such an important theme as in view of the prevailing challenging economic scenario the theme holds a special significance.
- Lucknow Chapter of the Institute organised program **"Abhyuday 2017 - Reinforcing India with CMA's"** at Lucknow on 19^{th} March 2017. I appreciated the Chapter for selecting such a well-timed and important theme for the event which included sessions on Digitisation and GST.
- EIRC conducted Programme on **"Conducting Audit under SAP Environment"**on 25^{th} March 2017. CMA Tapas Bhattacharya, FICO consultant addressed the members on the subject.
- Surat-South Gujarat Chapter of the Institute organised events on completing glorious 25 years of its constitution 25^{th}&26^{th}March 2017. Through my video message I appreciated the contribution of members, students and staff of Chapter for making it possible. I wished all the members, students and staff of the Chapter all the best for their journey towards Golden Jubilee. The Chapter organised a seminar on GST and also presenting prizes to students to mark the occasion.

I wish prosperity and happiness to members, students and their families on the occasion of Ram Navami, Mahavir Jayanti, Baisakhi, Ambedkar Jayanti, Hanuman Jayanti & Easter and pray for the success in all of their endeavours.

With warm regards,



(CMA Manas Kumar Thakur)
1^{st} April, 2017

ICAI-CMA SNAPSHOTS

National Conference on Sustainable Infrastructure at Hotel Taj Mahal, New Delhi on March 23, 2017

Memorandum of Understanding (MOU) signed between the Techno India Group and the Institute on March 29, 2017 at Headquarters of the Institute, Kolkata

A Focused Group Discussion organized by Competition Commission of India (CCI) and the Institute on March 16, 2017 to emphasize on competition advocacy and spread awareness about Competition Act.
From Left: CMA Bibekananda Mukhopadhyay, Chairman, EIRC, CMA Pratap Kr. Chakravarty, Management Consultant, CMA Manas Kumar Thakur, President, Shri Yogesh K. Dubey, Dy. Director (Eco.), Advocacy Division, Competition Commission of India, New Delhi, CMA Avijit Goswami, Council Member & Chairman, Research, Journal & IT Committee of the Institute

Glimpses of Four Days' Workshop on Goods and Services Tax (GST) organized by the Institute to impart training to the officials of the Accounts Department of Eastern Railway and Kolkata Metro Rail Corporation Ltd from March 6, 2017 till March 9, 2017 at JN Bose Auditorium, Headquarters, Kolkata

Observance of International Women's Day and Swachhta Diwas at the Institute's Headquarters on March 8, 2017

Glimpses of National Students' Convocation -2017 held on March 30, 2017 at Eastern Zonal Cultural Center (EZCC), Kolkata


The Institute of Cost Accou
National Students' Convocation – 2017
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The Institute of Cost Accountants of India
National Students' Convocation – 2017


The Institute of Cost Accountants of India
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)
National Students' Convocation – 2017
iON

LOCAL BODIES AUDIT IN INDIA

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Ernakulam

The rural and urban local bodies (The local Self Government Institutions), were in existence even before the independence of India but their functioning varied widely from place to place. The seventy-third and the seventy-fourth constitutional amendments brought a substantial change in the status of local bodies in India. Every State has enacted suitable legislation for devolution of functions, powers and responsibilities to these bodies, including the power to raise resources based on this constitutional amendment.

There exist a constitutional imbalance between the functions and finances of Local bodies in India. The functional responsibilities of the local bodies with no clear financing avenues did not supported the true spirit of the constitutional amendment. Subsequent Central Finance Commissions (CFC) realised these facts and started recommending a greater share of central funds to the states and allocated direct aid to the Local bodies. Thus the process of decentralization caused substantial increase in flow of fund from Central Govt. and State Govt. to the local bodies. The increased fund management required greater accountability and transparency from the local bodies.

Table 1-Recommendation of grant to local bodies by CFCS

In Crore

Central Finance Commission	10	11	12	13	14
Period	1995-2000	2000-05	2005-10	2010-15	2015-20
Panchayat Share	4,380.93	8,000	20,000	63,051	2,00,292.2
Municipalities Share	1,000	2,000	5,000	23,111	87,143.8
Schedule V and Schedule VI areas	-	-	-	1,357	-
Total	5380.93	10000	25000	87,519	2,87,436

Source -14 th CFC Report.

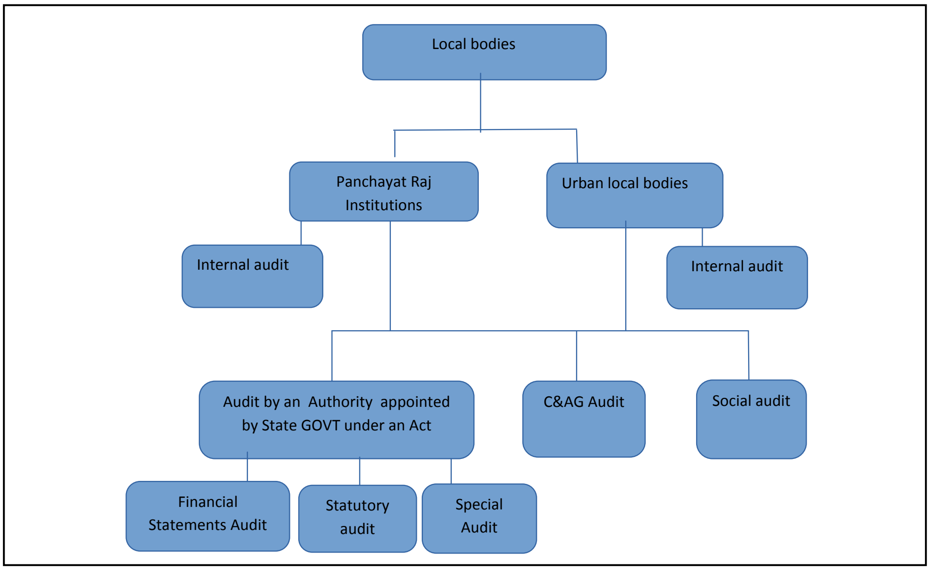
Auditing of Local Bodies

The importance of Local Body auditing gained greater importance as considerable share of public fund is spent directly by the lower levels of the Government. Establishing proper accounting system and auditing of these institutions are essential to ensure the accountability. As the Local Government is in state list under schedule VII of the constitution, it become the responsibility of the State Govt to ensure its functioning and accountability. The statutory auditor is appointed by State to ensure it.

The Comptroller And Auditor General of India (C&AG) has the power to ensure that any sum spent from the consolidated fund of India is efficiently and effectively utilised. For the proper conduct of Local Body Audit, C&AG formulated "Auditing Standards For Panchayati Raj Institutions & Urban Local Bodies". It governed and standardised the procedure of auditing Local Bodies all over India. To improve the poor state of maintenance of accounts, records and the then existed auditing system, 11 th CFC and later CFCs recommended for the audit of local bodies under the Technical guidance and support of the C&AG and it was a condition to draw the performance grants recommended by XIII-CFC. On that basis, an independent audit is conducted by the C&AG.

The transition to the present organisational structure of Local Body Audit is being established in all most all states with some exceptions since the CFCs insisted on the existence of a reliable accounting and auditing system in every state. There are some variations in some of the states such as West Bengal, where the statutory auditor is the Examiner of Local Audit who is the officer under Indian Audit And Accounts Service. Broadly the auditing structure of local bodies India can be represented as follows.

Figure 1 - Structure of local body auditing



Statutory audit is envisaged as a complete audit where all aspects of audit is dealt with and a detailed examination is carried out . The audit is to be conducted in conformity with auditing standards of the CAG and the Audit manual for Local Bodies of the concerned State.

Audit By the Auditor Appointed by State Government

a) Statutory Audit-

The authority entrusted with responsibility of audit of Local Bodies, derive their duties and powers mainly from the Acts enacted under Articles 243-J and 243-Z of the Constitution of India, which expect the States to make provision by legislation for maintenance of accounts by the Panchayati Raj Institutions and the Urban Local Bodies and their audit. Various States' have enacted their own Acts for the maintenance of accounts and audit of local bodies. The audit mandate thus originates in a legislative statute. The powers and duties of such an auditor, and its reporting requirements are described in the relevant statute and Rules of the state. In most of the States the Director of Local Fund Audit(DLFA) [Director of State Audit (DSA) in some states)] or similar authority is appointed as the statutory auditor for audit of the Local Bodies. Statutory audit is envisaged as a complete audit where all aspects of audit is dealt with and a detailed examination is carried out . The audit is to be conducted in conformity with auditing standards of the CAG and the "Audit manual for Local Bodies" of the concerned State.

The DLFA function as the head of the audit department and organise the audit function by delegating duties and responsibilities to the lower level of the department among his staff. He is required to issue an audit report to each of the local bodes on the findings of irregularities if any, including non-compliance with relevant statues etc. of each audit he conducted. In most cases he has greater power of reporting and even have quasi judicial power to summon persons for the conduct of audit. The Statutory Auditor usually empowered to initiate surcharge proceedings against the persons responsible for causing loss to the funds of Local Bodies and such amounts can be recovered by the executive authority concerned under Revenue Recovery (RR) Act. He prepare a Consolidated Audit Report every year with respect to the audit conducted in that year and present it to the State Legislature.

b) Financial Statements Audit-

Accounting of the local bodies are in the transforming stage where all the Local bodies are in the process of establishing accrual based double entry accounting stem. The implementation is at different stage in various States. At present most of the Local bodies are preparing different types of financial statements. With the implementation of the new accounting system proscribed in the accounting manuals, Local bodies are required to prepare Annual Financial Statements consisting of Balance Sheet, Income & Expenditure Statement and Receipts & Payment Account, and also the formats prescribed under Model Accounting System along with Notes to Accounts. The audit of these financial statements referred to as a 'Financial Statements Audit' shall be carried out primarily to establish whether they represent a 'true and fair' view of the affairs of the local bodies during the period. This Audit is being carried out by an auditor appointed by the State Governments and in most of the cases it is the responsibility of the Statutory auditor. As per 14-th Central Finance Commission, to be eligible for performance grants, the Local Bodies will have to submit audited annual accounts that relate to a year not earlier than two years preceding the year in which the local body seeks to claim the performance grant.

Audit by Controller and Auditor General of India

C&AG conducts Audit of local Bodies under Section 14 (1) and section 20(1) of CAG's (Duties, Powers and Conditions of Service) Act, 1971 and under the provision of State Act if provided. Based on the recommendations of the Eleventh Finance Commission, State Governments are directed to entrust the responsibility for providing Technical Guidance and Supervision (TGS) in connection with the accounts and audit of Local Bodies to the C&AG. C&AG serves an Audit Report to each of the local bodies whose audit is conducted and issue an Annual Audit Report for all the audit conducted in the particular year which is placed in the State Legislature.

All essential audit directions of the C&AG are set out in the Audit Code, while less important instructions and regulations governing procedure were incorporated in its **MANUAL OF STANDING ORDERS (AUDIT).** The principles and procedure in this manual are followed in the conduct of C&AG audit of local bodies.

Social audit

It is a new concept of audit where more transparency is brought to the functioning of local bodies. The primary objective of social audit is to bring the activities of local bodies under close surveillance of the public and the latter to have access to records and documents of the former. Owing to this mechanism, the citizens should be able to have immediate access to information which would facilitate transparency and accountability in day to day functioning of local bodies.

Other Audits

a) Internal Audit –

In addition to the internal control mechanism established in the organizational system of local bodies, it is appropriate to have an audit wing under the functional department of local bodies. The regular inspection of this audit wing at local bodies, ensures up keeping of records and adherence to statutory provision and regulations. It also facilitate as a pre-check for the statutory audit .

b) Special Audit –

It is an investigative or audit in depth with a specific objective of verifying or checking some specific type of transaction(s) or activities. This may be conducted at the discretion of the statutory auditor or the state Govt, if such a course appears to be necessary in any case. The Head of the Department may also in special circumstances request the Statutory Auditor or any auditor authorised by State Government to arrange for a special audit of the accounts of a local bodies for any period.

Role of State Government and Local Bodies

State Government is responsible for the enactment of Acts and rules for Audit of local bodies and its amendments as required by time. Each state Government under the legislative power is responsible for preparation an audit manual for the conduct of audit of the local bodies with due consideration of the auditing standard issued by the CAG. Ensuring the functioning of Local Fund Audit Departments with essential infrastructure and qualified manpower are to ensured by the Govt. The State need to take remedial measure on Audit reports of CAG and Statutory Auditor placed in the state legislature. The constitution of "Local Fund Account Committee" and its functioning is essential for the effectiveness of Local Fund Audit.

Local Bodies are the most befitted by the auditing process. For efficient auditing, proper accounting and recording of transactions is to be ensured. Building a sound system of internal check and internal control is its responsibility. Auditing points weak areas in the financial control. Local bodies have to facilitate auditing and should make advantage of audit observation for future improvement. The scope of generating own income and utilisation of the fund without wastage bring up efficiency. The remedial measures on the observation of the audit is to be timely dealt so that its occurrence are curtailed.

Some of the Major Concerns in the local body auditing

- Improper planning and budgeting in expenditure.
- Low level of internal check and internal control.
- Lack of responsibility and accountability among Local Body Staff.
- Improper maintenance of accounts and records.
- Limited number of audit staff and the large volume of work.
- Lack of professionally qualified accounting and audit staff.
- Need expertise in Auditing in the computerized accounting environment.
- Application of more scientific and modern auditing techniques.
- Need for Concentrating in the core areas.
- Cost Benefit analysis and the scope cost control.
- Need for timely audit and reporting .
- Lack of remedial action on audit observation.
- Need for strengthening Social auditing

Conclusion

Far reaching changes is taking place in the country in the sphere of Local Body activities affecting the nature and volume of transactions which came under the purview of audit. There has been phenomenal growth in plan expenditure arising from tremendous increase in developmental activities of local bodies. If Audit has to be meaningful and effective, the audit procedures and practices cannot remain static and have to keep pace with these changes. Accordingly, continuous effort is to be made to bring out a revision of audit technique and procedures. MA

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2. *National Municipal Accounts Manual & National Panchayat Accounts Manual*
3. *Auditing Standards For Panchayati Raj Institutions & Urban Local Bodies".issued by CAG*
4. *CAG's (Duties, Powers and Conditions of Service) Act, 1971*

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A Study on Internal Audit System of the Gram Panchayats in WEST BENGAL

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The role of Gram Panchayats in the rural polity has evolved throughout history from stages when it constituted of individuals appointed by colonial rulers to perform functions of the palliative nature in the grass-root rural setting of pre-independence era.

On the basis of West Bengal Panchayat Act, 1973, the present generation Panchayats in the State were installed in 1978, 15 years ahead of 73rd Amendment of Constitution in India. Since their inception, the State has demonstrated strong commitment to rural decentralization by:

a) Ensuring regular election to Panchayat Raj Institutions (PRIs)

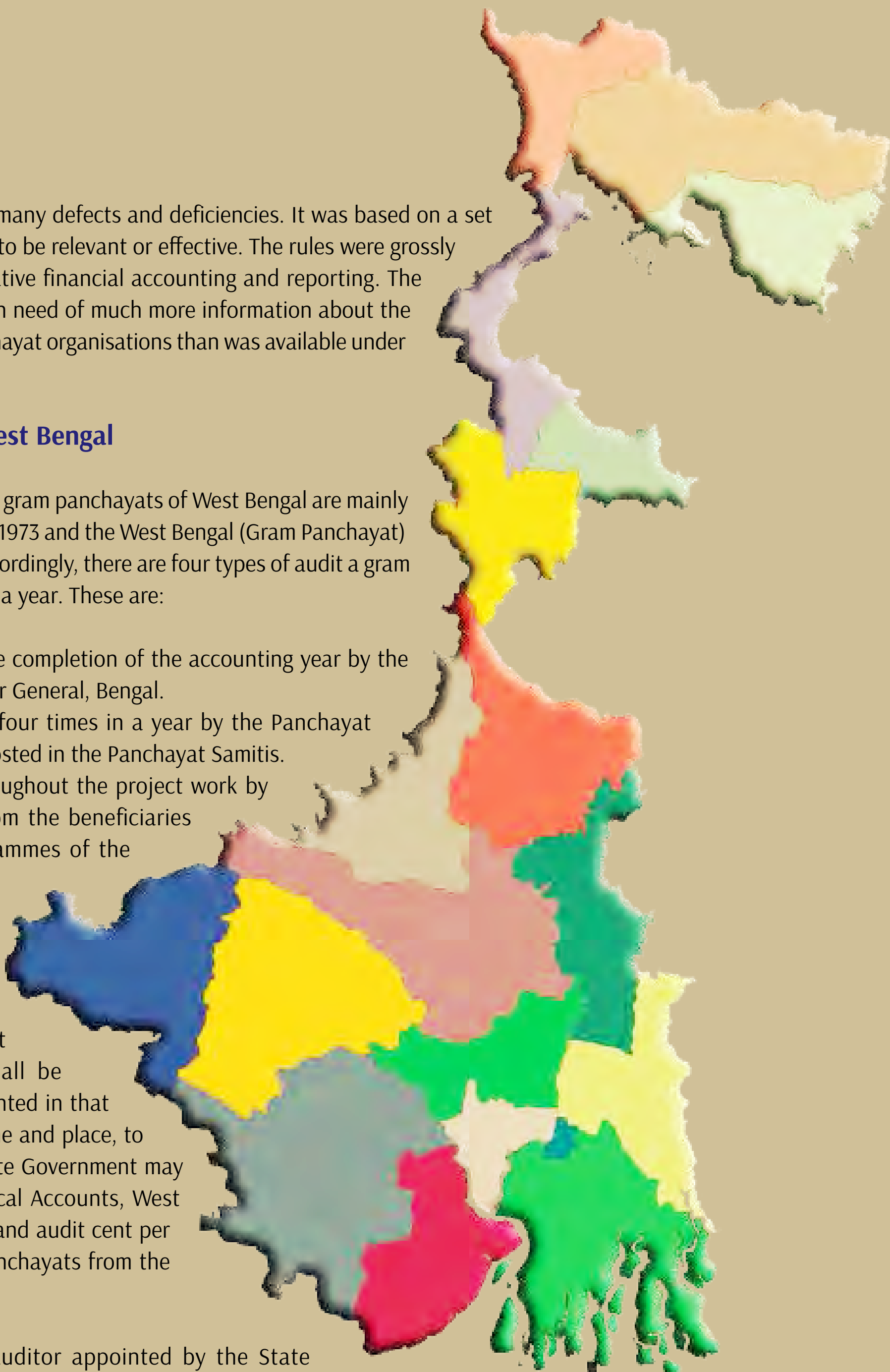
b) Entrusting with increasing responsibility of implementing various rural development programmes.

c) Making the development bureaucracy part of PRIs.

During 1980's and early 1990's, the Panchayats remained largely confined to acting as the delivery mechanisms of the programmes of the Central and State Governments. However, with the evolution of time it gradually moved towards autonomous functional units of independent local government. This has necessitated the need to undertake initiatives to establish a framework of stringent governance and institution building, decentralization and development of social infrastructure and effective audit mechanism for ensuring a resilient public service medium and discharging other autonomous functions.

Rationale of the Study

Recent years have witnessed a rapid expansion in the range of activities performed by the Gram Panchayats in West Bengal. The expansion in the panchayat activities in this State has taken place not only in the traditional spheres of providing civic facilities to the villagers, but also in many non-traditional areas. Panchayats operating in this State are now requiring associating themselves with various kinds of employment generation, poverty alleviation and environmental improvement programmes and activities. The State Government in recent years has transferred many of the functions of its different departments to gram panchayats and other agencies of the local governments. As a result, a substantial expansion has been witnessed in the volume of panchayat spending. To match the increased spending volume, many new sources of revenues have been tapped and additional ones are being explored. The growing complexity of panchayat economic operations has brought in its wake the need to revitalize the accounting and auditing system followed by the Panchayats in the State. The system of panchayat accounting and auditing followed till recent past is characterized by many defects and deficiencies. It was based on a set of archaic rules that have long since ceased to be relevant or effective. The rules were grossly inadequate in providing a basis for informative financial accounting and reporting. The users of panchayat accounting reports are in need of much more information about the financial events and phenomena of the panchayat organisations than was available under the old system.



Gram Panchayat Audit System in West Bengal

The accounts and auditing practices in the gram panchayats of West Bengal are mainly governed by the West Bengal Panchayat Act, 1973 and the West Bengal (Gram Panchayat) Accounts, Audit and Budget Rules, 2007. Accordingly, there are four types of audit a gram panchayat in West Bengal has to conduct in a year. These are:

1. **Statutory Audit:** Once a year after the completion of the accounting year by the Examiners of Local Accounts of Auditor General, Bengal.
2. **Internal Audit:** Once a quarter, i.e., four times in a year by the Panchayat Accounts and Audit Officers (PAAO) posted in the Panchayat Samitis.
3. **Social Audit:** On a regular basis throughout the project work by a team of social auditors formed from the beneficiaries of the project under different programmes of the Government including MGNREGS.
4. **Special Audit:** As and when required and recommended by the higher authority.

In terms of Section 186 of the Panchayat Act, 1973, the accounts of the PRIs shall be examined and audited by an auditor appointed in that behalf by the State Government at such time and place, to such extent and in such manner as the State Government may prescribe. Accordingly, the Examiner of Local Accounts, West Bengal is appointed as Auditor to examine and audit cent per cent accounts of the funds of the Gram Panchayats from the financial year 2002-03 onwards.

In conducting the audit of PRIs, the auditor appointed by the State Government shall be guided by the provisions of the Panchayat Act, 1973, and the rules framed there under and orders issued by the State Government from time to time in regard to functioning of PRIs.

Internal Audit of Gram Panchayat

In terms of Section 196A, internal audit of the accounts of the fund of the Gram Panchayat shall be conducted by the Internal Audit Officer having jurisdiction at least once in every three month. In conduct of the internal audit, the major thrust is to identify the procedural irregularities or lapses and financial impropriety, if any, in the matter of maintenance of accounts and Internal Audit Officer shall make notes of the same and shall render all possible assistance and guidance in the matter of reconciliation and rectification of the accounts and also of the functional process of the Gram Panchayat.

At the end of every three month, the Internal Audit Officer is required to prepare a quarterly report for each Gram Panchayat incorporating therein all irregularities noticed by him during the period mentioning the remedial measures taken, if any, and within one month from the end of the quarter, send the first copy of the report to the Pradhan of the Gram Panchayat with copies to the Block Development Officer, Sub –Divisional Officer and the District Panchayats & Rural Development Officer.

When the Internal Audit Officer is of the opinion that a Gram Panchayat is making persistent default in maintenance of books of accounts, registers and other records or making unnecessary delay or negligence in taking appropriate measures to rectify or reconcile the defects and discrepancies pointed out by internal audit, or when there is an irregularity or impropriety of such serious nature as may require attention of higher authorities or where there is an alleged misappropriation or defalcation of fund, he shall submit a special report to the Block Development Officer with copy to the Pradhan of the Gram Panchayat concerned and endorse a copy to the Sub-Divisional Officer and the District Panchayats and Rural Development Officer concerned, mentioning therein the specific defaults of the Gram Panchayat and corrective measures suggested by him.

Within a fortnight of receipt of internal audit report or special report from the Internal Audit Officer, the Pradhan shall place the same before the Artha-O-Parikalpana Upa-Samiti for consideration and for suggesting appropriate measures to rectify or reconcile the defects and irregularities in the manner indicated in the said report.

The Pradhan shall convene a meeting of the Artha-O-Parikalpana Upa-Samiti with specific item of agenda in this behalf to consider the observations of the Internal Audit Officer and recommendation or views of the Artha-O-Parikalpana Upa-Samiti thereon keeping a record of the entire proceedings of the meeting.

The Pradhan shall as early as possible within one month from the date of meeting of the Gram Panchayat, prepare item-wise report of compliance or otherwise on the said report and send it to the Internal Audit Officer with copies to the Block Development Officer, District Panchayat and Rural Development Officer and Sub Divisional Officer.

If within the period specified, no information is received by the Internal Audit Officer from the Pradhan of the Gram Panchayat or if the grounds for non-compliance given by him on such report are not deemed to be satisfactory, the Internal Audit Officer shall refer the matter to the Block Development Officer who shall issue necessary direction to the Gram Panchayat, with a copy to the Sub–Divisional Officer and the District Panchayat and Rural Development Officer.

If within thirty days from the date of issue of any direction by the Block Development Officer, no information is received from the Gram Panchayat or if the explanations submitted are not deemed to be satisfactory, the Block Development Officer shall initiate a proposal for conducting a special audit in terms of section 196B.

Findings of the Study

This study has revealed substantial gaps in both the coverage and quality of the internal audit carried out within the PRI system. The main cadre of internal auditors – the PAAOs – suffers currently from a vacancy rate of 15%. While the PRDD is taking steps to reduce this vacancy rate the age profile of the PAAO cadre is likely to mean that vacancy rates will increase in the medium term unless palliative action is taken. It is appreciated that this is not an issue that the Panchayat and Rural Development Department can address on its own since trained audit resources are at a premium throughout the Govt. of West Bengal and recruitment, training and posting of internal auditors is controlled by the AGWB.

In addition PAAOs are loaded with responsibilities other than their audit duties. In certain instances other duties are thought to consume up to 80% of their available time although the picture varies across the small sample examined. What seems clear however is that the requirement that each GP is visited once a month is in the majority of cases not achieved with visits sometimes as long as six months apart.

It is difficult to verify the quality of the audits carried out since in most instances quarterly audit reports are not prepared. Anecdotal evidence suggests that many PAAOs play a useful and productive role in advising and helping the auditee in their work. However, it is impossible to judge how far this work might be described as internal audit as opposed to “internal consultancy”. This is not to say that this work is valueless; but does cause doubt to be shed on both the understanding of what proper independent internal auditing is and on the amount of time and effort that is spent on the provision of an effective and independent internal audit service which provided management with the confidence that systems are operating efficiently and are complied with consistently across the Panchayat system.

This situation is compounded by the absence of an independent reporting line for the PAAOs and other internal auditors. The situation where the PAAO is seen as integral to the staffing of the Block is unsatisfactory and leads to instances of their being diverted to other non-audit tasks, a lack of independence and is largely responsible, in the view of the study, for the lack of attention that is paid to their recommendations.

Training for internal auditors is considered inadequate both in its coverage of the population and its breadth and depth in technical detail. Although it was not possible to examine in detail the training curriculum for internal auditors the study reveals that there is much work that needs to be undertaken by the Panchayat and Rural Development Department to update internal audit practices and to provide better training for the next generation of internal auditors of the Panchayat system.

All this needs to be viewed in the light of a fundamental re-organisation of audit responsibilities within the system which is still being implemented and the results of which are unclear. Briefly, the PAAOs are to be re-designated as Accounts Officers at the Block level (a move which can only further limit the time which they spend on internal audit duties). The Panchayat Development Officer (PDO) will assume responsibility for carrying out what is described as "performance audit". It is not clear in the study what impact this will have on the amount and quality of the internal audit work that was previously carried out by the Panchayat Accounts and Audit Officers. Nor is it clear that the distinction between "performance audit" and internal audit is properly understood. Additionally EOPs were previously responsible for carrying out statutory audit and it has seen no evidence to suggest how well they are qualified to carry out "performance audit". There is considerable risk therefore that this change will result in gaps in coverage in some areas and potential overlaps between statutory, performance and internal audit.

In order to seek to address some of the issues around the lack of independence of internal audit and the lack of a proper institutional structure which supports the integrity and status of internal audit within the panchayat system the study has recommended the creation of independent audit cells. These cells will exist at all levels of the Panchayat hierarchy and should be linked in to a state level audit cell within the Panchayat and Rural Development Department which will be the pinnacle of the system and which will support the Department in discharging its responsibility as Accounting Officer. This recommendation has far-reaching implications and needs further study. It may, for example, be seen as going against the grain of the decentralisation agenda. However, in the view of the study findings, such an initiative is essential if an effective and holistic system of internal control and check is to be introduced covering the panchayat system. The proposed increase in funding to support rural decentralisation in West Bengal adds further weight to the case for those funds to be properly and effectively managed, controlled and audited.

Scope of improvement

However, the study does not underestimate the immensity of the challenge involved in these proposals. The existing audit methodologies are outdated, the institutional structures do not support the work that is carried out, capacity is low and poorly trained and the solutions to the problems will involve stakeholders other than those within the panchayat system. In the face of these obstacles, the study reveals that technical assistance will be required. The exact scope of any technical assistance would need further definition but would need to include, inter alia:

- A more detailed and comprehensive survey of the coverage of internal audit across the panchayat system.
- An examination of the auditing techniques employed by statutory, internal and performance auditors with a view to identifying gaps and overlaps both in methodologies and coverage of the population of Panchayats.
- Updating of internal audit methodologies and re-design of audit programmes in the light of the above.
- A training needs analysis of the existing cadre on internal auditors to identify the "training gap" between existing skills, knowledge and attitudes and the skills that will be required to use the new methodologies identified above.
- Design and delivery of training (training of trainers) to support the introduction of the new methodologies.
- Design of an appropriate institutional structure to link audit cells at all levels of the Panchayat system including the Department itself.

Conclusion

The analysis presented in this study has revealed generally poor and out-dated provision of internal audit across the panchayat system. The problem is multi-faceted and not just an issue which is confined to the Department. The solution will involve not only extensive capacity-building (including radical up-dating of audit methodologies) but also changes to institutional structures as well as changes to relationships between the stakeholders organisations involved.

Given the magnitude of the problem it has been argued strongly that technical assistance will be required to make any substantial and sustainable impact upon the overall effectiveness of internal audit in the panchayat system. It is therefore recommended that the Panchayat and Rural Development Department should initiate further study to address the issue and eliminate the problems. MA

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Amplifying Revenues In PANCHAYATI RAJ SYSTEM

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Every village has to become a self-sufficient republic. This does not require brave resolutions. It requires brave, corporate and intelligent work

-Mahatma Gandhi

In decentralization process, responsibilities are transferred from central and state government to local institutions. There have been a number of benefits and barriers mentioned with respect to rural development through process. The major mentioned benefit being that the transfer of responsibility enables government to be more accountable and transparent. In this view panchayat raj system is one of the most ancient socio-economic and political institutions in India, which provides an opportunity for local people in planning, implementation and monitoring of rural development schemes for their benefit, taking into consideration the local poor needs, availability of local resources and most importantly through participation of the local people themselves. PRIs have to play a major role for the rural development.

In the Indian context, decentralization to rural local governments is meaningful only when the panchayats have adequate untied funds to provide public services assigned to them. Untied funds would imply that either the panchayats should be able to raise tax and non-tax revenues from the sources assigned to them or higher level governments should provide unconditional transfers by way of share in taxes or block grants. Even though transfers are inevitable at local levels as they do not have comparative advantage in raising revenues, requiring them to mobilize "own" revenues is important both for reasons of efficiency and accountability.

Thus, critical factor necessary for strengthening panchayats is to enable and empower them to enhance their own revenues. Improving own revenues strengthens the link between revenue and expenditure decisions of the rural local bodies at the margin, which is extremely important to promote both efficiency and accountability in the provision of services. Linking the decision to provide public services with raising revenues at the margin is extremely important to ensure efficiency and accountability in public service provision. Although it is not possible to raise the entire revenue required to finance expenditures at sub national levels, the system should ensure that the burden of public services provision is not shifted to non-residents. To minimize the "common pool" problems associated with local public goods, the revenue assignment should ensure that beneficiaries of public service by and large pay for the public services consumed.

Literature Review

Rishi Pal (2002) has conducted a study on the Finances of PRIs in Haryana with the objectives to analyze, inter alia; the devolution of powers to Panchayats in Haryana and, on the basis of that, the researcher suggested some measures to increase the financial resources of the Panchayats. The study is mainly based on secondary data collected from different sources. However, some information on income and expenditure has also been collected from Kurukshetra, Karnal, Kaithal and Jind Zila Parishads. The findings of the study, among others, include: the only source of income on which Panchayats are depending in the income from land; trend of grant- in –aid and other sources are just nominal and grants are not being increased on yearly basis; the Haryana Panchayat Raj Act, 1994 does not empower PRIs to mobilize adequate resources. Even some of the taxes and cess levied earlier have been abolished; declining trend of own revenue. Based on the findings, the study suggested that there is need to give clear-cut powers to the Panchayats in order to enable them to impose taxes and fees at their level besides restructuring the administrative set-up of the Panchayat Raj System and proper maintenance of the common property resources.

Indira. A (2007) has analyzed the Finance of Gram Panchayat and its potentiality in development of rural area. A quantitative-descriptive study conducted in 6 districts in Karnataka, which were top and bottom listed panchayats in Karnataka. To accomplish that, the study undertaken revenue source of panchayats, in which central and state grant-in-aid, share of total revenue component and total expenditure impact on the finance of gram panchayats. The results reveal that there is an increasing trend in the unutilized funds of ZPs year after year. Hence it is required that performance audit be made at the GP level about the various programs undertaken under the various schemes. The study also pointed out that the there is need of improvement in revenue generation as GP needs to think more creativity such that

The financial support of local government is believed to have imperative applications for local self-governance and democracy. In India local systems are to exercise diplomacy over the way they carry out their functions and to determine the level and model of expenditure on them, they should be responsible for finding the money through local sources for which they are accountable. With this view the government started formulating plan and policy of our country assigning the top priority to agriculture and rural development. This is only possible when panchayats have adequate united funds to provide public services

The measures visualized from first five year plan had considerable bearing for the growth of rural economy. The first five year plan laid down the expansion of agriculture based on the deployment of manpower resources of the country side and the highest use of local resources

people would be willing to pay taxes for a better living all around.

Anadi Biswas (2010), attempted to study on financial administration in Panchayat Raj Institutions. It throws a light on problems in different levels in Panchayat Samiti's inflow and outflow of funds. It also covered general problems other an Accounting and Finance. The another suggestion he has given to Panchayat system to increase own funds in Panchayat Institutions by potential drives like, realizing the accrued tax, income from fisheries, fruits cultivation, establishment of small and cottage industries and mechanism for sound financial control with separations of duties, functions, authorities and responsibilities of each officers in Panchayat Raj Institutions.

Jayanta Dutta (2013) brought out the Panchayat finance and the level of management about panchayat finance in West Bengal. Panchayat resource has been assessed in order to determine the strength, weakness, opportunities and threats (SWOT). The key tools of financial management are Budget as statement of estimated receipts and expenditures, maintains of accounts and their audit is also helpful for the management of their finance. To support the financial activities of panchayats, it has to improve their financial position by expansion of resources that should be made through sources of revenue mobilization. Finally this author conclude by saying that for an effective performance of the functions assigned to the Panchayats, adequate resources should be provided to them so that they can not only meet the local needs but also improve the economic base of the local areas.

Suman Chakraborty (2014) in their article discussed the inflow and utilization of own sources at selected cities of Panchayath Raj at West Bangal. In the study author opined that the gram panchayaths are considered as people's institution and ethics of their functioning is based on the spirit of democracy where people's choice and voice are adequately captured. In participatory development it is very difficult to state categorically the exact nature of participation in plan formulation and implementation of different rural development programs and also the author clearly identified that the involvement of the people in the planning process is necessary to take into account their felt needs, to mobilize local resources, to increase the speed of implementation by securing the people's cooperation, to increase the acceptance of the plan and projects and also to bring about a change in the power structure in people's institutions in favor of the poor. Strong leadership and political will are the necessary conditions for facing the challenge of enabling the local self-government institutions to become effective instruments of social and economic development of rural areas. Therefore in order to bring out participatory development in west Bengal section 16

A has been amended. This executive body of the Gram Sansad has been given the task to prepare plan for economic as well as social development of rural areas with the active participation of local people. In performing these functions, gram panchayats are mainly dependent on external sources of revenue, which basically comes from central and state governments. But external fund are very much irregular in nature. This affects the progress of decentralized planning. Hence great emphasis is now made on mobilization of own resources of panchayats.

P. Chattopadhyay (2014), has sought to highlight on the important issues which have brought major achievements in transforming India's rural economy through panchayat raj institutions to have financial stability. The researcher identified the first and foremost problem is of the right orientation towards development. Second, utilization of funds received funds from central and state government without any diversion of such funds for the other purpose and third to work out the inflow and outflow of money by traffic of money to have acceleration of resources to utilize in productive way as revenue yielding activities. The author finally suggested based on the issues in panchayat raj system that financial stability has to be generated mainly from their activities either assigned to them from outside or engineered by themselves, as also laid down in the cognate legislation.

Objectives of the study

The study was undertaken to attain the following objectives.

- To identify the various revenue generation activities adopted by the Panchayat Raj Institutions.
- To examine the level of perception of officials and beneficiaries on revenue generation activities of PRI's.

Research Methodology

Type and Scope of the Research: Earlier studies on sources of revenue and revenue generation activities in PRI's revealed a tendency to more on sources of revenue from government grant-in-aid that is central and state government plans and neglected on the part of utilizing its own resource for revenue generation in gram panchayats, Taluk Panchayats and Zilla Panchayat in Shivamogga District, Karnataka State, with view to officials and beneficiaries, hence the study is explorative research methodology.

Sources of Data and Sample Size: The required and relevant data are collected from Primary sources. The primary data obtained by administering the questionnaire and schedule to officials in Gram Panchayats, Taluk Panchayats and Zilla Panchayat. The questionnaire was designed to study beneficiaries and officials opinion on funds requirements and alternative measures to enhance revenue at panchayat level. For the purpose of present study 100 respondents as officials and 280 beneficiaries form by 7 Taluk panchayats, 28 Gram panchayats in Shivamogga Zilla panchayat, Shivamogga District, were selected using multi stage and simple random sampling technique. These methods were used in order to ensure desired number and appropriate subgroups are indentified in the survey.

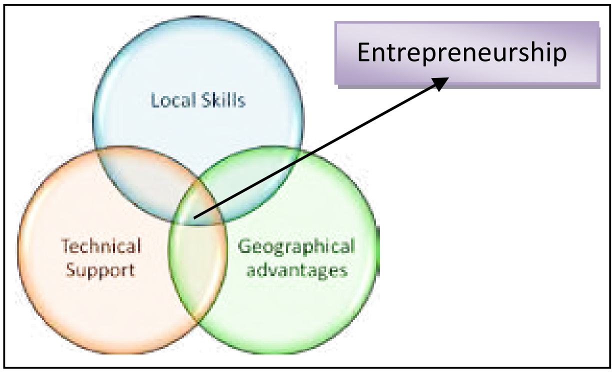
Statistical Tools used for Data Analysis

The responses obtained from the respondents are tabulated using SPSS and are processed using Excel. To analyze the data and to interpret the analysis, simple Percentage, z proportion test, t test and descriptive statistics are used. For the purpose of testing hypothesis of significance of the variance in factors qualified as influences on beneficiaries and officials responses, Z test is used. With these details about the objectives and methodology, an analysis is made in the following paragraphs to identify and analyze the fund requirements and revenue generation activities in PRI's.

Following hypothesis was formed for analysis:

1. H_0 :Beneficiaries attitude towards need for additional funds is equal to the converse
   H_1: Beneficiaries attitude towards need for additional funds is not equal to the converse
2. H_0: Perception on revenue generation activities between beneficiaries and officials is insignificant
   H_1: Perception on revenue generation activities between beneficiaries and officials is significant.
3. H_0: Beneficiaries attitude towards utilization of funds is equal to the converse
   H_1: Beneficiaries attitude towards utilization of funds is not equal to the converse

Conceptual Model for Revenue Generation in PRIs:



Local fund generation at Grama Panchyat Level

The model tries to elaborate the possibility of fund generation within grama panchyat. In the malnadu belt there is a huge variety of natural resources, which can be made used to generate revenue for the local governance. These resources can be exploited with due care to boost the economy as well. It is found in the study that the beneficiaries of panchyat system have enough literacy and skills required for rural entrepreneurship. But there is a need of technical support with training of latest technology in operations to have better yield in terms of productivity and margin. Thus rather expecting funds from central and state, grama panchyats can make an effort to use knowledge and skills of local human resource, geographical advantages and provide technical orientations to enable startups. This shall reduce the burden for local government of expecting additional funds from central and state, but enable the beneficiaries to develop themselves and create revenues too. Thus the model will ensure local revenue generation, improves living standards, empowerment of villages and develop entrepreneurship intent.

The scope of this model for driving entrepreneurship with available resources extend to mushroom cultivation, earthworm cultivation, organic farming for fruits/vegetables/flowers, honey bee farming, traditional food joints, boating/rafting in lakes, dry fruit processing, waste management, food processing (jams/ squashes) etc. All the identified micro scale industries are not new to the village level to start from scratch. Village people are good in understanding the knowledge requirements of such industry. Hence, if grama panchyats can work as catalyst in initiating the movement of entrepreneurship at village level, grama panchyats can set a burly bottom of economic pyramid.

1. Results and Discussions:

1.1 Demographic Profile of the respondents

In order to prove the above stated objectives demographics the respondents (officials and beneficiaries) are tabulated and presented below.

Table 1.1: Officials Demographic Profile

Classification of Respondents based on their Designation		
Designation	Frequency	% age to total number of respondents
CEO	1	1.0
CAO	1	1.0
Chief Administrator	1	1.0
Planning Officer	1	1.0
Development Officer	1	1.0
EO	7	7.0
Project Manager	1	1.0
Asst. Accounts Officer	8	8.0
Dist. Social Audit officer	1	1.0
Manager	8	8.0
PDO	27	27.0
Secretary	27	27.0
FDA	16	16.0
Total	100	100.0

Source: Primary data

From the above table, it is clear that among 100 sample respondent, officials' 27 respondents are PDO's, 27 respondents are secretary, and 7 respondents are EO, 8 respondents are Managers, 8 respondents are Assistant Account Officer and 16 respondents are FDA. Remaining official categories like project manager, CEO, CAO, Development officer, planning officer, Chief administrator, and District Social audit officers are also included in the respondent groups but only 1 respondent in each category. Hence it can be concluded that majority of the respondents officials included in the sample are PDOs and Secretaries, due to sample taken for the study was 28 Gram Panchayats hence, PDOs and Secretary constituted around 27 in each categories. In case of Bejavanalli gram panchayat secretary is deputed from Tudur gram panchayat and Kanchinkatte gram panchayat PDO is deputed from Bidere Garm Panchayat, Due to improper human resource planning in PRIs.

Table 1.2: Classification of respondents based on their period of association with their office

Length of Association	Frequency	%age to total number of respondents
Less than 1 year	8	8
1 to 3 years	34	34

Length of Association	Frequency	%age to total number of respondents
3 to 5 years	25	25
5 to 10 years	26	26
10 and above years	7	7
Total	100	100

Source: Primary Data

From the above table, it can be clear that among 100 respondent officials 34 respondent's length of service is 1 to 3 years, 26 respondent's length of service is 5 to 10 years, 25 respondent's length of service is 3 to 5 years, 8 respondents length of service is less than 1 year and only 7 respondents length of service is above 10 years. Hence it s concluded that majority of the respondent's length of service is 1 to 3 years.

1.2 Beneficiaries' Demographic profile

Table 1.3: Demographic Profile of the Beneficiaries.

Classification of Respondents based on Gender		
Factors	Frequency	%age to total Number of Respondents
Male	114	40.71
Female	166	59.29
Total	280	100
Classification of Respondents based on Educational Qualification		
Illiterate	120	42.86
Schooling	149	53.04
Graduation	10	3.57
Post Graduation	2	0.54
Total	280	100
Classification of Respondents based on Caste		
Forward	116	41.25
OBC	58	20.54
Minorities	22	7.68
SC/ST	86	30.54
Total	1120	100
Classification of Respondents based on Religion		
Hindu	256	91.43
Muslim	16	5.71
Christian	5	1.61
Others	4	1.25
Total	280	100
Classification of Respondents based on Marital Status		
Married	248	88.57
Unmarried	22	7.68
Widow	6	2.14
Separated	5	1.61
Total	280	100
Classification of Respondents based on Occupation		
Agriculture	150	53.57
Govt Employee	18	6.25
Private	6	2.14
Self employed	107	38.04
Total	1120	100
Classification of Respondents based on Spouse Education		
Illiterate	162	57.67
Schooling	107	38.21
Graduation	8	2.86
Post Graduation	4	1.25
Total	280	100
Classification of Respondents based on Occupation spouse		
Agriculture labor	160	56.96
Industrial Labor	24	8.57
Self employed	16	5.71
Unemployed	12	4.29
Labor	69	24.46
Total	280	100
Classification of Respondents based on Monthly Income		
5000 to 7000	69	24.46
7000 to 10000	17	5.89
10000 and above	195	69.64
Total	280	100

Source: Primary Data

Above table is an attempt to explain the demographic profile of beneficiaries. Demographic profile of the beneficiaries includes gender, education qualification, caste, religion, marital status, occupation of spouse, spouse education, occupation, monthly income of the respondents, and their membership with gram panchayaths. The study found that, most of the respondents are female hence, female are more willing to participate in Panchayat activities as most of the Panchayat schemes are favoring to women in rural development activities. Since the survey was conducted to rural people majority of them come under schooling category. Most of them belong to Hindu and forward community. In case of occupation most of the respondents are carried agriculture as their occupation and majority of the respondents belongs to the income group of above 10000.

The intent of undertaking this analysis is to understand whether the officials and beneficiaries are opined the same in terms of opinion on financial need, its utilization and alternative measures to generate revenue to enhance PRI's efficiency at Shivamoga PRI's.

1. H_0 : Beneficiaries attitude towards need for additional funds is equal to the converse

H_1: Beneficiaries attitude towards need for additional funds is not equal to the converse

Table 1.4: Beneficiaries' attitude on financial need for funds- Z Test

Factor	Frequency (%) Responses		Critical value z_c	Obtained value z_{obt}	Result
	Yes	No			
There is need for providing additional funds for Panchayats.	91.78%	8.21%	1.96	13.98	H_0Rejected

Source: Primary Data

Since the zobt is greater than the zc at 5 percent significance level, H0 is rejected. That means beneficiaries opine panchyats should infuse more funds. They also feel that there is need of additional funds from central and state government grant-in-aid. With reference to table no. 1.4, it is clear that availability of funds is less which leads to dissatisfaction among beneficiaries, which is evident by the above frequency of responses. Hence, panchayats has to take care in case of creating awareness among beneficiaries about fund deployment. Beneficiaries' attitude towards need for additional funds is not equal, where as majority of the beneficiaries opine excess sources of funds shall enhance their satisfaction, this could reduce the scope for facing financial problems in PRI's.

2. H_0: Perception on revenue generation activities between beneficiaries and officials is insignificant

H_1: Perception on revenue generation activities between beneficiaries and officials is significant.

Primarily set of weighted average is calculated for both officials and beneficiaries; t-test is used to test the difference in mean between officials and beneficiaries. The test results of revenue generation are deliberated as under.

Table 1.5: Officials and Beneficiaries Responses on Revenue Generation in PRIs

SL. No.	Factors	Officials					Beneficiaries				
		HDS	DS	N	S	HS	HDS	DS	N	S	HS
1	Disseminating skills and expertise through training	36	20	24	14	6	106	75	32	27	42
2	Creating awareness to use natural resources for trading activities	33	30	22	8	7	110	69	29	31	41
3	Improving efforts through increasing marketing ability	46	21	19	9	5	113	61	48	22	36

SL. No.	Factors	Officials					Beneficiaries				
		HDS	DS	N	S	HS	HDS	DS	N	S	HS
4	Creating essential congenial atmosphere for trading in rural	42	22	17	13	6	112	60	35	32	41
5	Creating potentiality to generate employment and income by utilizing available resources	45	18	19	6	12	119	60	39	26	36
6	Scientific assessment of the already available resources	35	29	17	8	11	115	56	47	24	38
7	Preserving resources	38	28	13	8	13	106	60	47	32	36
8	Food processing initiatives	33	31	18	9	9	107	60	49	24	42
9	Selling them for profit through participation of all stakeholders	36	25	19	11	9	107	65	39	30	39

Source: Primary data

From the above table No. 1.5, it is clear that, satisfaction levels of officials and beneficiaries against various financial activities of PRI's. Out of that 36 officials and 106 beneficiaries are highly dissatisfied with the disseminating skills and expertise through training. In case of creating awareness to use natural resources for trading activities33 officials and 110 beneficiaries are highly dissatisfied. Both officials and beneficiaries are highly dissatisfied with number of 46 and 113 in improving efforts through increasing marketing ability. Followed by that creating essential congenial atmosphere for trading in rural , creating potentiality to generate employment and income by utilizing available resources , scientific assessment of the already available resources , preserving resources, food processing initiatives and selling them for profit through participation of all stakeholders majority of the officials and beneficiaries are highly dissatisfied.

Table 1.6: t- test result

t-Test: Two-Sample Assuming Equal Variances		
	Official	Beneficiaries
Mean	-0.7444	-0.6362
Variance	0.0078	0.0018
Observations	9	9
Pooled Variance	0.0048	
Hypothesized Mean Difference	0	
Df	16	
t Stat	-3.3262	
P(T<=t) one-tail	0.0021	
t Critical one-tail	1.7459	
P(T<=t) two-tail	0.0043	
t Critical two-tail	2.1199	

Source: MS Excel Output

From the above table no. 1.6, result depicts the revenue generation activity is tested to observe the difference in combined mean of officials and beneficiaries using the test statistic t. Since the tobt is greater than the tc null hypothesis is rejected at 5 percent level of significance. It indicates that satisfaction level of officials and beneficiaries does significantly differ with respect to revenue generation activities in Shivamogga PRIs. Officials and beneficiaries both are highly dissatisfied with the financial activities of panchayats. Officials are relatively more dissatisfied when compared to beneficiaries, this is because officials feel additional funds can be generated other than central and state aids, even beneficiaries opine there is need for additional funds but they also feel officials could utilize grants in a proper manner, hence it is suggested to strengthen the financial activities with proper guidelines and strict implications of 3F's (Fund, Functions and Functionaries) in the PRI's.

3. H_0: Beneficiaries attitude towards utilization of funds is equal to the converse.
H_1: Beneficiaries attitude towards utilization of funds is not equal to the converse.

Table 1.7: Beneficiaries attitude on funds utilization by panchayat's- Z test

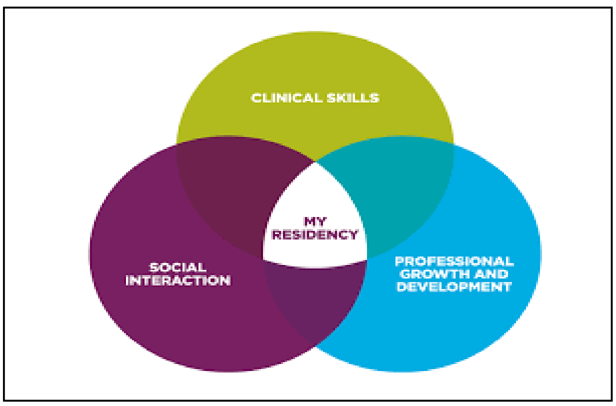
Factors	Responses Frequency (%)		Critical value Z_c	Obtained value Z_{obt}	Result
	Yes	No			
Funds available are under utilized	72.32	27.68	1.96	7.47	H_0 Rejected

Since the zobt is greater funds available are underutilized than the zc at 5 percent significance level, H0 is rejected. That means beneficiaries opine that the funds are underutilized in panchyats. With reference to table no 1.7, it is clear that most of the schemes fund deployment and satisfaction among the beneficiaries is less, which is evident by the above frequency responses, hence, panchayats has to take care of fund deployment in proper channel and effective utilisation of available funds shall enhance their satisfaction. Since the given funds are not optimally utilized there exist needs for additional finance.

Suggestions

a) There have been rigid norms and rules attached to guidelines of centrally Sponsored Schemes and Central and State grants, it should be made flexible in order to make planning and fund utilization more effective as per local needs.

b) In a bid to create employment opportunities at the grassroots level to generate employment to rural poor, the panchayat has to establish skill development centres in villages. Rural people need skill improvement for example, school and college dropouts, technical students, graduates, formers and others.



c) Panchayats need to promote opportunities to identify resource generation and mobilization of revenues by utilizing own resources available in the villages. There is need of creative efforts from the side of both Panchayats and rural people to explore several planks of activities that have the potential of generating income and employment. This may reduce the problem of dependency on central and state grants by the government.

Conclusion:

Based on findings and suggestions it is understood that managing finance in public sector like Panchayat Raj Institutions becomes more critical especially due to socio-economic and political turbulence, at a more fundamental level several problems arise because the systems of the Panchayat is yet to take major changes. Since the inception of Panchayat Raj Institutions (PRIs), there has been political decentralization through devolution of powers, primarily to carry out development programmers at the grass root level. But economic decentralization has not taken place in the true sense it is evidenced as India is still developing country and required lot of rural development. PRIs are finding difficult to mobilize funds from central and state grant-in-aid schemes, due to fund deficiency most of the developmental plans are incomplete in rural area hence, there is need to enhance alternative measures to enhance fund/revenue stability. Since the majority of GPs are facing deficit budget, there is an essence of creating positive net present value (NPV) projects to generate funds and used to make up the deficit in grants.

Therefore, focused action on internal revenue generation by incentivizing competition among panchayats, creating awareness among the rural people about local resources and its opportunities to generate revenue through entrepreneurship activities could have a transformative effect on local governance and, more fundamentally, the quality of life of citizens in rural India. MA

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I, CMA Kaushik Banerjee hereby declare that the particulars given above are true to the best of my knowledge and belief.

Dated: 10th April 2017

CMA Kaushik Banerjee
Signature of Publisher

Role of Government Sponsored Schemes - India's Journey Towards Rural Development

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Is India a rich country or a poor country? If we put this question across any audience, we will probably get both the answers – Yes and No. The reason is that India is prosperous but the prosperity is not equitably distributed. More than 50% of the Indian population lives Below Poverty Line- wherever we draw the line. Poverty alleviation is a painful process and it requires the strong will of the Government and collective efforts of the implementing agencies. . Unless all stakeholders take efforts in tandem, poverty cannot be eliminated. Government policies should be in the direction of poverty eradication. It is in this context, that Government of India has been launching various schemes, with the focus of lifting the BPL families to APL (Above Poverty Line).

Earlier initiatives of Government

Integrated Rural Development Programme (IRDP) and Prime Minister's Rozgar Yojana (PMRY) were the earliest schemes of the Government. Agriculturists and village artisans were the beneficiaries under this scheme. Agriculture and allied activities such as Dairy development, Poultry farming, floriculture are the strength of our nation. PMRY and REGP (Rural Employment Guarantee Programme) were later merged into Prime Minister's Employment Guarantee Progamme.

To fight poverty in both Rural and urban areas, Government of India brought out two flagship schemes – Swarna Jayanthi Gram Swarozgar Yojana (SGSY) and Swarna Jayanthi Shahari Rozgar Yojana (SJSRY). Even though both the schemes contributed significantly to poverty alleviation, Government of India thought that they lacked the necessary focus.

Focus of NRLM

This flagship programme is aimed at poverty reduction through building strong institutions of the poor, particularly women and empowering these institutions to access a range of financial services.

A women's Self Help Group (SHG) is the primary building block of this programme. SHGs and Federations of SHGs will be strengthened.

The strategy of SGSY is "demand-driven unlike allocation based strategy of the earlier SGSY.

NRLM adopts saturation approach and will ensure that all the poor in the village are covered and a woman from each family is motivated to join the SHG.

All the SHGs in a village will come together to form a SHG Federation. Then there will be a cluster federation. This cluster will cover ideally 20-25 villages. The village federations and the cluster federations are the two strong support pillars of the women SHGs in their journey out of poverty and towards prosperity.

NRLM provides continuous hand-holding support to SHGs and their federations. This aspect was missing in the earlier scheme SGSY). NRLM enables the formation of a cadre of community professionals from among the poor village women.

Here, I wish to narrate a few of my own experiences in the implementation of NRLM.

- There is a branch of Nationalized Bank in Vijayawada, which caters only to the needs of SHGs. There are 250 SHGs, each with a membership of 10 women, operating through the branch. They are disciplined groups, each led by their leader. They make steady progress to prosperity and when I interviewed, they exhibited extraordinary confidence and courage. Their leadership qualities were amazing!

- Then there is the case of a poor woman, with two young daughters. Her husband, a drunkard, never provided for the home. Dejected, she decided to commit suicide. But then she came to know about an SHG operating in her area (and funded by Indian Overseas Bank). She joined the group. Her strength is that she can cook good home-food. With the finance she got, she started selling lunch packets to the workers in the industrial areas of North Chennai. Subsequently she purchased a pick-up van, employed ladies for support and expanded her business. Now she is self-sufficient and her daughters are getting good education. The turning point was the NRLM programme, operating through SHG concept.

NRLM and the Panch sutra

Regular meetings, regular savings, regular internal lending, regular recoveries and regular bank operations are the 5-point agenda fixed for SHGs. Repeat bank finance and Revolving funds help SHGs attain their goal of emerging out of Poverty line and stepping into self-sufficiency.

Let us see, at a quick glance, the achievements of NRLM, since inception

	I Geographical coverage under NRLM	
1	Number of States/UTs transited to NRLM	30
2	Number of Districts with intensive blocks in NRLM States	523
3	Number of Blocks identified for intensive approach in NRLM States	3375
4	Number of Blocks where intensive implementation has commenced	3370
5	Number of Gram panchayat in which intensive implementation has started	76777
6	Number of villages in which intensive implementation has started	209 862
	II Progress in Intensive Blocks (includes NRLM- EAP/ State Projects	
7	Number of households mobilized into SHGs (in Lakh)	357.80
8	Number of SHGs promoted (in Lakh)	30.4
9	Number of Village Organizations promoted	164 892
10	Number of SHGs provided Revolving Fund	813 674
11	Amount of Revolving Fund disbursed to SHGs (in Lakh)	109 566

Source: e-Government app – Government of India figures as on 02 March 2017

These are impressive figures and speak of the success of the Programme. However, there is a long way to go.

National Urban Livelihood Mission (NULM)

The scheme has been renamed as Deendayal Antyodaya Yojana – DAY_NULM and is managed by Ministry of Housing and Urban Poverty Alleviation.

Mission of NULM:

The Mission of NULM is to reduce Poverty and Vulnerability of the Urban Poor Households by enabling them to access gainful self-employment and skilled wage employment opportunities, resulting in an appreciable improvement in their livelihoods on a sustainable basis,

NULM operates through a well-defined work flow such as 1) Employment through Skill Training and Placement (EST & P), 2) Social Mobilization and Institution Development (SM & ID) 3) Scheme for Shelters for Urban Homeless 4) Support to Urban Street Vendors (SUSV) and 4) Capacity Building and Training (CBT).

Through the above two flagship schemes, Government of India has drawn the road-map for poverty alleviation in both the Rural and the Urban India.

Manufacturing and GDP Growth:

Growth of manufacturing sect is vital for the growth of the Indian Economy. Presently, it is the service sector which is dominating the GDP figures. Today's entrepreneur becomes tomorrow's industry leader. Therefore, micro and small enterprises, especially manufacturing units should be financed and motivated... Towards this, Government of India brought yet another scheme called "Prime Minister's Mudra Yojana"

Prime Minister's Mudra Yojana for Micro sector (PMMY)

Salient features:

The scheme was launched in April 2015. The loans granted by banks under this scheme are categorized as a) Shishu (loans up to Rs.50000/-), Kishore (loans granted more than Rs.50000 and up to Rs.500000/-) and Tarun (Loans above Rs.500000 and up to Rs.1000000/-) Loans are given by banks for various kinds of activities-both manufacturing and services. Mudra card (RuPay) card is also given to the beneficiaries.

Mudra Yojana has given a focus to the bank lending to the micro sector.

I wish to narrate a classic example of how an entrepreneur can become an Industry leader, if he is financed at the right time.

Decades ago, a young entrepreneur had a banking relationship with one of their branches in Mumbai. The branch had sanctioned him a small overdraft facility which helped the enterprising young man to develop his business. With the continuous support of the bank, he grew into an industry leader. That was Dhirubhai Ambani, the founder of Reliance Industries!

Prime Minister's Jan Dhan Yojana, (PMJDY)

PMJDY is a comprehensive pan-India financial revolution that Government of India launched two years ago. A massive on-going operation, PMJDY has made the concept of "Financial inclusion" a grand success!

The Mission of PMJDY is to help the poor and vulnerable sections of the society to have access into banking services such as opening accounts, effective remittance and getting loans at affordable cost. The scheme accident insurance policy and an overdraft of Rs.5000/-. RuPay debit cards issuance is also part of the PMJDY scheme.

Financial inclusion is important. Government feels that any other financial reforms can wait but financial inclusion cannot. Financial inclusion will ensure equitable distribution of the prosperity. It has empowered then common man.

Let us see the progress of the Jan Dhan Yojana:

Pradhan Mantri Jan - Dhan Yojana (Accounts Opened as on 22.02.2017)

(All Figures in Crores)

Bank Name	RURAL	URBAN	TOTAL	NO OF RUPAY CARDS	AADHAAR SEEDED	BALANCE IN a/cs	% OF ZERO-BAL.a/cs
Public Sector Bank	12.18	10.04	22.22	17.32	13.99	51004	25.32
Regional Rural Bank	4.00	0.65	4.65	3.44	2.50	11462	20.81
Private Banks	0.54	0.36	0.90	0.83	0.40	2255	34.60
Total	16.72	11.05	27.77	21.59	16.89	64721	24.86

Disclaimer: Information is based upon the data as submitted by different banks/SLBCs

Source: PMJDY web-site – pmjdy.gov.in

Nearly 27 crore accounts of the poor people have been opened till date and nearly 21 crore RuPay debit cards have been issued in these accounts. Poor people have deposited their hard earned money of more than Rs.69000 crores in their accounts. More than 75% accounts are active. The above Table shows the success of the scheme. ,

Jan Dhan se Jhan Suraksha:

As the next step to opening of accounts, Government of India extended the benefit of Life Insurance and Health Insurance to the poor and unorganized sectors of the country, through two new schemes

Pradhan Mantriu Jeeven Jyothi Bima Yojana: Life Insurance is provided for Rs.2 lakhs for a low premium of Rs.330 per annum

Pradhan Mantri Suraksha Bima Yojana: Accident Insurance of Rs.200000/- for a premium of Rs.12 per annum

Atal Pension Yojana: For a small premium, the subscribed, who does not enjoy any pension benefits and belongs to the unorganized sector.

Start Up India:

What if your idea is not just an idea?
What if it sees light?
What if it is really born?
What if you can get someone to believe it?
And help you nurture it?
What if you can set a clear path for it?
What if it can actually travel?
What if it grows and blooms?
What if the whole world embraces it?
What if your idea is not just an idea?

A very innovative Plan of the Government of India, this scheme was launched by the Prime Minister in January 2016. On the launching of this scheme, PM had said:

Start Up means a Firm, with an annual turnover of not more than Rs.25 crores, which is working towards innovation, development, and commercialisation of new products driven by technology.

"I see Start Ups, technology and innovation as exciting and effective instruments for India's transformation".

StartUp India is an innovative initiative of India to build a strong eco-system for nurturing innovation and start-ups in the country.

StartUp India works through a multi-layer approach. A) Simplification and handholding for the Start Ups B) Funding support and incentives for the Start Up firms c) industry-Academia partnership

The role of the implementing agencies:

If the development plans launched by the Government should reach the vast section of the poor and the vulnerable sections of the country, all the implementing agencies should work in close coordination. There are many stakeholders - the State Governments, Government departments, NGOs and the Banks in India, who are involved in Poverty eradication.

The biggest role in implementation of the Government schemes, is in the hands of the banks in India. Being financiers for the poor and the vulnerable, Banks face a challenge in poverty removal. Banks have made the various schemes of the Government – Jan DhanYojana, linking Aadhar accounts to the bank accounts, Financing, Start Up India, as successful.

Concluding remarks:

Uplifting of the poor people and involving them in the Growth story of India are national priority. The Government of India has launched a host of schemes. These schemes have been launched with a lot of thoughts and with the collective efforts of the national leaders. There are deficiencies only in the implementation of these schemes. These deficiencies can be removed if all the implementing agencies work together. Let us all join hands to make our country strong and sustainable. MA

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Shri Prabir Kumar Mukhopadhyay

Member (Finance)

Damodar Valley Corporation

MA ***What have been the major innovative financial steps taken during your tenure with this organization to gain more competitive edge?***

To inculcate a visible and positive change in the financial health of our organization during my span, slightly over two years, a series of steps with the professional excellence of the different departments have been adopted. We are working as Team DVC and I am sure with this cohesive bonding we will go a long way. Considering the tight financial conditions and shortage of fund, we have successfully started doing flexible restructuring of project loans with longer repayment tenure, resulting in reduction of cash outflow by lowering the repayment of loan and thereby resultant improvement in cash position. By swapping of loan to a lower interest rate, we could reduce the annual interest burden vis-a-vis cost of generation. In our endeavor towards adopting a loss minimization strategy vis-a-vis maximization of the capacity utilization, DVC started selling short term unallocated power at a lower competitive rate by recovering a part of its fixed charges which were otherwise not recoverable.

We have conceived the idea of developing finance module in implementation of EBA (Enterprise Business Application) for better budgetary review, cost monitoring and control. It was our vision to introduce activity based planning and budgeting for a longer tenure perspective (initially for 3 years). We have approached the financial institutions to support DVC in improving our credit rating so as to achieve raising of funds at a lower interest rate. We have introduced implementation of Strategic Business Units and Profit Centers for generating units, transmission system and distribution network enabling better performance evaluation and strategic decisions. In the process DVC have decommissioned Durgapur TPS Unit # 3 and Chandrapura TPS Unit # 1 being uneconomical.

We are very much pro-active on improvement of timely collection of dues. In process DVC could realize the reconciled dues amounting to Rs. 4770 Crore on 31.03.2016 under UDAY Scheme. Also the flexible payment terms for defaulting HT Consumers to recover past dues with regular payment of present dues have been achieved. As fuel cost constitutes the main ingredient of overall expenditure for generation of electricity, a major reduction of cost through coal linkage rationalization, reduction of washing recovery charges, reduction in engine demurrage charges have been achieved with concerted efforts and consequently there was mentionable reduction in specific coal consumption.

MA ***What are Damodar Valley Corporation's (DVC) priorities for this fiscal year to sustain growth in***

this industry?

DVC's first goal is to be and remain competitive in power market. Electricity is now a commodity and market demands cheap and reliable power. DVC undertook the following cost control measures to reduce the generation cost without compromising the quality.

(a) DVC is able to reap the benefits of flushing of funds in the banks due to demonetization and to borrow funds at a cheaper interest rate.
(b) By restoring improved O&M functioning through planned overhauling, inventory and spares management (common pool spare), implementation of technical audit, failure analysis recommendation, energy efficiency measures could reduce the O&M cost substantially and progressively.
(c) DVC's another priority area is to improve the availability of coal stock and coal security for sustainability. DVC is working on development of coal blocks already allotted to DVC to become self-sufficient and thereby reduction in coal cost.
(d) DVC adopted modern improved Transmission practice like construction of GI Substation where space is a constraint. DVC undertook renovation and augmentation/ up-gradation of age-old Transmission/ Distribution System/ network to improve the reliability in supply of power.
(e) Another priority area is to apply more stress on recovery of power dues and actions for improved net cash inflow. In process DVC is constantly exploring the possibilities for reduction of interest liability. One of most important priority of DVC is to have a constant endeavor to reduce the unallocated surplus capacity by scaling up supply of power through short term sale and power exchanges and also to improve supply side management through cutting of power tariff achieved through lower generation cost to become more competitive for sustainable growth. DVC being an age old corporation also reworking on manpower rationalization in line with streamlined verticals.
(f) DVC's goal is to achieve 100% dry fly utilization. It will generate income through selling of by-product (ash) and the fund will be utilized for better ash management and other pollution control measures.
(g) Further DVC's aim is to reduce T&D Loss through setting progressive trajectory.
(h) Closing of old & non viable units are also a part of consideration under strategic decisions. DVC has selected NLC India Limited (formerly Neyveli Lignite Corporation Limited) as its Joint Venture partner for Raghunathpur Thermal Power Station to reduce its debt burden and also to utilize unallocated power.

MA ***Ten years down the line, what changes do you see in power generation and transmission in the country? What are the opportunities and challenges in this business today?***

I could foresee that gradually generation of power by the use of different fossil fuels will be replaced by use of renewable energy. Ultimately in due course the renewable energy shall become largest power generating capacity. Besides other green sources like wind, biomass, small hydro etc. solar power shall dominate its share in the total capacity. DVC has geographical advantage for setting up solar plants due to longer summer months particularly in West Bengal and Jharkhand. Since Thermal generation will gradually lose its share in the total generation capacity throughout the country, DVC has to gradually shift its focus in capacity building through renewable energy like Pump Hydro Storage Units (to meet the peak demand) and mainly to set up solar projects. DVC already setup roof top solar plant in DVC Towers to meet the electricity requirement of its head office building. Old plants which are not economically viable shall be retired in due course.

Another greatest potential area of off-grid relates to solar technologies. These include solar water heating system, home and street lighting which includes solar lanterns, solar cooking system, solar pumps and small power generating system. Off-grid component will immensely help remote village electrification programme. The greatest challenge is to sustain in the stiff competitive power market. Finally, DVC consider to diversify in allied areas like O&M consultancy, Training in Management Development Programme, Testing Laboratory, etc.

The biggest challenge today is introducing the system of flexibility in utilization of domestic coal allotted to states by independent power producers (IPPs) as per policy decision of Government of India, Ministry of Power. It means IPPs can bid for coal allotted to state utilities, a move which GoI feels, will lead to more efficient fuel usage, reduce cost of generation by 40-50 paisa/kWh and which in turn will result in huge savings in fuel cost and supply of cheaper power to the consumers. The mechanism will operate through clubbing together all coal linkages of individual power plants of central generating utilities and putting this clubbed quantity under the charge of a 'Nominated Authority' who will allocate coal to IPPs whose landed cost of coal at a particular central generating station periphery is less than the variable cost of generation of that particular central sector generating station. As a result of it DVC along with other relatively old generating stations will face an existential challenge principally because the variable cost element of DVC power is very high. If this situation is not immediately addressed, this will mean that once the 'Nominated Authority' as planned by GoI, becomes a reality, DVC will have to buy power from IPPs closing its own generating units. We have already instituted various steps to bring down the 'variable cost' element of DVC power. To sustain the competition, DVC generating stations are to be able to supply power to our consumers at a price comparable to the price of power supplied by the most efficient IPPs.

MA ***Who are your strong competitors in this business? What are your future projections to attain market share against your competitors?***

The main disadvantage of DVC is that it does not have any super critical/ ultra-super critical Thermal Power Stations. The competitors having such modern super critical plants have an edge over DVC in terms of low cost of generation and low carbon emission. We have to compete with them to survive which itself is a big challenge for DVC.

DVC at present is not considering for any expansion in thermal sector and shall explore into mainly in solar, pumped storage hydro (to meet the peak demand) or other form of renewable energy in due course of time which will be altogether a different ball game for us. However, DVC has geographical advantage of enough solar potential which will give a definite edge over its competitors.

We apprehend in the short run many households will change their sources of power from DVC supply to their own roof top solar energy. Street lighting and Park lighting also be sourced through solar power. This is on one side is a threat to DVC. But their lies an opportunity as well. Many of households and other may not have sufficient storing capacity and they may like to inject their excess generation of solar power to DVC grid. DVC may utilize the power for building reserve in the pump storage mode and may cater to the need of those households and other local bodies. In this process we will be able to meet the demand at evening peak. This shall become a win-win situation for both to consumers and DVC.

MA ***Do you see foreign companies as a threat to the power sector in India?***

In general in the generation sector, I feel that the impact of foreign investment is not a bigger threat in view of huge capacity addition programme. But the equipment manufacturing sector have badly been affected by the foreign equipment manufacturer. The indigenous equipment manufacturer are facing difficulty in retaining their market share. Finally, foreign investments are coming in a bigger way in the renewable energy sector mainly at wind and solar which is a future trend in the power sector. Indian companies now in thermal generation are to shift their focus to solar and other renewable energy sources to survive in the competition by producing electricity at a very competitive cost.

MA ***What are the major strategies undertaken by your company to bring in cost competitiveness?***

DVC have taken up lot of actions to become more competitive. DVC has taken several cost control measures in recent times to bring down the Power Tariff which have two components namely Energy Charges and Fixed Charges. DVC acted on both the front.

(i) In order to ensure cheaper power, DVC have initiated measures for reduction of fuel costs and consumption viz. coal linkage rationalization, improvement in coal quality through engagement of reputed Government agency for coal sampling to arrest the grade slippage. Also actions have been taken to reduce the transit loss, grade slippage, demurrage etc. Coal sources have been identified for cheaper supply. By bringing down washing recovery charges generation cost has been reduced. As a system improvement DVC has incorporated GPS/ RIFD in all its coal and transportation contract.

(ii) DVC has already launched PRAGATI to identify the process gaps, implementation of systems and standardization of process through adoption of improved O&M practices to ensure reliability and sustainability.

(iii) DVC has started reverse bidding in all of its procurement and service contracts. This has resulted into substantial cost savings.

(iv) Besides above, the initiatives have been taken for reducing interest cost of working capital. Timely completion of existing projects to avoid/reduce Interest During Construction (IDC), efficient & effective O&M practices, organization restructuring & automation, manpower rationalization in line with restructured verticals, retiring of old uneconomical units, augmentation/upgrading age old transmission system/ network to improve reliability.

(v) Finally, DVC is putting efforts for accounting System up-gradation by implementation of EBA. Also monthly review and monitoring of cost through budgetary control and activity based planning and budgeting for a longer tenure perspective are amongst the major strategies undertaken by DVC to become more cost effective.

MA ***How do you ensure eco-friendly activities of the company?***

DVC Act, 1948 mandates several ecofriendly activities like afforestation & soil conservation, flood control, irrigation and waters supply management in the command area. Since its inception DVC is carrying out such activities. Also DVC has established Environment Management & Pollution Control (EM&PC) cell at Head Quarter and field level for monitoring environmental parameters laid down by Ministry of Environment and Forest (MoEF)/ Central Pollution Control Board (CPCB). Stack Emission Control, Effluent Discharge Control, Ambient Air Quality, Solid Waste Management, Hazardous Waste and e-waste management. DVC also undertook afforestation/green belt programme at lower valley. DVC has also implemented afforestation work in its own area on degraded forest land.

MA ***What kind of cost control measures have you taken to ward off the threat from the sudden and swift economic slump?***

Slower economic growth will affect the growth for demand for power and thereby result in more surplus capacity. DVC has already adopted aggressive approach to reduce the surplus capacity by arranging adequate power purchase agreements, scale up supply of power through short term sale and power exchanges and improve supply side management through cutting of power tariff achieved through lower generation cost to become more competitive in the market. This will help to combat the challenges facing the organization in a highly competitive power market. With the flushing of funds in the banks due to demonetization, we will certainly explore further reduction of interest rate.

MA ***How could proper Cost Management system play an important role in the overall growth of this sector in India?***

Cost is one of the most important factor plays a vital role in the existence of the organization in a buyers' driven market. When a proper Cost Management System is integrated in the system, the decision making process becomes most objective. DVC operates in a most competitive environment in Power Sector. Proper cost control and cost management gives the needed edge in the competition. Cost management measures directly impacts on power tariff and since consumers have choice to select its source through open access, the full capacity utilization can be achieved through apt strategic decisions. DVC has plan to gainfully use the expertise of The Institute of Cost Accountants of India for their functioning.

MA ***What roles could professionals like Cost and Management Accountants play to assist your organization in enhancing performance and competitiveness?***

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. Cost and Management Accountants' core competence is in Strategic cost management which is an approach to management accounting that explicitly highlights strategic issues and concerns. It sets cost analysis in a broader context in which cost information is used to develop superior strategies. A sophisticated understanding of the firm's cost structure can go a long way in the search for sustainable competitive advantage. The expertise of The Institute of Cost Accountants of India and power sector professionals of DVC can be brought into one platform by organising seminars/ workshops and thereby roadmap can be chalked out jointly for better performance and to remain competitive.

MA ***What are the various ways your organization can integrate with the Institute for the diverse avenues in professional development matters?***

There are many ways DVC can integrate with the Institute of Cost Accountants of India for the diverse avenues in professional development matters. The lists are illustrative but not exhaustive. The most important is sharing of experiences through seminar/ workshops on issues pertaining to power sector. Arranging training programme on relevant topics like GST in power sector, Strategic cost management, Fuel cost analysis, Cost rules in electricity sector etc. may immensely help DVC executives to perform better. Case study in electricity sector is another area to share the problem and solutions. Writing articles in the Management Accountant Journal is also a constructive way to share experience. Attending workshops on MDP organized by MARF by specialized trainer also give a chance for personal interaction with experts on different topics. Finally the institute may be engaged to study the present costing system in vogue in DVC and suggest improvement in a time bound manner.

MA ***As a token of advice to our young CMA achievers, kindly mention at least 3 qualities that they must possess to excel in their career.***

My advice that every young CMA achievers should possess these three qualities to excel in their career:

- **You should have a clear vision with a definite roadmap.**
- **You are to be innovative and positive to achieve your goal.**
- **You should maximize your efficiency through team work.**

REAL ESTATE INDUSTRY - CURRENT SCENERIO

OVERVIEW, FINANCIAL MODELLING, ERP ENABLED COST INFORMATION

CMA D.L.S.Sreshti
Independent Director
Sreshti & Associates Cost Accountent
Former Council Member, ICAI-CMA

CMA DR G.V. Narasimha Rao
Former Sr. Vice President
Soma Enterprise
Hyderabad

"We shape our buildings; thereafter they shape us" –

Winston Churchill

Construction Industry in India

Real Estate Industry is part of Construction Industry. Nation's integrated development encompasses highways, roads, airports, water supply, sewerage, drainage, hospitals, schools, townships, convention centres, houses etc. In short, construction becomes the basic input for socio economic development of any nation. About 300 industries like cement, steel, mining, electrical, plumbing are linked to and support the construction industry. Construction industry though pretty fragmented significantly contributes to GDP, both directly and indirectly. An interesting fact which the Governments cannot ignore is creation of vast potential the construction industry offering employment to 33 million, next only to agriculture, employing one of the largest section of skilled workers.

Growth potential of Construction Industry and Real Estate

Construction industry will remain buoyant due to increased demand from real estate and infrastructure projects. Growth rate for GDP in construction is expected @ 8.1%. An investment of USD 650 billions in urban infrastructure is estimated over next 20 years. The Government of India's new urban development mission includes development of 100 Smart cities, 500 Amrut cities which will invite an investment of 2 Trillion rupees in the next 5 years. Swatch Bharat Mission in urban areas will invite an investment of 0.62 Trillion rupees. 100% Foreign Direct Investment is permitted through automatic route for townships and cities. Urban development show cases the growth of a country to attract investments in industry.

Growth drivers of Real Estate:

India has estimated urban housing shortage of 20 million dwelling units. The housing shortage in rural India is about 47 million units. Present level of urban infrastructure is inadequate to meet the demands of existing urban population. Information technology infrastructure is the engine for development conforming to international standards. Young generation in IT sector and world class institutions prefer to live in urban areas with well developed social infrastructure which includes airport, hotels, malls, entertainment places, art and culture centres, clubs, education, banking, medical, hospitality, golf course, conducive environment etc.

Players in Real Estate

Dwelling types with reference to facilities and finance can be presented in a pyramidal way. Bottom of the pyramid are Economically Weaker Section and Low Income Group housing and are in highest demand. These EWS and LIG dwelling constructions are taken up by the Central government and State governments under various subsidised schemes. Luxury houses are on top of the pyramid. Affordable, premium and all other social infrastructure initiatives are in the hands of private sector in addition to Luxury houses/ Villas/ condominiums. Big players in private sector are Corporate builders who have developed their own brands.

Competition among state governments

State governments are competing to attract investments in various industries and services sectors by offering various fiscal and other incentives and show casing cities with social infra. Land is provided either free of cost or at concessional rates for setting up convention centres, sports complexes etc. in BOT, BOOT and other innovative modes. In recently held World Economic Forum at Davos, JLL City Momentum Index 2017 was announced with a list of most dynamic cities worldwide based on 42 parameters. 6 cities in India rank among top 30 worldwide - Bangalore (Rank 1), Hyderabad (5), Pune (10), Chennai (11), Delhi (23), and Mumbai (25). State governments are unable to create new cities and hence prefer to expand the existing cities.

Game changers for Real Estate industry:

- De-monetisation of higher currency Rs 500 & 1000 (Announced on 8th Nov 2016)
- Government's policy on "Housing for all by 2022" and "Smart City Projects"
- Real Estate Regulation Act, 2016 (RERA)
- Goods and Services Tax Act, 2016 (Rolling out expected on 1st July 2017)

De-monetisation of higher currency: De-monetisation impact on construction industry is very short term and more seen in un-organised sector. Due to high liquidity available in banking sector, post de-monetisation, interest rates are bound to head southward. Builders can obtain debt at affordable interest rates and a virtual boost to Individuals opting for housing loans. Simultaneously, Banks will keep interest on fixed deposits lower than before forcing alternative investment options which include substantial investments in real estate. The demand for construction industry is dependent upon the availability of housing loans to buyers at affordable interest coupled with favourable Government decisions prioritising infrastructure industry. In addition, as a result of the de-monetisation, the prices of Real Estate have already started to settle down from the exorbitant price range to a reasonable market driven prices in some key cities.

Real Estate Regulation Act, 2016 (RERA): The RERA announced by the Central government has to be adopted by all State Governments by way of state enactments before May 2017. This enactment makes the Builders more accountable, transparent and enforces governance among other things. This enactment is customer focussed to protect their rights. A major benefit for consumers included in the Act is that builders will have to quote prices based on carpet area and not super built-up area, while carpet area has been clearly defined in the Act to include usable spaces like kitchen and toilets.

Builders ought to take prior registration from RERA. For failure to register, a penalty of up to 10 percent of the project cost or three years' imprisonment may be imposed.

The cost of construction is likely to go up by about 15% to comply with norms, scheduled delivery, penalty for belated delay, legal processes etc. The cost increase for implementing the norms under RERA may impact supply side.

Small time Builders may withdraw from the real estate business as norms under RERA becomes difficult to implement. Unless the builders come to terms to make available their services consistent with the objectives set forth in RERA, their name in the market as it stands today cannot continue and all players have to necessarily adopt effective planning, budgeting, scheduling, safety norms keeping the environment in view, logistics etc. So, past glories will not be the sole criteria for Builders in financial modelling after RERA. A major beneficiary of the RERA is the genuine home buyers, who are well protected by the various clauses that are customer focussed, avoiding costly and time consuming grievance redress measures that were existing before RERA.

Goods and Services Tax

Presently, the Service Tax on sale of space when under construction will attract 3.75% considering abetment of 75%. VAT on works contract is 1% in some states and higher tax in some other states. Put together, both taxes come to 4.75% or higher percentage depending on VAT rate. Under present GST law, an input tax credit shall not be available in respect of "goods and/or services acquired by the principal in the execution of WORKS CONTRACT when such contract results in construction of immovable property". However, any possible reduction in costs on implementation of GST in respect of major manufactured inputs like steel, cement, plumbing, electrical etc and also logistic costs may benefit the Construction Industry. The GST rate proposed on manufacturing goods is likely to be 18%. But, direct impact of GST on Construction Industry is yet to be clear. However, the rating agency ICRA opined that Real Estate would attract 18% and its impact on housing prices would be broadly neutral.

Salient features of Real Estate

The industry is capital intensive and the construction periods vary from medium to long term. For example, to construct a residential building of 5 floors with parking space generally takes 18 months. Beyond 5 floors, each additional floor takes 1.5 month. That means a 21 storied building in the normal course requires a construction period of 3.5 years. Cost of construction goes up in high rise buildings beyond 5 floors prompting the builders to fix enhanced sales price for higher floors.

The cost of construction is highly influenced by land cost which constitutes 30% to 50% according to city, location and environment. The next influencing factors on cost are quality of construction, facilities offered, value addition services like gym, club house, swimming pool, golf course etc.

Funds for Real Estate:

Builder pools funds for construction from own sources, customer advances and banks / financial institutions. Customer's margin is 20% of sale price as banks are disbursing loan to a max of 80%. Bank finances upto a max of 40% to the Builder in last leg after initial funding is made by Builder and customers.

Joint development model, instead of outright purchase of land, is picking up as this route is providing win-win situation to Land Owner and Builder. Builder may pay some advance of 10% and sometimes a good will at the time of execution of Development agreement and balance in shape of completed constructed space. The share in constructed space to Land Owner may range from 40% to 50% of total constructed space depending upon land value. That means, Builder will incur total project/construction cost of 100% and realizes sales consideration from Builder's portion of 50%-60% of saleable space.

In case customer advances are not coming forward in time, then Builder has to raise bridge loans/Inter corporate deposits resulting in increase in interest component. In order to attract more cash flows from customers at initial stage itself, a Builder may, at his option offer discount in sale price.

Another circumstance, where a Builder under pressure is on account of un-sold inventory. Builder is under obligation to complete the project as per promised schedule notwithstanding sale status. It is not out of place to come across situations where a Builder had offered incentives like free Modular Kitchen or free furniture, Price Guard guaranteeing against fall in prices, Property maintenance services like finding tenants, collection of rents etc. There were occasions where Builders have changed plans from premium to ordinary, big size to small size for new Blocks in the initial drawing stage itself and made affordable as market condition change due to external reasons of political or increase in the number of players around the area.

Marketing activity, strictly speaking, can only commence after obtaining regulatory permissions. Own funds are required for purchase of land, drawings preparation by architect, regulatory fees, pre-operative and preliminary project expenses and brochure preparation.

Construction equipment is either procured on outright purchase in case the order position is excellent or taken on lease at various stages, like initial land development, construction of the space etc.

Most Builders have suffered from time-over-run and cost-over-run for various reasons. Time-over-run may be due to delay in approvals by various regulatory authorities, non- availability of resources, eg. sand in recent times was not allowed due to change in Mining Act, delays in construction etc. Cost-over-run may be due to price changes in basic commodities like cement, steel; increase in minimum wage under regulations. Builder may not be able to recover additional costs incurred from the customers unless market improves and higher sales realizations are achieved. Hence, meticulous planning and strict implementation of the project are the 'mantras' to avoid cost escalations. Real Estate ERPs are available to monitor projects and mitigate or minimise the above issues.

Customer base and perceptions:

The volume game is more in affordable segment with 2-3 bed room of 1000- 1500 sft in saleable price range of Rs.40 lakhs to Rs. 60 lakhs (Approximate price in fair locality at Hyderabad – may vary from place to place).

Premium apartments 3-4 bed room with 1500 to 2000 sft may cost in the range of Rs. 75 lakhs to Rs.100 lakhs. Luxury independent house may cost Rs.2 crores and above depending upon land area, built up area and amenities etc.. Ultra luxury house costs more and is customer specific. Bank/Institutional funds are available to Individuals on long term loan upto 80% coupled with Income Tax benefits. Individuals from IT and other highly paid sectors are purchasing houses at youngest age due to high savings and availability of loans at attractive interest rates.

Customer perception in selecting a house/apartment is broadly based on – Environment, neighbourhood and proximity to work place/education institutions; Builder's good will and track record; features & quality of house/apartment; pricing and payment stages.

Financial modelling:

Involves fundamentally:

- Ascertaining the net present value of future cash flow streams.
- Preparing Model finance sheet with sound and practical assumptions current and reliable.
- Internal rate of return, good mix of debt and equity, real estate taxation norms in force etc.
- Grasp of basic financial principles – risk and return, NPV, various interest and discount rates, capital structure, cost of capital etc.
- Building area assumptions.
- Key project parameters.
- Capex vs leasing options for equipment.
- Debt and interest schedule – drawdown and repayment.
- Procurement of different materials, assignment of works to sub-contractors, man management and financial resources from time to time.
- Various regulatory approvals and returns to be filed.
- Sale of space and stage-wise receipts.
- Taxation structure.
- Review and revision of Cash flow statements periodically.
- Finally, the return on investment Vs estimates.

ERP enabled project-wise Cost information

- "Ready- for- construction-drawing" is the first document uploaded in Real Estate ERP from which are drawn various activities, work flow, resources required.
- "Work-breakdown-structure" (WBS) is prepared from the "Ready- for- construction-drawing".
- "Expenditure budget" is fixed by the management out of their experience based on what kind of quality construction is required. This covers direct expenses and not overhead expenditure.
- "Bill of quantities" (BOQ) hierarchy is drawn from WBS. BOQ is drawn for various material (steel, cement, doors, windows, electrical, plumbing, finishes), for labour resources (mason team, plumbing team, electrical team) and for equipment.
- "Procurement prices" are worked for all inputs through various methods. One example is by considering 4 pessimistic prices + 2 optimistic prices / 6. Inflation is considered over a period of construction.
- "Estimates" are prepared based on BOQs and Procurement prices. Estimates are different from Expenditure budget.
- "Functional Activities" are related to time schedules and drawn a PERT CPM chart.
- "Daily physical progress" is mapped with PERT CPM charts and redrawn the critical path based on progress.
- "Work orders" are issued under Procurement Module subject to a limit of Estimates.
- ERP relates one-on-one and thereby has a built in control mechanism. Eg Software will not allow Procurements beyond BOQs. BOQs are not allowed beyond Estimates. Estimates are not allowed beyond Expenditure budget. Changes if any are required are through amendments by management approval.
- Each "Project" is given a code. "Sub-project" codes are given if one project has many blocks. Each "unit of apartment" is given another code." Thereby, resources allocation can be made as per the codes.

Conclusion

In times to come, Real Estate Industry is bound to boom. Affordable interest rates for Customers will continue. More housing schemes are likely to be taken up to ease the shortage for the second most populous country. Builders employing technology, trained workforce, innovation, maintaining quality and timely delivery will remain in the market. Financial discipline is sine qua non for managing the investments seamless. MA

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DEMONETISATION & ITS IMPACT ON INDIAN ECONOMY

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Does Demonetisation usher in any hope in the minds of million and millions of Indians? Debate is going on. According to Irving Fisher's Quantity Theory of Money in the short run money supply will fall, demand will be sluggish and people will lose jobs . On Consideration of the empirical figures it revealed that the effect is not very pronounced but Indian economy is steadily progressing on a journey towards more ethical economy.

Demonetization is the act of stripping a currency unit of its status as legal tender. It occurs whenever there is a change of national currency: The current form or forms of money is pulled from circulation and retired, often to be replaced with new notes or coins. The objective of this paper is to highlight the causes and effects of demonetisation on Indian economy.

According to the Quantity Theory of Money of Irving Fisher, if the amount of money supply in the economy doubles, price levels also double, causing inflation. The consumer pays twice for the same amount of goods or services. On other way round we may say that if the money supply falls the demand will fall and inflation will cool down.

US economist Keneth Rogoff describes the misery of cash in his book "The curse of cash ". Federal Bank of America has withdrawn the high value Treasury bill phase by phase. Cash ban is a poll promise of the NDA Government. A Government always comes in power on the basis of political and economic agenda but the Government always sustains on the basis of economic agenda. One is reminded of Eugene Bear's famous pronouncement, "Good economics is a bad politics and bad economics is a good politics. " In our country politics dominates leads over economics. 87% of Indian economy is cash driven i.e. informal, black money is also mounting day by day. To increase the tax base and to prevent the future black money, digitalisation is the need of the hour.

India has had a previous history of digitalisation in the years 1946, 1954 and 1978. In 1917 erstwhile the USSR had advocated demonetisation after Rush Revolution, after World War II Germany had taken the path of demonetisation. The only other demonetisation exercises in recent times where in Russia after the break up of erstwhile Soviet Union and in Libya after the fall of the Gaddafi Regime. The demonetisation decision has four main objectives:

Unearth stashed cash ;
Collect tax from this cash ;
Stop Black money flow and
Segregate Fake Currency.

The question is whether India is ready to accept digital economy? At present 54 % of the Indian population have bank accounts, number of bank branches in India is 1.32 lakhs , number of ATM is 2.2 lakhs , 1.25 lakhs Post Offices will also help and expedite digital payment . Different e-wallets like Pay tm , Pay Umoney, MobiKNIk , Citrus Pay , SBI's Buddy , Videophone MPaisa ,Citi Master pass , ICICI Banks' Pockets , SBI Mobi cash and Airtel Payments Bank are part of the great digital march . As per study of the Zinnov Consultancy Group Study , 2016 , by the year 2023 the digital transactions will exceed cash transactions. The following table presents a graphic representation of the facts.

Table – I Digital and Cash Transaction over the Years

Year	Cash	Digital
2005	92	8
2010	89	11
2015	78	22
2020	60	40
2025	41	59

Source: Zinnov Consultancy Group Study, 2016

Google –Boston Consultancy Group had conducted another study on digital India in the year 2016. As per the data recorded in this study India is moving towards digitalisation steadily.

Table II Mobile user with Population over the Years

Items	2015 (in cr)	2020 (in cr)
Population	125	130
Mobile User	105	120
Internet User	34.5	65
Smart Phone User	24	52

Source : Google –Boston Consultancy Group ,2016

The revolutionary move of demonetisation was appreciated by world base organizations like World Bank, IMF, and Moody's, Standard and Poor, Global Times of China and many eminent economists like Prof Jagdish Bhagwati, Professor Colombia University, V.K. Klamath, Chief of BRICS Bank, Nobel Laureate Ja Tirol.

Fake Indian Currency Notes (FICN) figure was disclosed in the Parliament in 2006-07 reveals that 7.34 lakhs of Rs 100 notes, 5.76 lakhs of Rs 500 notes and 1.09 lakhs of Rs 1,00 notes were fake . The Parliamentary Panel was informed that the volume of FINC smuggled into India in 2010 was between Rs 1,500 cr and Rs 1,700 cr which went up to Rs 2,500 cr in 2012 i.e. rise of 55% is clearly indicated . Fake currency notes were rampantly used to finance terrorism, as per reports of National Investigating Agency (NIA). Demonetisation is an important issue as it brings people into moral economy. Short term pain will definitely pave the way to long term gain. In this context one is reminded observation of George Bernard Shaw's observation , "Progress is impossible without change, and those who cannot change their minds can't change anything. "

In India , 1.95 crore people belong to the income bracket 2.5 lakh to Rs 5 lakh , 52 lakh people belong to the income bracket Rs 5 lakh to Rs 10 lakhs . Only 24.5 lakh citizens submitted returns to the Income Tax Department showing income more than Rs 10 lakh , as Global Indian as per McKinney International Study . However , you know what has happened in the first 52 days of demonetisation? Deposit in 25.85 crore Jan Dhan Account (closer to BPL people) have amounted to a total of Rs 87,000 crore. Loan repayment in cash (over Rs 25 lakh) was made in 1.17 lakh accounts amounting to Rs 49,720 crore . Total deposit of 10.38 lakh crore was made in 1.1048 crore accounts, deposit in each account was more than Rs 2 lakhs . In the year 2002-03 the number of tax payers was 2.7 crores when population was 100 crores , now in the year 2014-15 the number of tax payers come down to 1.9 crores although the population has grown to 130 crores .

It is to be noted that in the year 2000 currency in circulation was Rs 1, 69,000 crores which has increased to Rs16, 50,000 crores , an increase of nearly 9.7 times was recorded in 15 years. India has physical cash circulation of 16, 50,000 crores of which 86 % is Rs 500 and Rs 1,000 denomination notes. It is Interesting to note that Rs 500 denomination notes circulation went up by 76% from 2011 to 2016 and within the same period Rs 1,000 denomination notes by 109% as against 40% increase in currency notes. In such a gloomy situation inflation flair up, income disparity goes up and parallel economy is on the driving wheel. It is true that black money finds its own way in real estate, stock market and bullion market. India is following digital economy as it has world's largest graduate population, computer literate and English speaking population with a rising young population than that of China.

In the words of Peter Ustinov, "Corruption is nature's way restoring our faith in democracy. "Out of 15.44 lakhs high value currency in circulation, Rs 14 lakhs cr high value currency was desperately deposited within 52 days. It would result in a fall in RBI's liability and translate into windfall gains of the government. At present the results are not as per expectation but eventually it is bound to increase. In the mean while with in the stipulated 52 days the supply of new currency by the end of December, 2016 amounted to Rs 6.9 lakh crores , within 80 days by the end of January, 2017 newly supplied currency amounted to Rs 10.3 lakhs crores and by the end of February, 2017 it will be Rs 12 lakh crores to Rs 13 lakh crores . Normalcy does not indicate complete replacement of currency. That too is to be treated as an abnormal situation, which the country not deserves.

As a result of the fact that after the initial round of scrutiny on" Suspect " deposits in 18 lakhs accounts were identified where Rs 5 lakhs and above were deposited and the stack added up nearly Rs 4.2 lakhs crores for which initially e-mails and SMSs were subsequently sent out for clarification . Out of 18 lakhs identified account holders, 5.27 lakhs were login website and out of these login accounts 60,000 people agreed to pay tax and penalty as stated by CBDT Chairman. The first three objectives of demonetisation are unearthing stashed cash, collection of tax from this cash and minimising black money flow in future. Baijayant Joy Panda in an article entitled " Cheques and Balances' has pointed out that , " As of the last year ; the tally of disputed cases was nearly 87, 000 in the Supreme and High Courts , 1.53 lakh in the income Tax appellate Tribunals and 3.7 lakh with Income Tax Commissions (Appeals). "

Questions will certainly arise as to the possible effects of demonetisation on Indian economy .Expected GDP growth rate of India in coming years will gradually be neutralised and economy will regain its momentum . Initially GDP will come down then again it will rise .

Table – III Effect on Economy

Year	GDP	Growth Rate
2016-17	GDP	7.6% to 7 %
2017-18	GDP	7.6%
2018-19	GDP	7.8%

Source: IMF

While economists in India are discussing a growth rate of 7% , world has witnessed a different picture. World trade decline, 7% growth rate is harder to achieve not because of demonetisation but because of de-globalisation as per the study made by Morgan Stanley Investment Management.

Table – IV Number of Countries Achieving 7% GDP

No of Countries	50	25	6
Year	2003-07	2008-15	2016

Source : Morgan Stanley Investment Management

Retail inflation has cooled down to a 5 year low of 3.2 % in January, 2017 compared with 5.7 % in January ,2017 . Rural areas have witnessed a slightly higher inflation rate at 3.4 %, while in urban areas it was 2.9 %.

A study conducted by Oxfam has revealed that in India 1% of the people holds 58% of the wealth. The Tax paying pattern also reaffirms the same. However, the true picture of income does find reflection in IT files.

Table – V Income Inequality

Range of Income	No of People	% of Tax Payer
Rs 2.5 lakhs to Rs 10 lakhs	3.4 cr	93.3
Rs 10 lakhs to Rs 1 cr	24 lakhs	6.6
More than Rs 1 cr	48,000	0.1

Source: The Times of India dated t 1/01/2017

A study of the deposit pattern within the period of demonetisation , and tax-payers' status reveal that tax net should be widened in order to generate more revenue as direct tax component and to improve the direct tax to indirect tax ratio better and Income Tax to GDP ratio be more reasonable.

WB opposed demonetisation vividly on the plea that the revenue generation would passively come down by Rs 5,500 crores but actually it went down only by Rs 1,847 crores in comparison with last year short fall of Rs 4,000 . The Politicians are also having a hue and cry that cultivation will be tremendously affected. The Area covered under cultivation of Rabi crops has showed no support in favour of the negative argument of politicians. The following figure illustrates the fact that the country is looking at the prospect of having the highest acreage of winter crops in five years.

Table – VI Defying Demonetisation

Year	2012-13	2013-14	2014-15	2015-16	2016-17
Area in Lakh Hectares	608.65	642.89	596.24	600.02	637.34

Source: The Times of India 27/01/2017

The government plans to make it mandatory for payment to be made only through cheque or directly into the bank account of the concerned beneficiaries. In the same line the Payment of

In the words of Peter Ustinov, “Corruption is nature’s way restoring our faith in democracy".

Wages (Amendment) Act, 2017 has been made so that poor labourers are not deprived from their minimum wages.

Let us take a quick look at the agriculture, industry and service sectors. In spite of demonetisation, agriculture growth rate has not fallen but has not risen as expected.

Table – VII Agriculture Sector

Year	2012-13	2013-14	2014-15	2015-16	2016-17
Agricultural growth Rate	15.%	4.2%	(-) 0.2%	1.1%	4.1%

Source: RBI

Informal sector has been affected in the short run but regaining momentum gradually. Overall industrial growth rate has come down in comparison with earlier estimation.

Table – VIII Industrial Sector

Year	2012-13	2013-14	2014-15	2015-16	2016-17
Industrial growth Rate	1.%	-0.1%	2.8%	3.1%	4.8 %

Source: RBI

Service sector growth rate is slightly down compared to earlier years.

Table – IX Service Sector

Year	2012-13	2013-14	2014-15	2015-16	2016-17
Service Sector growth Rate	NA	7.8%	10.3%	9.2%	8.9%

Source: RBI

Conclusion

Indian economy has enough strength to absorb the commencement of demonetisation. It has trembled but not fallen as apprehended by the critics of demonetisation.

The Union Budget proclaimed the avowed aim of the Honourable Finance Minister Mr Arun Jaitly to widen the tax net by reducing the tax rate in the first slab and not by enhancing the exemption limit. The glaring thrust on agriculture, rural development and infrastructure reminds us of the pronouncements of Lord Keynes in the event of the Great Depression in the 1930s in USA , “ The government should pay people to dig holes in the ground and then fill them up" . MA

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The Great Indian Experiment

JUSTIFICATION FOR INTRODUCTION AND CONTINUATION[1]

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Cost Audit is considered as the great Indian experiment. India introduced it first among all countries of the world. Many Asian and African countries followed the Indian model subsequently. The Institute of Cost Accountants of India has been playing a very significant role since the Government of India had introduced legal provisions for maintenance of cost accounting records in case of certain specified groups of manufacturing companies and assuming power to order for cost audit in certain units within the above-mentioned groups. This was done by amendment in 1965 of the Companies Act, 1956.

In 1991, India liberalised her economic policy. As a result, competition increased several folds and manufacturing enterprises were expected to operate more efficiently. So, market forces started dominating the picture. But the maintenance of cost accounting records and cost audit continued. In the Companies Act, 2013, both the provisions, maintenance of cost accounting records and cost audit, have been retained.

In view of the above, this paper seeks to address the following issues:

- What circumstances did lead to enactment of legal provisions for maintenance of cost accounting records, and cost audit? How effectively, the ICAI played its role in this context?
- After the liberalisation of Indian economy in 1991, why were the same legal provisions continued?
- Are the provisions of the Companies Act relating to maintenance of cost accounting records and those relating to Cost Audit the same prior to economic liberalisation and those contained in the Companies Act, 2013?

The study is of explorative type. Section 2 gives background of various developments that led to taking decisions by the Government to bring in necessary legislative changes in 1965 for maintenance of cost accounting records and cost audit. This section also gives a brief account of the activities of the Institute in this context. This is followed by a brief discussion in Section 3 on liberalisation and its possible impact on the companies so that the Government introduced reforms for enhancing the usefulness of maintenance of cost accounting records and cost audit. Section 4 makes a comparison of the legal provisions prior to liberalisation (pre-1991) and those enacted in the Companies Act, 2013 (post-liberalisation). The last section gives summary and conclusion.

The Early History

The concept of Cost Audit had emerged from the review of various mal-practices brought to light by the Vivian Bose Enquiry Committee. The financial Audit (sections 224-227 of the previous Companies Act, 1956) at the end of the year was considered insufficient to assess the real efficiency of working of manufacturing establishments. As a result, a new concept of management arose in Government thinking – that it is not only the shareholders of a company engaged in production, processing etc. industries but Government were equally interested that resources of the company are used to maximum advantage[2].

The Cohen Committee[3] was appointed soon after the Second World War to make various recommendations in the then existing company laws. This Committee submitted its report in the year 1945, making striking proposals for the abolition of the doctrine of ultra vires. The Jenkin Committee Report 1962 made its recommendations that the doctrine of ultra vires should not be repealed, but protection should be given to third parties dealing with the companies in good faith.

In the year 1952, Bhaba Committee[4] on this doctrine expressed similar view as that of Cohen Committee, in that the doctrine is merely an illusory protection for the shareholders and pitfall for third party dealing with the company. This Committee recommended the overhauling of the company's legislation in the country and on the basis of which a bill was laid before Parliament in 1953 which, after few modifications, made by Joint Select Committee, enacted "The Companies Act 1956" repealing the 1913 Act.

Vivian Bose Commission was appointed to investigate into the Dalmia Jain Airways Ltd.'s affairs under the chairmanship of Justice Vivian Bose. The recommendations of this Commission were later on taken into consideration by Daphatry Shastri Committee which was presided by Shri A.V. Viswanath Shastri, an Advocate of Supreme Court, along with Shri C.K. Daphatry, the then Attorney General.

The Daphatry Shastri Committee gave its recommendations for carrying out necessary amendments into the companies act and, accordingly, the Amendment Act of 1965 made amendments of sections 13 and 149. The Committee recommended that clause (c) of section 13 of the Act, as it stood before amendment, should continue to apply to companies in existence immediately before the commencement of this Amendment Act of 1965 and the provisions of new clauses requiring the division of the objects into (i) main objects and objects ancillary thereto and (ii) other objects should apply to the new companies. Thus, by this amendment, three new clauses, namely (c), (d) and (e), were substituted and accordingly in section 149 provisions for compliance of new business were added. The purpose of this amendment was to enable shareholders and other interested parties to have a clear idea of the main objects clause and the other objects. Therefore, this amendment made it difficult for the management of the companies to pursue any object outside the main objects clause without the knowledge and approval of shareholders.

The real beginning of Cost Audit, however, started in 1965 when the Companies Act, 1956 was amended to incorporate the provisions relating to maintenance of Cost Accounting Records Rules and Cost Audit. Such amendments were made on the basis of recommendations received from Vivian Bose Commission, Dutta Commission and Shastry Committee. As theses Commissions / Committees observed inadequacies in the then existing system of financial accounting and audit and also in the then existing system of corporate disclosures, they recommended an effective system of cost accounting and cost audit, to supplement the financial accounting and auditing practices.

The justification for mandatory Cost Accounting and Cost Audit has been well documented in the Parliamentary debate that led to adoption of Companies Amendment Bill 1965 incorporating Sections 209 (1) (d) and 233B. During the relevant Rajya Sabha debate, Smt. Tara Ramachandra Sathe (MP from Maharashtra) stated as under[5].

The cost audit is quite different from financial audit. It is to see whether the labour is efficient or not, whether labour provided is less than what is required, whether every material and machinery is used to the optimum. Since we are short of material, it has to be imported leading to outgo of foreign exchange. It is therefore very essential that there should be Cost Audit in almost all the Industries (Proceedings of Rajya Sabha, 14th September 1965)[6].

In his reply, the then Hon'ble Finance Minister, Shri T.T. Krishnamachari, while highlighting the absolute necessity of Cost Accounting and Cost Audit stated that:

while we have made it obligatory or rather semi-obligatory to employ cost accountants, it is our intention to ask certain industries, to have a cost accountant's report. We are really making it possible for Institution of Cost Accountants to grow so as to enable the Government sometime later to make every manufacturing company employ a Cost Accountant and have a cost acountant's report in regard to the cost of product that it produces (ibid; column 3974).

The Institute of Cost and Works Accountants of India came into being as a statutory body by an Act of Parliament in 1959.

In moving the Cost and Works Accountants Bill the Lok Sabha Debates, Vol. XXIV, dated 20th December, 1958, pp. 6608-09 recorded its importance in the following words[7]:.

The systematic determination of cost in every single and distinct process of manufacturing provides a continuous check on the margin of waste in the processing of raw and semi-furnished materials, on the utilisation of machinery installed, on manpower expended and the percentage of rejection of finished products. This pinpoints also the particular process in which defects and deficiencies exist, thereby enabling immediate remedial measure being taken.

Sections 209(1) (d) and 233B of the Companies Act, 1956, incorporated in 1965, are the backbone of cost accounting and cost audit in the Indian corporate sector. Since then, the framework put into practice inculcated cost consciousness amongst the industry and also served the requirements of regulatory authorities, government agencies, tariff/price fixation bodies, research organisations, etc. These provisions empowered the Central Government to mandate maintenance of cost accounting records and audit thereof in certain class of companies. The broad objectives were to (i) inculcate a culture of cost consciousness among industries; (ii) improve resource management; make efficiency audit possible; and (iii) make cost data available with the Government.

Under these provisions, from 1966 till 2004, Ministry of Corporate Affairs [MCA] framed and notified separate Cost Accounting Records Rules (CARR) for 44 industries/products. MCA also notified Cost Audit Report Rules which were later amended in 1996 and again in 2001. SSI units with turnover not exceeding Rs.10 crore were granted exemption. Cost audit orders were issued on individual companies chosen in as ad hoc manner, resulting in criticism. Multi-product companies were required to comply with multiple Rules. Bulky cost audit reports [running into 500-1500 pages] contained complex details each unit and each product separately[8].

The Committee on Subordinate Legislation (14thLok Sabha) went deep into the scope of Statutory Cost Accounting Record Rules and regretted that even 38 years after enactment of the relevant provisions empowering the Government to prescribe the Cost Accounting Record Rules, these have not been framed to cover all major industry /projects. The slow pace of framing rules negates the very purpose of the important provisions of the legislation passed by the Parliament. The Committee further mentioned that an authentic cost database to various existing and new regulatory and development authority, RBI, Competition Commission, various states / central government departments for fixation of user charges in respect of services provided by them, revenue department, is of paramount importance which would go a long way in fulfilling their respective objectives. One of the objectives was to bring in cost consciousness among the companies with resulting benefits to the stakeholders.

The justification for mandatory cost accounting records and cost audit has been well explained and documented in the Notes on clauses, Reports of the Joint Select Committee and Parliamentary Debate that led to adoption of Companies Amendment Bill, 1965 incorporating above-mentioned Section 209(1) (d) and 233B. The primary aim was to make the corporate sector more efficient through the scheme of detailed cost accounting and efficiency audit.

It is important to mention here the role of the ICAI in this context. The Institute had been submitting to the Government of India, time and again, the need for incorporation of regulatory provisions in the Companies Act for maintenance of cost accounting records in certain specified groups of manufacturing industries for enhancing efficiency of these units in terms of utilisation of resources in a resource-scarce economy and also making more reliable cost data available for informed decisions. So, the dream of the Institute was fulfilled in 1965 through such enactments in the Companies Act, 1956.

Empowered with the provisions of the above legislation, the erstwhile Institute of Cost and Works Accountants of India started formulating Cost Accounting Record Rules (CARRs). Between 1967 and 2004, it covered 44 industries as shown in table 1. Vested with the powers under section 233B, the Central Government also ordered for audit of cost accounting records in a large number of companies falling within the scope of these 44 industries.

Table 1

List of Cost Accounting Records Rules[9]

1. Cost Accounting Records (Cycles) Rules, 1967
2. Cost Accounting Records (Tyres & Tubes) Rules, 1967
3. Cost Accounting Records (Air-Conditioners) Rules, 1967
4. Cost Accounting Records (Refrigerators) Rules, 1967
5. Cost Accounting Records (Batteries other than Dry Cell Batteries) Rules, 1967
6. Cost Accounting Records (Electric Lamps) Rules, 1967
7. Cost Accounting Records (Electric Fans) Rules, 1969
8. Cost Accounting Records (Electric Motors) Rules, 1969
9. Cost Accounting Records (Aluminium) Rules, 1972
10. Cost Accounting Records (Vanaspati) Rules, 1972

11. Cost Accounting Records (Bulk Drugs) Rules, 1974
12. Cost Accounting Records (Jute Goods) Rules, 1975
13. Cost Accounting Records (Paper) Rules, 1975
14. Cost Accounting Records (Rayon) Rules, 1976
15. Cost Accounting Records (Dyes) Rules, 1976
16. Cost Accounting Records (Polyester) Rules, 1977
17. Cost Accounting Records (Nylon) Rules, 1977
18. Cost Accounting Records (Textiles) Rules, 1977
19. Cost Accounting Records (Dry Cell Batteries) Rules, 1978
20. Cost Accounting Records (Steel Tubes and Pipes) Rules, 1984
21. Cost Accounting Records (Engineering Industries) Rules, 1984
22. Cost Accounting Records (Electric Cables and Conductors) Rules, 1984
23. Cost Accounting Records (Bearings) Rules, 1985
24. Cost Accounting Records (Formulations) Rules, 1988
25. Cost Accounting Records (Steel Plant) Rules, 1990
26. Cost Accounting Records (Insecticides) Rules, 1993
27. Cost Accounting Records (Fertilizers) Rules, 1993
28. Cost Accounting Records (Soaps & Detergents) Rules, 1993
29. Cost Accounting Records (Cosmetics & Toiletries) Rules, 1993
30. Cost Accounting Records (Footwear) Rules, 1996
31. Cost Accounting Records (Shaving Systems) Rules, 1996
32. Cost Accounting Records (Industrial Gases) Rules, 1996
33. Cost Accounting Records (Sugar) Rules, 1997
34. Cost Accounting Records (Industrial Alcohol) Rules, 1997
35. Cost Accounting Records (Motor Vehicles) Rules, 1997
36. Cost Accounting Records (Cement) Rules, 1997
37. Cost Accounting Records (Milk Food) Rules, 2001
38. Cost Accounting Records (Mining and Metallurgy) Rules, 2001
39. Cost Accounting Records (Electronic Products) Rules, 2001
40. Cost Accounting Records (Electricity Industry) Rules, 2001
41. Cost Accounting Records (Plantation Products) Rules, 2002
42. Cost Accounting Records (Petroleum Industry) Rules, 2002
43. Cost Accounting Records (Telecommunications) Rules, 2002
44. Cost Accounting Records (Chemicals) Rules, 2004

Source: http://icmai.in

Reforms for Enhancing Usefulness of Cost Audit Etc. In Post-Liberalisation Era

Since 1965, the framework put to practice has inculcated a sense of cost consciousness in a large number of industries/companies. This mechanism, to a very large extent, has helped them to face the fierce competitive forces arising out of post-1991 liberalization and globalization. It served well the legal and non-legal requirements of various regulatory authorities, government agencies, tariff/price fixation bodies, research organisations, etc.

Cost accounting is an integral part of the management process. It serves as an important tool to the management to face the growing pressures of global competition, technological innovations, volatility in exchange rate and input prices and change in business processes. To ensure that the organisation remains competitive both for sustenance and growth, cost management has moved from a traditional role of product costing to a broader strategic focus. So, the efficient operation of Cost and Management Accounting in an enterprise assumed greater significance during post-liberalisation period.

With the aforesaid objectives in mind, Ministry of Corporate Affairs (vide their Order dated 21st January 2008) constituted an Expert Group comprising members drawn from the Government, Industry Associations and Professional bodies. The Group was asked to undertake the following tasks:

(i) Review the Cost Accounting Record Rules and their continued relevance in the contemporary competitive environment as per the presently prescribed structure / format, and make recommendations for requisite modifications and / or alternative structures;
(ii) Review the existing Cost Audit Report Rules and formats prescribed therein, and recommend appropriate modifications to make them more relevant to the needs of different stakeholders including company management, shareholders, regulators, etc;
(iii) Review the existing system with a view to making suggestions for addressing the concerns of the industry with regard to confidentiality of company cost data and cost of compliance, and
(iv) Review and, if required, give suggestions for redrafting the existing Cost Accounting Standards in the Indian context in light of international best practices, and to align them with the international cost accounting standards issued by International Federation of Accountants (IFAC).

The Group noted that, globally, cost accounting system was never invented for administered pricing although that might have been one of the objectives prior to liberalisation of economic policies in India particularly in case of Central Public Enterprises. The domain of cost accounting has enhanced and enriched for driving the performance amidst global competition. This requires comprehensive strategic cost management to face effectively the emergence of competitiveness. In the post-liberalization era, there is need to enhance and retool the mechanism of cost audit to enable performance management as a part of the governance framework (Banerjee, 2015). Such an alignment is possible only by way of statutory support. Even with liberalisation and globalization, certain level of regulation of the economy is essential for sustainable economic development[10].

The Group further noted that in the WTO regime, the country needs to build up appropriate cost data-base to detect or fight all anti-dumping cases. Similarly, cases relating to transfer pricing, or arm's length price, cannot be decided judiciously in the absence of reliable cost data. Such a reliable, standardized and industry-wide data-base is possible only by way of statutory cost accounting and reporting framework. This would ensure maintenance of structured cost records system in each company and cost audit would provide requisite assurance on the authenticity of cost data to all stakeholders. This mechanism would lead to better governance, improved competitiveness and smooth functioning of regulatory agencies. The Expert Group made 39 recommendations, grouped in 6 categories.

The Group submitted its Report to MCA in December, 2008 which was fully endorsed and signed by all the 15 members representing different stakeholders. The only dissent was from the representative of the Institute of Chartered Accountants of India. However, the Expert Group noted that majority of the views expressed by the dissenting member are in complete consonance with the Observations and Recommendations made by the Expert Group in its report. MCA put this report on its website in March 2009 and received a number of views/suggestions. Those were examined. To suggest modalities for implementation of the recommendations made by the Expert Group, MCA constituted a Task Force in November 2009 and its report was received in February, 2010.

Based on the recommendations/suggestions made by the Expert Group/Task Force, suggestions made by regulators and user-departments and other stakeholders and the subsequent examination/discussions held in MCA, revised rules/orders were issued from June 2011 till November 2012. These revised rules/orders were made effective in stages, from the financial year beginning 1.4.2011, 1.4.2012 and 1.1.2013, respectively. By virtue of these changes, major reforms were instituted in the existing structure/framework of cost accounting records and cost audit that existed since 1965.

The reforms taken by the Government were intended to:

(a) give a regulatory push to the Indian companies to attain highest level of cost management and cost competitiveness, and strengthen the corporate governance mechanism;

(b) fulfill various demands of industry with regard to simplification of rules, procedures, structure, and formats with due emphasis on cost and efficiency parameters, removal of discrimination, addressing the confidentiality of cost data, and reducing cost of compliance;

(c) recognize cost accounting standards issued by the Institute to bring uniformity and standardization in cost statements, and

(d) fulfil requirements of various Government authorities and regulatory bodies for availability of certified cost data of all companies for their purpose and improve the quality of cost information for better decision making so as to, in-turn, help the industry and the economy[11].

The new structure/framework was widely applauded by all stakeholders, especially by the industry. Since June 2011, more than 200 programmes were held throughout the country in association with the industry and other stakeholders wherein these reforms taken by the MCA were highly appreciated. In fact, a few companies even wrote to MCA on this, appreciating the change and thanking the Government.

Legislation for Cost Accounting Record Rules and empowering Cost Audit

We have mentioned earlier that, in 1965, the provisions for maintenance of Cost Accounting Record Rules [Section 209(1)(d)] and those for Cost Audit (Section 233-B) were incorporated in the Companies Act 1956. The ICAI played its role by formulating CRRs in 44 industries. The Government introduced the reformed mechanism in the Rules notified and orders issued in 2011.

The Ministry of Corporate Affairs (MCA) amended the revised procedure of appointment of Cost Auditor. Now the Audit Committee of a company is the first point of reference for appointment of cost auditor to be made by the Board of Directors (vide General Circular number 15/2011 dated April 11, 2011). MCA also issued industry specific Cost Accounting Records Rules in the same year for six regulated industries, namely, Telecommunication, Petroleum, Electricity, Sugar, Fertilizer and Pharmaceutical (vide G.S.R. 869(E) to 874(E) dated 7th December 2011). These cost accounting records rules permit maintenance of principles-based Cost Accounting Records by the companies covered under these rules.

It is common knowledge that the Bill for New Companies Act was under the active consideration of the Government since long. So, the Government set up an "Expert Committee on the New Company Law". The observations of the Expert Committee on this issue are noteworthy[12]:

Cost Records and Cost Audit were important instruments that would enable companies make their operations efficient and exist in a competitive environment, and enabling provision may be retained in the law providing powers to the Government to cause Cost Audit.

Earlier, the Standing Committee on Finance in its report on the Companies Bill 2009 also emphasized on mandatory maintenance of cost records, coverage of more number of companies, particularly in sectors concerning exploration, mining, processing, manufacturing, infrastructure and utilities under cost audit and due compliance with the cost accounting standards and cost auditing standards[13]. Thus, maintenance of Cost Accounting records and audit of such records was considered imperative by several Committees during these periods.

The importance of service sectors, such as Banking, Insurance, Health Services, Education, Hotel, etc., has increased tremendously after the liberalization of the economy in view of their contribution to GDP. Accordingly, it was recommended that necessary changes in the new Companies Act be made to bring the services sectors under the umbrella of maintenance of cost accounting records and cost audit thereof.

We now make a comparison between the legal provisions relating to maintenance of Cost Accounting Records and Audit thereof in the Companies Act, 1956 and those incorporated in the Companies Act, 2013. It may be mentioned that the requirement of maintenance of Cost Accounting Records was in Section 209(1)(d) in the Companies Act 1956 which finds place in Section 128 of the Act of 2013. Similarly, the corresponding provisions of cost audit under section 233-B of the Act of 1956 finds place in Section 148 of the Act of 2013. The comparison of these two important aspects, maintenance of Cost Accounting Records and Cost Audit, may reveal the type of changes, if any, that have been made in keeping with changing requirements of the industries in particular and economy in general, as suggested by various Expert Committees over time, mentioned earlier.

a) Maintenance of Cost Accounting Record Rules

Section 209(1)(d)	**Section 128**
The prerequisite of a Cost Audit is the existence of accounts and this has been ensured by the rules prescribed under Section 209(1) (d) of the Companies Act, 1956. Section 209(1) (d) runs as follows: "S.209. (1) Every company shall keep at its registered office proper books of account with respect to (d) In the case of a company, pertaining to any class of companies engaged in production, processing, manufacturing or mining activities, such particulars relating to utilization of material or labour or to other items of cost as may be prescribed, if such class of companies is required by the Central Government to include such particulars in the books of account: Provided that all or any of the books of account aforesaid may be kept at such other place in India as the Board of Directors may decide and when the Board of Directors so decides, the company shall, within seven days of the decision, file with the Registrar a notice in writing giving the full address of that other place." Note: For details of books account vide Guidance Note (http://ghsa.in/wp-contnt/uploads/2013/01/Guidaence_Note_on_Maintenance_of_Cost_Accounting_Records_18_5_2012.pdf)	With enactment of the Companies Act, 2013, books of accounts to be maintained by a company are prescribed in Section 128. Section 128 of the Act mandates the books of accounts to be kept by a company. Under Explanation for maintenance of books of accounts serial 5 states that "A company engaged in production, processing, manufacturing or mining activity, is also required to maintain particulars relating to utilization of material, labour or other items of cost as the Central Government may prescribe for such class of companies." Section 2(13) defines books of accounts. Clause (iv) to this sub-section states about the "items of cost as may be prescribed under Section 148 in the case of a company which belongs to any class of companies specified under that Section." Note: Companies (Cost Records and Audit) Rules, 2014 (as amended, up to, 15'th July, 2016) give details of books of account. (http://icmai.in/upload/Students/Circulars/Companies-Rules-2014.pdf)

b) Cost Audit

Section 233-B	**Section 148**
The power of ordering Cost Audit is contained in Section 233-B of the Companies Act, 1956. Section 233-B is reproduced as follows: "233-B. (1) Where in the opinion of the Central Government it is necessary so to do in relation to any company required under clause (d) of sub-section (1) of Section 209 to include in its books of accounts the particulars referred to therein, the Central Government may, by order, direct that an audit of cost accounts of the company shall be conducted in such manner as may be specified in the order by an auditor who shall be either a cost accountant within the meaning of the Cost and Works Accountants Act, 1959 or any such chartered accountant within the meaning of the Chartered Accountants Act, 1949 or other person as possesses the prescribed qualifications. (2) An auditor under this section shall be appointed by the Board of Directors of the company in accordance with the provisions of sub-section (1B) of Section 224 and with the previous approval of the Central Government.	With enactment of the Companies Act, 2013, Cost Audit has also been retained as per Section 148. 148. (1) The Central Government may, by order, in respect of such class of companies engaged in the production of such goods or providing such services as may be prescribed, direct that particulars relating to the utilisation of material or labour or to other items of cost as may be prescribed shall also be included in the books of account kept by that class of companies: Provided that the Central Government shall, before issuing such order in respect of any class of companies regulated under a special Act, consult the regulatory body constituted or established under such special Act. (2) If the Central Government is of the opinion, that it is necessary to do so, it may, by order, direct that the audit of cost records of class of companies, which are covered under sub-section (1) and which have a net worth of such amount as may be prescribed or a turnover of such amount as may be prescribed, shall be conducted in the manner specified in the order.

Provided that before the appointment of any auditor is made by the Board, a written certificate shall be obtained by the Board from the auditor proposed to be so appointed to the effect that the appointment, if made, will be in accordance with the provision of sub-section (1B) of Section 224. (3) An audit conducted by an auditor under this section shall be in addition to an audit conducted by an auditor appointed under Section 224. (4) An auditor shall have the same powers and duties in relation to an audit conducted by him under this section as an auditor of a company has under sub-section (1) of section 227 and such auditor shall make his report to the Company Law Board in such form and within such time as may be prescribed and shall also at the same time forward a copy of the report to the company." By the Companies (Amendment) Act, 1974, only a cost accountant within the meaning of Cost and Works Accountants Act, 1959 has been empowered to conduct a cost audit. The Central Government has the power to notify that chartered accountants having prescribed qualifications may act as cost auditors. But no such notification has been issued by the Central Government as yet.	(3) The audit under sub-section (2) shall be conducted by a Cost Accountant in practice who shall be appointed by the Board on such remuneration as may be determined by the members in such manner as may be prescribed: Provided that no person appointed under Section 139 as an auditor of the company shall be appointed for conducting the audit of cost records: Provided further that the auditor conducting the cost audit shall comply with the cost auditing standards. Explanation.—For the purposes of this sub-section, the expression "cost auditing standards" mean such standards as are issued by the Institute of Cost Accountants of India, constituted under the Cost and Works Accountants Act, 1959, with the approval of the Central Government.

There are some changes in the above legislations brought in the Companies Act, 2013 relating to maintenance of cost accounting records and cost audit. Some of them are mentioned below:

(a) In the scope, the words, "production, processing, manufacturing or mining activities"have been replaced with "production of such goods or providing such services".
(b) Proviso to sub-section (1) has been added which says that the Central Government shall, before issuing such order [i.e. order for maintenance of cost accounting records] in respect of any class of companies regulated under a special Act, consult the regulatory body constituted or established under such special Act. This implies consulting the ICAI for the purpose.
(c) As per the new provision, cost auditors shall be appointed by the Board [without prior approval of the Central Government] on such remuneration as may be determined by the members "in such manner as may be prescribed".
(d) As per section 148 of the Companies Act, 2013, the cost auditor shall submit his/her report to the Board of Directors of the company and the company shall within thirty days furnish the same to the Central Government.
(e) As per sub-section (3) of section 148 of the Companies Act, 2013, the auditor conducting the cost audit is required to comply with the cost auditing standards issued by the Institute of Cost Accountants of India with the approval of the Central Government. This is a welcome addition to ensure effectiveness of cost accounting standards issued by the ICAI.
(f) Penalty provisions have also been modified in line with the general framework of the Companies Act, 2013.
(g) Sub-sections (9) and (10) of section 233B of the Companies Act, 1956 have been deleted.

Another notable addition is Amendment of Rules 2016[14]. In exercise of the powers conferred by sub-sections (1) and (2) of section 469 and section 148 of the Companies Act, 2013, the Central Government makes the following rules further to amend the Companies (cost records and audit) Rules, 2014, namely:-

1. (1) These rules may be called the Companies (cost records and audit) Amendment Rules, 2016. (2) They shall come into force on the date of their publication in the official Gazette.

2. In the Companies (cost records and audit) Rules, 2014 (hereinafter referred to as the Principal Rules),

(i) in rule 2, for clause (d), the following clause shall be substituted, namely:-

"(d) "cost audit report" means the duly signed cost auditor's report on the cost records examined and cost statements which are prepared as per these rules, including attachment, annexure, qualifications or observations attached with or included in such report;"

(ii) in rule 3, for Table (A) and Table (B), two Tables[15] shall be substituted, namely, (A) Regulated Sectors, and (B) Non-Regulated Sectors

Summary and Conclusion

It has been mentioned earlier that maintenance of cost accounting record rules and cost audit were introduced in 1965 to ensure mainly optimum utilisation of resources. When manufacturing activity uses imported raw matrials, efficient use of materials has a favourable impact on foreign exchange outgo.

Maintenance of specified books of cost accounts presupposes maintenance of a cost accounting system. The idea was to make sure that every manufacturing company employ a cost accountant so that reliable cost data are available for informed decisions. The cost accounting framework was expected to inculcate a culture of cost consciousness amongst the industries and improve resource management. This was also expected to promote efficiency audit.

The need for cost accounting in the post-liberalisation period has also been mentioned earlier in section 3. It is well-established through empirical and fundamental researches that cost is one of the 'success factors' and has to be managed strategically (Banerjee, 2014). Cost and management accounting is now an integral part of modern management process. It serves as an important tool to the management to face growing pressure of global competition, technological innovations, volatility in exchange rates and input prices and change in business processes. Thus, cost and management accounting has been changing form from a traditional role to a broader "strategic focus" (Porter, 1985; Cooper, 1995).

Cost accounting standards on different cost areas have now become a fact of corporate life in India and many other industrialised countries (see Banerjee, et. al 2017). These standards are intended to bring uniformity and consistency in the principles and methods of determination of cost of a product or service. Cost statements cannot be described as complying with the Cost Accounting Standards unless they are in conformity with the requirements of each applicable standard. So cost accounting standards have now become integral part of cost and management accounting system in any modern organisation. Accordingly, need for modern cost and management accounting has increased several folds in the present day competitive environment.

Corporate financial reports have now become indispensible legally and otherwise. Continuous changes in financial reporting have also been taking place (e.g. Financial Reporting and CSR, Value Creation and Distribution and Integrated Financial Reporting, etc.). One of the objectives of financial audit or statutory audit is to enhance credibility and reliability of financial information published in financial statements prepared by corporate enterprises. Many reforms have been taking place, nationally and internationally, to improve the usefulness of financial information for enhancing value of the firm. Because of convergence of national standards with IFRS, comparable financial information are now available internationally to take informed decisions by the creditors and investors. Multinational companies are enlisting their shares on foreign stock exchanges for several benefits.

The same argument can be given in favour of modern Cost and Management Accounting and cost data that are available from the system. Cost Audit will then be a natural process for accurate and reliable cost data. So, we strongly argue in favour of a modern Cost and Management Accounting in every organisation, both manufacturing and service, so that relevant and reliable cost data are available for informed decisions.

It is well-established in the available literature that Cost Accounting pays for itself, that is, benefits arising out of it far exceed its cost of operation of the system. Why then modern cost and management accounting should not be a part of modern management system in any organisation? In that case, maintenance of specified cost books will be a routine matter without any problem. This in turn will promote cost audit. They are complimentary to each other. Let the ICAI continue to play its pioneering role more effectively in the proposed changed context. MA

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Foot Notes

[1]This is part of a project undertaken for documenting the Institute's role in developing the cost and management accounting profession in India. Comments from the members and others are solicited (email: bhabatosh.commerce@gmail.com or rnj.director@icmai.in).

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[13] www.mca.gov.in

[14]www.mca.gov.in, Notification, New Delhi, the 14th July, 2016.

[15]Regulated Sectors (A) include Telecommunication services; generation, transmission, distribution and supply of electricity; petroleum products; drugs and pharmaceuticals; fertilizers, and sugar and industrial alcohol. Non-regulated Sectors (B) include large number of industries/products shown under 33 serials (for details see http://www.icmai.in/upload/Institute/Updates/Gazette-Notification-CCRA-Rules.pdf)

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TRUNCATED BOARDS OF PUBLIC SECTOR BANKS

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The Public Sector Banks in India control about 74% of the loans and advances of the entire banking system. The aggregate business of Public Sector Banks is about 71% of the total business of banking sector in India. The share of business controlled by Public Sector Banks signifies the importance of role played by them in the development of trade and economy of the country. These banks have stood test of time and showed remarkable resilience in the post-U.S financial crisis of 2008. There are 27 Public Sector Banks in India as shown in the following table:

Sl.No.	Category of Banks	Original No. of Banks	Present No. of Banks
1.	State Bank and its Associates	8	6
2.	Nationalised Banks	20	19
3.	IDBI Bank	1	1
4.	Bharatiya Mahila Bank	1	1
	Total	30	27

These banks are brought to/created as Public Sector Banks by their respective Acts of Parliament. They are therefore governed by such Acts. They are also additionally governed by the Banking Regulation Act 1949, Reserve Bank of India Act, 1934. Most of the Public Sector Banks have raised a part of their share capital from the market and hence are listed on the Stock Exchanges of the country. Introduction of Prudential Accounting Norms during the year 1992 was a significant decision and changed the structure of capital of all the banking companies in India including that of Public Sector Banks. The banks are required to maintain a capital as a specified ratio to the Risk Weighted Asset Value of the items appearing in the Balance Sheet and also the contingencies shown as non-fund based items off-Balance Sheet. The availability of capital therefore acts as a restrain on expansion of credit.

Constitution of Banks' Boards

The Constitution of the Boards of State Bank of India and its Associates, IDBI Banks and Bharathiya Mahila Bank is in terms of the Provisions of the respective Acts, while the Constitution of the Boards of Nationalised Banks is governed by The Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970/80. The modifications and amendments to the Scheme for constituting the Boards of Public Sector Banks are advised by Reserve Bank of India and Government of India from time to time. Consequent to the listing of Public Sector Banks on Stock Exchanges, the constitution of Board is also governed by Section 9 (3) of Banking Companies Act and SEBI / Stock Exchanges Listing Agreements. The structure of the Boards of Public Sector Banks having been frozen in the foregoing Provisions, is quite comprehensive in itself. These Acts laid down the provisions to the last detail about the manner in which the Board positions are to be filled. The broad structure of the Boards of Public Sector Banks consists of the Directors belonging to the following categories:

1. Chairman
2. Chairman cum Managing Director or
3. Managing Director / Chief Executive Officer
4. Executive Directors
5. Government Nominee Director
6. Reserve Bank Nominee Director
7. Officer-Employee Representative
8. Workman-Employee Representative
9. Chartered Accountants
10. Specialists Directors from the field of Finance, Economics, Banking, Artisans, Agriculture etc. or any other area considered useful to the bank by Reserve Bank of India.
11. Additional Director nominated by RBI under special circumstances.
12. Shareholder Representatives depending on the equity holding by non-governmental investors (One Director upto 16%, two Directors from 16% to 32% and three Directors above 32% equity holding by non-governmental investors.

The main functions of the Boards of Public Sector Banks include the following:

1. To establish policies relevant to the business of the bank
2. To take important, strategic and significant decisions
3. To oversee and review attainment of objectives
4. To constitute committees of the Board to discharge different functions of the Board so as to effectively strengthen the Governance process

The Public Sector Banks are required to have the following Sub-Committees of Board of Directors:

- Management Committee of the Board
- Audit Committee of the Board
- Risk Management Committee of the Board
- Nomination Committee of the Board
- High Value Frauds Committee of the Board
- IT Strategy Committee of the Board
- Remuneration Committee of the Board
- Customer Service Committee of the Board
- Committee of Directors (for General Manager Promotion)
- HR Committee of the Board
- Shareholder/Investors Grievance Committee of the Board
- Share Transfer Committee of the Board

The Board also constitutes Credit Approval Committee to be headed by the Chairman/MD &CEO, Executive Director, General Manager, Zonal / Regional Manager for the purpose of taking credit decisions upto the specified amounts as per the discretion of the respective committee.

The main objective of constituting specialised committees is to ensure a focussed, enhanced and qualitative decision making. But the constitution of the Board itself is so arbitrary that the Committees may not have all the members possessing specialised knowledge of the related field. This situation gets further compounded as the Government appoints its nominee directors mostly for the considerations, which are non-banking in nature, predominantly influenced by proximity to the power centres in the Government. It is an accepted fact that for enhancing the effectiveness and quality of Board Room deliberations, the Directors must bring to fore the challenges and emerging concerns. Free and frank deliberations should be encouraged so as to enable well informed and quality decisions. Constructive criticisms and consensus building should form an integral part of the Board Room culture. But such good practices are found wanting in the Board Rooms of Public Sector Banks.

Banks' Board Bureau

A review of the performance of Public Sector Banks is done on a regular basis by the Government of India by evaluating the attainment of goals set in the Statement of Intent submitted by the banks to Government of India in the beginning of the year. Reserve Bank of India also conducts on-site and off-site review of the performance of the banks. Deteriorating performance of Public Sector Banks in last few years has been causing serious concern to the Government and Regulators. The major areas of concern being the following:

1. Decline in Profits and Profitability
2. Mounting Non-Performing Assets
3. Deteriorating Capital Adequacy Ratio
4. Poor quality of Directors
5. Falling standards of Corporate Governance

6. Legacy issues on HR front
7. Skill Gaps
8. Technology Infrastructure

Ideally the Board should have collective wisdom and skills to address the concerns listed above. The system of Board Level appointments did not keep pace with the emerging challenges. It was in this background, the Indian Banks' Association and Government of India organised Gyan Sangam - a conclave of Top Bankers and experts during January 2015 at Pune. Indradhanush 1.0, a 7-point programme was announced in August 2015 with a focus on revamping the functioning of Public Sector Banks. Constituting a Banks' Board Bureau to be followed by setting up of Banking Investment Company was one of the elements of Indradhanush 1.0. Accordingly the Ministry of Finance, Government of India released a Press Note on 28.02.2016 announcing constitution of Banks' Board Bureau to come into effect from 01.04.2016. Mr. Vinod Rai, former Comptroller and Auditor General of India was appointed as its Chairman with Secretary, Department of Financial Services, Secretary, Department of Public Enterprises and Deputy Governor, Reserve Bank of India as ex-officio members. The Board also had Mr. Anil Kumar Khandelwal, ex-CMD, Bank of Baroda, Mr. H.N.Sinor, Joint MD, ICICI Bank and Ms. Rupa Kudwa, former MD & CEO, CRISIL as other members. The main objective of Banks' Board Bureau was to improve the Governance of Public Sector Banks. To meet its objective, the Board was mandated to carry out the following functions:

a) To select and recommend appointment of Heads of Banks and Financial Institutions
b) To help banks in developing Innovative Financial Methods, Strategies and Plans to raise capital.
c) To suggest Mergers and Acquisitions
d) To put in place a Governance and Accountability framework

Banks' Board Bureau (BBB) is a fiduciary entity and its Chairman and Members are appointed on a part time honorary basis. The appointment of Mr. Vinod Rai as Chairman evoked sharp criticism from different quarters as an alleged violation of Article 148 (4) of the Constitution of India which provided that the Comptroller and Auditor General shall not be eligible for further office under the Government of India or under any of the State Governments after he ceased to hold office. But the Government contended that Article 148 (4) is not violated in appointing Mr. Vinod Rai as Chairman of BBB as the job was part time without involving any compensation or emoluments. It raises an important question as to why the Government should create an entity for carrying out the all important functions incorporated hereinbefore without providing for any emoluments. It is common understanding that any entity tasked with a large role in determining the fate of Public Sector Banks and Financial Institutions must also take responsibility and be accountable for its poor performance. With the given set up of BBB, it is nobody's accountability, if it fails to discharge its functions effectively. In the following pages, an attempt has been made to evaluate the efficacy of Banks' Board Bureau in the important areas of its concern.

Present Position of PSBs' Boards

A study of the present position of the Boards of Directors of Public Sector Banks would reveal a pathetic picture. The following table contains the broad view of the Board of Directors of Public Sector Banks, in terms of filling up of vacancies without going into the merits, competency, capability and usefulness of those who are on the board for the time being(1.2.2017):

S.No.	Name of the Bank	Total Strength of Directors	Present Strength of Directors	% of post lying vacant
1.	Allahabad Bank	13	9	30.77
2.	Andhra Bank	13	8	38.46
3.	Bank of Baroda	15	13	13.34
4.	Bank of India	15	9	40.00
5.	Bank of Maharashtra	13	8	38.46
6.	Canara Bank	16	13	18.75
7.	Central Bank of India	13	8	38.46
8.	Corporation Bank	13	9	30.77
9.	Dena Bank	14	11	21.43
10.	Indian Bank	14	10	28.57
11.	Indian Overseas Bank	15	7	53.33
12.	Oriental Bank of Commerce	15	10	33.33
13.	Punjab National Bank	15	7	53.33
14.	Punjab & Sind Bank	13	7	46.15
15.	Syndicate Bank	14	10	28.57
16.	UCO Bank	14	6	57.14
17.	United Bank of India	12	5	58.33

18.	Union Bank of India	15	10	33.33
19.	Vijaya Bank	14	11	21.43
20.	State Bank of India	17	14	17.65
21.	State Bank of Bikaner and Jaipur	15	9	40.00
22.	State Bank of Hyderabad	15	10	33.33
23.	State Bank of Mysore	15	12	20.00
24.	State Bank of Patiala	15	9	40.00
25.	State Bank of Travancore	15	9	40.00
	Total	345	225	34.78

A perusal of the above table would reveal that as against the total vacancies of 345, only 225 vacancies have been filled up leaving 120 vacancies unfilled. The unfilled vacancies, therefore, come to 34.78% of total vacancies. A deficiency of such high order as 34.78% in Public Sector Banks, is quite a serious issue and has a direct impact on the quality of Board Room deliberations. It can be further seen that the banks like Indian Overseas Bank, Punjab National Bank, United Bank of India and UCO Bank which are more deficient in their Board Strength, are poor performers in terms of NPA management and profitability. On the other hand, the banks like Bank of Baroda, Canara Bank, Dena Bank and Indian Bank are better performers on similar parameters.

It is reported that Banks' Board Bureau has selected and recommended for appointment to Appointments Committee of Cabinet the names of 9 General Managers to be posted as Executive Directors to different banks. On its recommendations being accepted, there will be part filling of Board Level 9 vacancies as against the existing vacancies of 120. There is much more to be done by the Banks' Board Bureau in this regard. More than number game, it is the merit and quality of candidates which is important to ensure better governance. It is also important to observe that the standards of the quality and competence of the Directors on the Board of Public Sector Banks have deteriorated during the last few years. The root cause of such decline is having its genesis in the quality of recruitment in Officers Cadre of Public Sector Banks over a period of time as far as the Full Time Directors are concerned. In case of non-official Directors it is believed that meritocracy has given way to the proximity to the establishment. Unless these two issues are addressed, the Banks' Board Bureau will be able to produce same old wine in new bottle without bringing about qualitative difference in the functioning of Board Rooms of Public Sector Banks. Consequently the truncated Boards of Public Sector Banks will continue to have the same standards despite the existence of Banks' Board Bureau. It will be preparatory to make out a case for privatisation of Public Sector Banks. This gives rise to suspicion that BBB is likely to work on such a broader agenda.

Tenure of MD & CEO

Mr. Vinod Rai has been of the view that the tenure of MD & CEO at Public Sector Banks should be atleast for six years. This proposition is expected to help him execute his plans in an effective manner which is possible only if he has a fairly long tenure. This observation by Mr. Rai lends credence to the proven reality of Public Sector Banks having a top driven culture which does not do good to an organisation in long term. There is a need to develop and promote an internal organizational culture which can create a sustainable business model. The posting of full time Directors from other banks has resulted in the cross-cultural conflicts and resource drain in managing them. Each of the Public Sector Banks had its own rich culture and heritage which has been destroyed by posting CEOs from other banks who invade the culture by importing the culture from their earlier bank. It is proposed to the Government to consider promoting internal CEOs and save precious resources which are wasted now in cross-cultural conflict management. State Bank of India is a live example where cross-cultural conflicts are not faced. If this concept is working well in State Bank, it would also work well in other Public Sector Banks. The internal CEO would require no extra take off time to evolve and execute his plans as he would be the part of the system which has been evolving continuously. Another implication of longer tenure for CEO is that if a wrong choice is made, we get stuck up with it for a longer period of time affording him enough opportunity to cause destruction. I have always wondered if a non-performing Branch Manager or a Regional Manager could be removed and re-deployed to a lesser significant assignment, why the similar approach could not be adopted in dealing with a non-performing CEO by re-deploying him and saving the Public Institutions.

Level of NPAs

Bad and Doubtful Debts of the banks are known as Non-Performing Assets. The banks are not allowed to book any interest on NPAs to their Profit and Loss Account. On the contrary the banks are required to make provisions on NPAs out of the profits earned at the followings rates:

a) NPAs upto 180 days - 15%
b) NPAs more than 180 days to 2 years - 40%
c) NPAs more than 2 years - 100%
d) Loss Assets (unrecoverable)/Frauds - 100%

RBI has advised the banks to have adequate provisioning against NPAs so as to have a Provision Coverage Ratio 70%. As against the expected Provision Coverage Ratio of 70%, the banks like

Allahabad Bank(46.03%), Indian Overseas Bank(46.61%), Vijaya Bank(48.55%) and Oriental Bank of Commerce(49.33%) have very low Provision Coverage Ratio(PCR). The PCR of most of the banks falls between 45 & 55% barring some Private Sector Banks like Development Credit Bank (75.25%), Dhanalakshmi Bank (75.54%), Federal Bank(72.09%) and Axis Bank(69.0%), having higher Provision Coverage Ratio. The Non-Performing Assets of banks in India amount to 9.2% of the total loans and advances. However, in case of Public Sector Banks Non-Performing Assets are as high as 12% of total loans and advances. The slippages to NPA category in the last two years have been quite high. The Gross NPAs are reported to be around Rs.7.00 lakh crores and after Asset Quality Review by RBI which is expected to be completed by 31st March 2017, the NPAs are expected to gross Rs.8.00 lakh crores. About 55% of NPAs are contributed by Large Corporate Borrowers. The sectors like Highways, Infrastructure, Steel, Aluminium, Real Estate etc. are the major contributors to the NPAs, particularly of Public Sector Banks. The NPAs in smaller value category are encouraged by political pronouncements of loan waiver as election promise by different political parties. There is need for the politicians to exercise restraint in the long term interest of the banking system in the country.

There are serious discourses on the issue of cleansing the Balance Sheets of Public Sector Banks even if it warrants creation of a Bad Bank in the form of new Asset Reconstruction Company with the predominant shareholding of the Government of India. This is gaining ground with Mr. Viral Acharya taking over as Deputy Governor of Reserve bank of India. It was about two years ago that Mr. Acharya had suggested setting up of a Bad Bank in one of his Research Papers. But such a thought is shortsighted in as much as the phenomenon of NPAs is not one-time affair in Indian banking space. NPAs are part of business of banking and need to be managed in an efficient manner. The subject of NPAs is so complex that it is also influenced by non-business factors viz., delayed Government clearances, environmental hurdles, global economic scenario, time and cost over-runs, change in Government Policies, political philosophy of loan waiver from time to time and thereby vitiating the loan repayment culture etc. There is an urgent need to address these issues too.

It is surprising that the discourse is revolving around lack of taking decision on write off for the fear of investigations and accountability on the part of top executives of Public Sector Banks. There is need to have a stringent law to strengthen the loan recovery infrastructure in the country so that the fear of punishment in the minds of the borrowers dissuades them from defaulting on bank loan repayment. Unless the loan default is made a criminal offence, the borrowers will continue to resort to willful default. It will be a wrong step to set up a Bad Bank in this perspective. Deterrent alone can be the right remedy to minimise the level of NPAs.

Recapitalisation of Banks

One of the functions of Banks Board Bureau is to develop innovative financial methods, strategies and plans to raise capital. Despite a lapse of one year and some of the Public Sector Banks having serious challenge of raising capital on their own, the Banks Board Bureau has not been able to evolve any methodology or strategy to help the Banks plan augmenting their capital. The Government of India on its part had provided for re-capitalisation of Public Sector Banks by ear-marking Rs.70000 Crores to ensure compliance with BASEL III norms spanning over 4 years. The allocation was Rs.25000 Crores for the year 2015-16, Rs.25000 Crores for the year 2016-17, Rs.10000 Crores for the year 2017-18 and Rs.10000 Crores for the year 2018-19. Even as per the old estimates, the gap will remain Rs.110000 Crores which is expected to be made good by the banks on their own either through internal accruals or from the market by issuing equity shares or debt instrument. It is quite interesting to note that the internal accruals of the Public Sector Banks have been severely hit by the decline in profitability and hence only a few banks are in a position to plough back to improve their capital base. Other banks have to fend for themselves. Such a situation would involve the questions of their capacity to raise capital and also at what cost? A bank with poor financials will find it difficult to raise capital in a cost-effective manner. The high cost of capital will be a further drag on their profits, thereby driving such banks into a vicious circle. Under these circumstances, Banks Board Bureau faces an uphill task to ensure adequacy of the capital for the Public Sector Banks to help them meet BASEL III deadlines. The need at this juncture is to make the Public Sector Banks a self-sustaining model and the Government and RBI should come to terms that banks are allowed to fix price of their products in a profitable manner like Oil and Petroleum Marketing Companies. The Government's persistent attempt to get the interest rate on loans reduced is at conflict with the re-capitalisation of Public Sector Banks. Government need to resolve such a serious conflict on a priority basis. Since the Public Sector Banks are also commercial entities, their interests should not be made subservient to the interest of other commercial organisations more particularly the Private Corporate Houses that default on loan repayment.

Mergers and Acquisitions

A distinct class in the country has been suffering from merger mania for over two decades.They had strong belief that the big banks would have capacity to absorb adverse shocks in business and hence be preferred. This wrong notion was demolished in the wake of U S Sub-prime financial crisis of 2008 which witnessed the big financial houses crashing like a pack of cards. The myth of “too big to fail” which took a temporary beating, is back again in the political and bureaucratic discourse. The personal ideas are institutionalized through the platforms like Gyan Sangam by setting the tone of the discussion on the agenda. The counter-view points are suppressed fearing a backlash. The self-regulating organisations like Indian Bank Associations are used for spreading the message. The on-going merger of the Associates of State Bank of India with the parent cannot be a trend-setter for the merger of other banks in Public Sector due to various factors including scalability, integration, work-culture, logo, regional sentiments, political considerations, resistance from trade unions etc. The wounds of merger of New Bank of India with Punjab National Bank were experienced as a bad memory for several years. The Public Sector Banks need to inculcate a culture of objective evaluation of the issues and challenges instead of behaving like path-beaters. It would make better sense to traverse the uncharted path rather than taking the path which are demonstratively injurious. The focus of the policy makers including Government, RBI, IBA, BBB etc. should be on restoring the Public Sector Banks to health instead of playing with their fabric.

Corporate Governance

Corporate Governance essentially means a process to enhance the value of all the stake holders in a transparent and ethical manner. In the case of Public Sector Banks the stake holders shall broadly fall under the following categories:

- Depositors of the bank
- Borrowers of the bank
- Shareholders of the bank
- Employees of the bank
- Vendors of the bank
- Service Providers to the bank
- Regulators

The banks operate in a very competitive business environment. It is therefore important to make the Corporate Governance an integral part of business culture. There is a myth that the Corporate Governance begins and ends at the level of Board of Directors. The role of Board of Directors as stated earlier revolves around framing the policies, taking a strategic and significant decision and overseeing the process of attaining the said objectives. All these functions are sought to be discharged in an objective and transparent manner. When it comes to the overall Corporate Governance, the Board of the Bank must lead by example by setting higher standards of Governance. But it is easier said than done for different reasons.

The political system of the country being what it is, it has been the experience that the Directors on the Board are appointed largely based on representation and their proximity to establishment. In the process, the knowledge, competence and merit are compromised. In last 25 years, the Public Sector Banks had also experienced the presence of such Directors on the Board who could complete their tenure without making any contribution worth the salt to the bank. The lack of orientation towards business of banking, diverse skills, experience and knowledge of the issues which are deliberated in the Board were not uncommon. One needs conviction and courage to put forth his view point in an honest manner even if it is at divergence. But one would need to be competent and confident having unquestionable honesty in his approach.

Another important aspect of the functioning of the Boards of Public Sector Banks is that there is no system of either peer review or superior review of the performance of the Directors. There had been instances of people aspiring to get nominated to the Boards of Public Sector Bank for extraneous considerations like status symbol, business interest, enhancing the area of influence and at times misusing their position as Directors. There is an urgent need to revamp the system of selection of non-official directors too. The people merely fulfilling the eligibility criteria cannot be nominated to the Board of Public Sector Banks unless they have exhibited and demonstrated proven quality and competence in a field which is relevant to the business of banking. An orientation training programme at the institutions of professional competence in the field must be a must. It would be naïve to expect a newly nominated member on the Board to be fully competent and familiar with the agenda to be transacted in the Board.

Reserve Bank of India had stipulated ‘fit and proper’ criteria for nomination of the Directors on the Board of Public Sector Banks. But it is often seen that the personal interests do influence his objective exercise of duties towards his role as a Director on the Board of Public Sector Bank. Another important challenge arises out of distinct and more important treatment given to the Government and RBI nominees by treating them superior to other Directors irrespective of merits possessed. It leads to an unfair treatment meted out to other Directors by curtailing their time to deliberate on the issues of importance. It is also time for a Government and RBI to revamp and recast the Constitution of the Board by weeding out those categories of Directors whose roles have significantly become narrower. The Directors with more appropriate skills, knowledge, merit and orientation shall enhance the level of Corporate Governance in Public Sector Banks.The truncated Board of Public Sector Banks as they stand today, cannot be expected to do anything better unless the serious concerns raised in this Article are addressed with alacrity.There is need to evolve higher standards of Corporate Governance to integrate ethics and transparency to the functioning of Public Sector Banks.

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Regulatory Requirements and Relevance in Audit of COST RECORDS

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There have been numerous occurrences of Internal Control failures that have shaken the global corporate world. We recollect Enron, WorldCom, Ranbaxy, Satyam, Reebok and Volkswagen to name a few. So, what did go wrong in these companies?

Enron Scandal (2001) – Huge debts were kept off the Balance Sheet. Arthur Andersen was found guilty of fudging Enron's accounts. Shareholders, employees and investors suffered losses of billions of US dollars.

WorldCom (2002)- inflated assets as much as USD 11 billion.

Lehman Brothers (2008) - Over USD 50 billion in loans disguised as sales.

Satyam (2009) – Falsification of revenues, margins and cash balances to the tune of 50 billion rupees.

Reebok (2012) - Maintained four secret warehouses from where company's goods were diverted, raised fake invoices of about Rs. 98 corer to show higher sales and claimed promotions, bonus and incentives for higher management.

Ranbaxy (2013) – The leading generic drug maker faked test results for FDA approval required for manufacture of the drugs in India. Had to incur penalty of over 500 million USD.

Volkswagen's (VW)(2015) - Installed "defeat software" to cheat on emission tests – a clear example of corporate unethical behavior which further led to spending by VW on recalls to the extent of 18.32 billion USD to rectify the emission issues.

The list goes on. The question is how to deter such instances, what are the tools that can be built in the organisational processes to make the systems robust and dependable for all stakeholders involved, both internal and external.

Every organisation has certain objectives that it strives to achieve. The organisations also encounter events and circumstances that threatens the achievement of these objectives. These are risks an organisation must identify, analyze, evaluate and address. Some risks may be accepted in whole or in part as business risk and some may be fully or partially mitigated to a point where they are at a level acceptable to the organisation.

There are a number of ways to mitigate risks, - one key method being the design and implementation of effective internal controls.

What are Internal Controls

Simply put, internal controls are the checks and balances in the systems and processes to mitigate risks, that companies put in place to,

- Ensure accurate and reliable financial reporting,
- Confirm compliance with laws, regulations, and policies,
- Safeguard assets of the organisation,
- Prevent and reduce losses associated with fraud,

in order to achieve the objectives of the organisation.

Internal Controls, therefore, are all pervasive and are an essential part of good corporategovernance that lead to value creation. They drive all aspects of business whether financial or operational and are integral to business processes. Controls can either beDetective controls - designed to detect errors in business processes or Preventive controls - used to keep errors from happening in the first place.

The Three Lines of Defense model

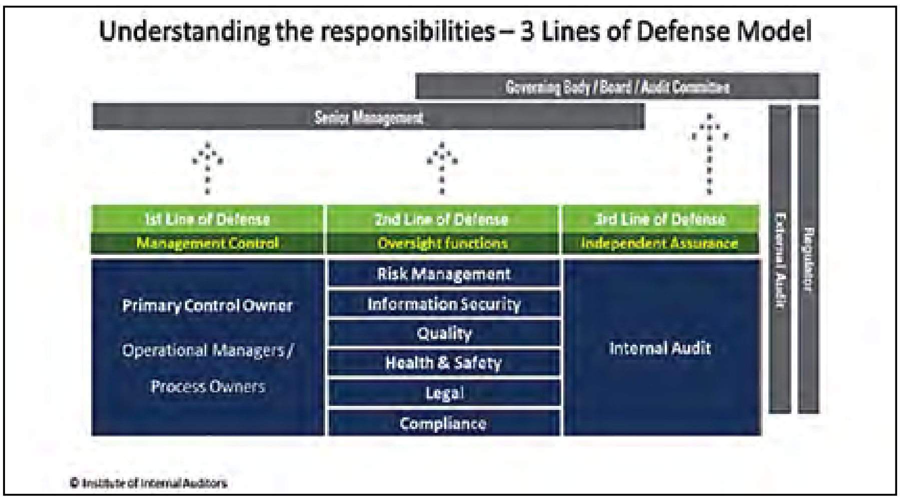
"The Three Lines of Defense"model addresses how specific duties related to risk and control can be assigned and coordinated within an organisation, regardless of its size or complexity. Directors and management need to appreciate the critical differences in roles and responsibilities of these duties relating to internal controls and how they can be optimally assigned for the organisation to have an increased likelihood of achieving its objectives. In particular, the model clarifies the difference and relationship between the organisation's assurance and other monitoring activities.

The responsibilities of each of the groups (or "lines") are:

1. Control owners – The front line operating managers are to own and manage the risks. They as 'process owners' have the primary responsibility to establish adequate controls to mitigate the risks in pursuit to achieve the objectives of the organisation.

2. Oversight functions – The controlling functions to support the management for monitoring and mitigating the risks and also to ensure regulatory compliance.

3. Independent assurance –To provide independent assurance to the Board and senior management concerning the effectiveness of management of risk and controls - normally the responsibility of the Internal Audit function in an organisation.



Internal Control frameworks – the world over

It was in 2002, in the aftermath of the collapse of Enron Corporation and Arthur Andersen,that the U.S. Congress passed the Sarbanes-Oxley Act, which tightened internal control over financial reporting structure. Internal controls are main components of both the Foreign Corrupt Practices Act (FCPA) of 1977 and the Sarbanes–Oxley Act (SOX) of 2002. These acts require public companies in the United States to maintain proper internal controls.

A control framework is a data structure that organises and categorises an organisation's internal control practices and procedures to create business value and minimize risk.

The "Internal control—Integrated framework" published by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) is a widely used framework in the United States and around the world. It was initially published in 1992 "to address key challenges presented by an increasingly complex business environment and help organisations worldwide to better assess, design and manage internal control." It was later revised in 2013.

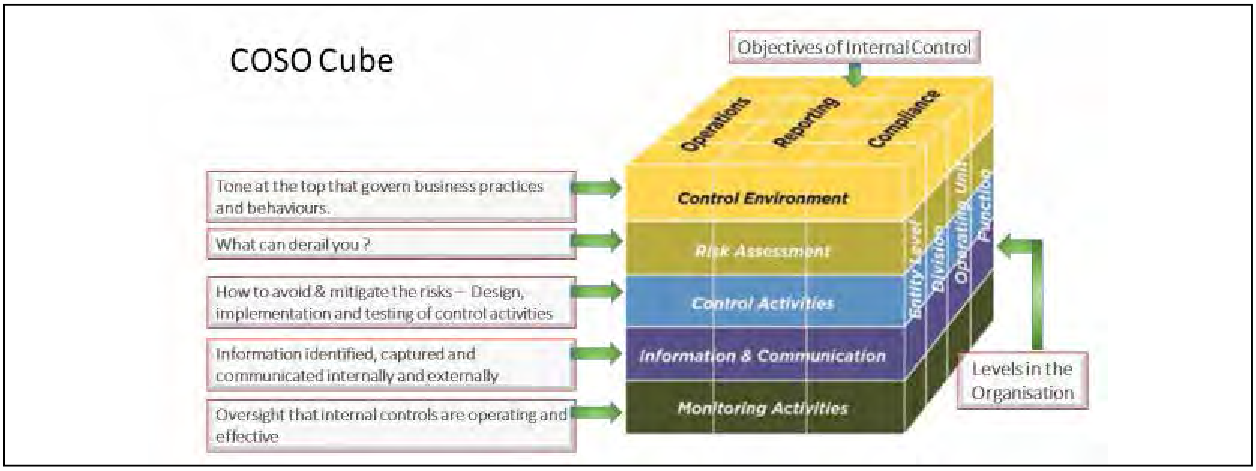
The COSO framework defines internal control as "a process, effected by an entity's board of directors, management, and other personnel, that is designed to provide "reasonable assurance" regarding the achievement of objectives in the following categories,

- effectiveness and efficiency of operations;
- reliability of financial reporting;
- compliance with applicable laws and regulations.

COSO describes internal control as consisting of the following five essential components,

- Control environment;
- Risk assessment;
- Control activities;
- Information and communication;
- Monitoring.

The above five components are further subdivided into 17 principles.



For more information readers may visit https://www.coso.org/Pages/default.aspx

The **CoCo (criteria of control) framework was first published by the Canadian Institute of Chartered Accountants** in 1995. This model builds on COSO and is thought by some to be more concrete and userfriendly. CoCo describes internal control as actions that foster the best result for an organisation.

These actions contribute to the achievement of an organisation's objectives and focus on,

- effectiveness and efficiency of operations;
- reliability of internal and external reporting;
- compliance with applicable laws and regulations and

internal policies.

The UK Corporate Governance Code (formerly the Combined Code) was developed by the UK authorities in the early 1990s. Later, the Turnbull committee was established after the publication of the 1998 Combined Code in the UK. The overriding requirement of their report was that the Directors should,

(a) implement a sound system of internal controls, and

(b) that this system should be checked on a regular basis.

The UK Corporate Governance Code (2010) contains the statement that:

'The Directors should, at least annually, conduct a review of the effectiveness of the group's system of internal control and should report to shareholders that they have done so. The review should cover all controls, including financial, operational and compliance controls and risk management.'

In June 2006, the **Financial Instruments and Exchange Act (J-SOX)** was passed by the Diet, the National Legislature of Japan. The requirements of this legislation are similar to the requirements of internal controls over financial reporting under SOX (USA).

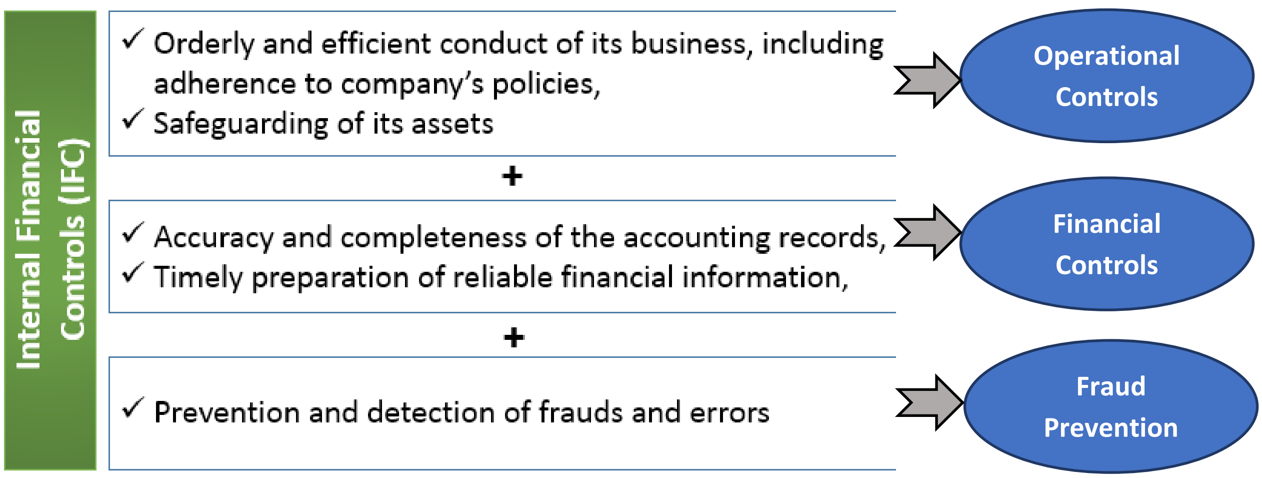
Control Objectives for Information and Related Technology (COBIT) is a framework created by Information Systems Audit and Control Association (ISACA),USA for information technology (IT) management and IT governance.ISACA first released COBIT in 1996, originally as a set of control objectives to help the financial audit community better maneuver in IT-related environments. It is a supporting toolset that allows managers to bridge the gap between control requirements, technical issues and business risks.

The Indian scenario

Directors' Responsibility statement [Section 134(5)(e) of the Companies Act, 2013] requires the **Board of listed companies** to state that ,

- "internal financial controls" have been laid down in the company
- such controls are adequate and,
- such controls are operating effectively.

IFC means policies & procedures adopted by the company for ensuring *[See 134(5)(e)]*:



The term Internal Financial Controls (IFC)as per Companies Act, therefore,is all pervasive in an organization and encompasses Operational Controls, Financial Controls and Fraud prevention.

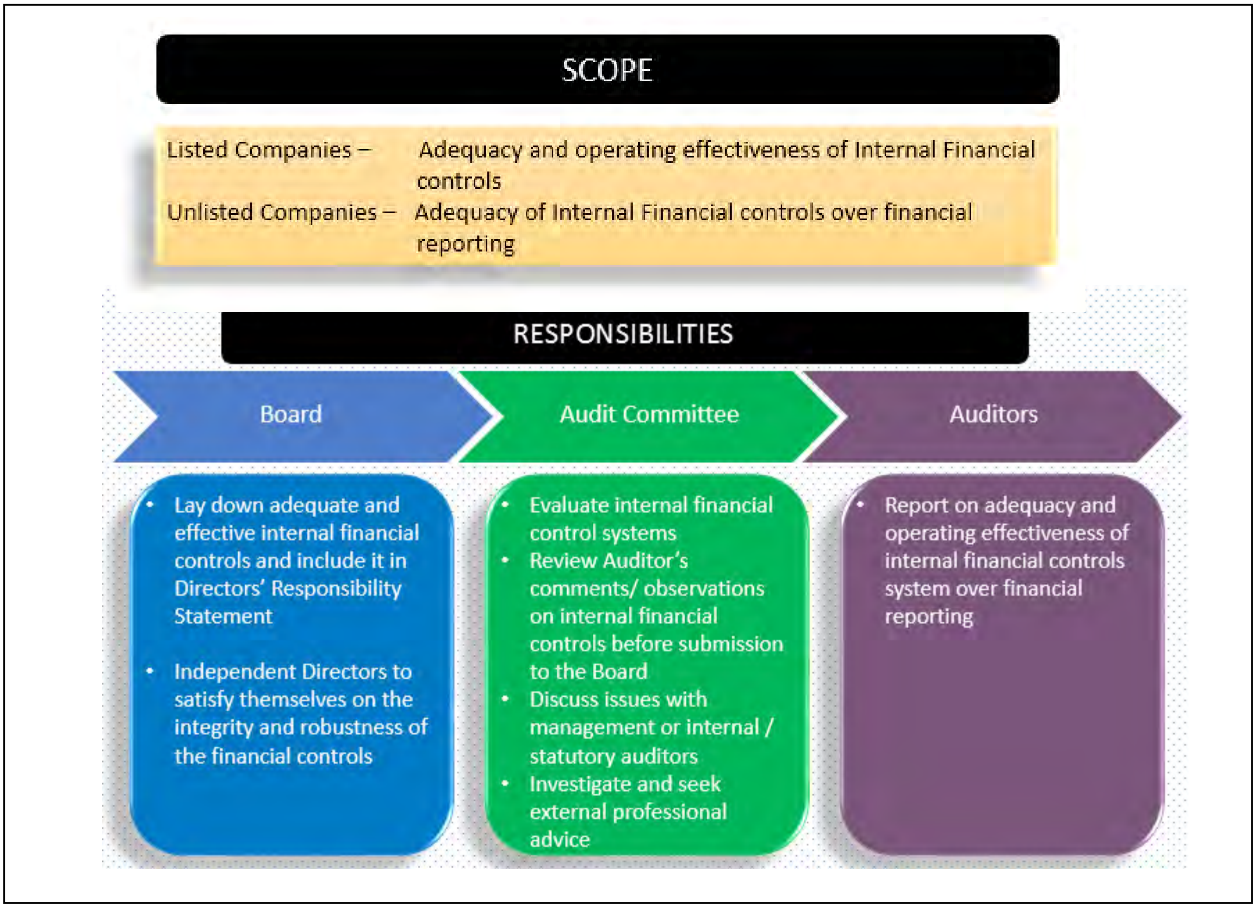
The Code for Independent Directors provided in Schedule IV to the 2013 Act places specific responsibility on the independent directors who have to satisfy themselves on the integrity and robustness of financial controls and report concerns about suspected fraud,unethical behavior or violation of company's Code of Conduct , thereby placing specific responsibility on independent directors.

As per section 177 of the 2013 Act, the **Audit Committee of the Board**is required to evaluate the internal financial controls and risk management systems in the company.

Rule 8(5)(viii) of the Companies (Accounts) Rules, 2014 requires the **Board Report** of all companies to state the details in respect of adequacy of internal financial controls with reference to the financial statements.

Statutory auditors are also required to give an independent assessment report on the adequacy and operating effectiveness of IFC over financial reporting. The reporting by the auditors is mandatory for financial years beginning on or after 1stApril 2015.

The scope and responsibilities can be summarized separately as below:



The Guidance note issued by the Institute of Chartered Accountants of India on "Audit of Internal Financial Controls over Financial Reporting" has stated that **the auditors' responsibility will be limited to express an opinion on the effectiveness of the company's internal financial controls (IFC) over financial reporting**.Thus the onus for assuring efficiency and effectiveness in the business lies with its management.

Key elements in the process of implementationof Internal Controls

1. Tone at the top:

An overall attitude towards internal controls and its importance in the organisation is to be infused by top management. People are made aware of the environment through words and actions. This often starts with the vision and values of the business and the actions of the board, also called 'tone at the top'.

2. Information systems:

Information systems are the methods and records used to identify, collate, analyse, calculate, classify, record and report transactions and other events that affect a business and to maintain accountability for assets, liabilities, revenue and expenditures. These systems are not just the computer systems but general accounting and office procedures, and also include other associated systems such as performance reviews, distribution and manufacturing systems.

3. Control policies and procedures:

These are the policies and procedures that have been put in place to ensure that owners and managers can take the correct action to ensure the business achieves its objectives.Procedures explain the how, why, what, where and when for any set of actions.

Criteria required

Each internal control procedure is designed to fulfil at least one of these eight criteria:

- Completeness – that all records and transactions are included in the reports of business.
- Accuracy – the right amounts are recorded in the correct accounts.
- Authorisation – the correct levels of authorisation are in place to cover such things as approval, payments, data entry and computer access.
- Validity - that the vendors invoice is for work performed or materials received and the business has incurred the liability properly.
- Existence – of all assets and liabilities.
- Handling errors – that errors in the system have been identified and processed.
- Segregation of duties – to ensure maker-checker responsibilities are kept separate. For example, the person authorising receipt of materials does not also authorise payment to supplier.
- Presentation and disclosure – timely and accurate preparation of financial reports in conformity with generally accepted accounting principles.

Steps for implementation of controls

The first step in implementing internal controls is to perform a risk assessment to identify all areas of risk and exposure in the business. Next, controls are designed to address these risks. A recommended approach for designing internal controls is to utilize a controls framework, such as the COSO framework. To be effective, an internal control system must also be monitored and assessed regularly to ensure that the system is working properly. This includes performing internal audits and external audits.

The following are the steps involved in the implementation process:

1. Scoping – It is imperative that internal controls be imbibed at all levels. However, at the initial stage the organization may build it by using scoping technique. The objective of scoping is to identify and define the scope of the exercise. The scoping is normally done at 3 levels,

1st- Entity level scoping – The business units / regions / countries to be covered

2nd- Process level scoping – The Corporate functions/Process cycles to be covered

3rd- GL level scoping – The General Ledger account codes to be covered

Quantitative considerations like % of PAT or Turnover and Qualitative considerations like Size andComposition, Complexity of transactions etc. are factored in while deciding upon the scope.

2.Process Level Control Documentation – Following documents are prepared,

a. Process Description and Flow (PDF) – it is a detailed narrative of the steps involved in the process along with the diagrammatical representation of the process flow,

b. Risk and Control Matrix (RCM) – it is a matrix which identifies the risks involved in the process and the controls that exist to mitigate those risks. Gaps if any are also highlighted.

A Control should have the below mentioned attributes,

- ✔ What is the Control ?
- ✔ How is the Control performed ?
- ✔ Who performs the Control ? (Role/Title)
- ✔ How often the Control is performed ?
- ✔ Who reviews the Control ? (Role/Title)
- ✔ Where is the Control performed ?

3. Design adequacy testing(DAT)– is performed to assess design adequacy of controls and also to assess any absence of control for the risks identified. The steps involved in this process are,

a. Understanding the control from the design adequacy point of view
b. Gathering evidence and satisfying about the existence of the control
c. Identifying controls, the failure of which may result in material misstatement or fraud
d. Report on design deficiency of controls for remedial action.

4. Operational Effectiveness Testing (OET) – The objective of OET is to assess whether the controls are operating consistently across locations over a period of time. OE testing may be carried out by independent agency within the organisation (e.g. internal audit) or by external experts. The testing is done using representative sampling based on the 'testing strategy' adopted. Evidences in the form of screen shots, negative test results, documentary evidences etc. are relied upon for testing. The results of OETwill show a control as either 'Effective' or 'Ineffective'.

5. Remediation of Gaps – The gaps identified during the DAT or OET stages are to be remediated. The process would involve instituting appropriate controls and 'process owners' acceptance of the same. On remediation, OE testing to be performed again to ensure that the controls are "Effective".

Relevance in Cost Accounting and Audit Assurance

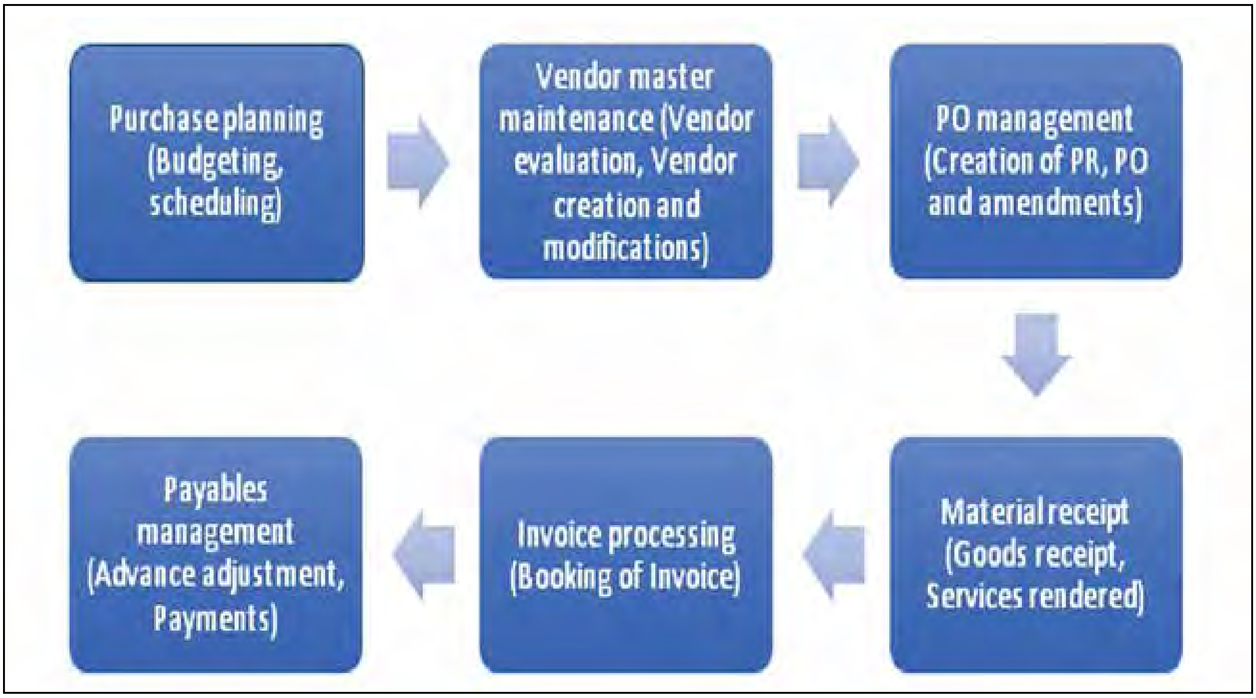
Accounting transactions form the basis of financial reporting like Profit and Loss account, Balance sheet, Cash flow and other disclosure reports. In an integrated accounting environment, these transactions also form the basis for preparation of cost statements like Quantitative disclosures, Cost sheet and other disclosures.

The Companies Act, 2013 mandates that the **Directors' Responsibility Statement** to:

- confirm laying down, adequacy and operating effectiveness of IFC (listed Cos.) [Sec 134 (5)(e)]
- confirm systems devised to ensure compliance to all applicable laws and adequacy and operating effectiveness of such systems [Sec 134 (5)(f)]

In order to enable the Directors to comment on the Internal Financial Controls, companies are required to complete detail documentation of all major processes, identify the risks and ensure the adequacy and operating effectiveness of the controls. The major processes typically coversPurchase to Pay (PTP), Order to Cash (OTC), Inventory (INV), Fixed Assets (FAS), Employee Payments (EMP), Financial Closure and Reporting (FCR) and Taxation (TAX).

For instance, a representative PTP process flow diagram will be as below;



The following is an illustrativedocumentation format of a few PTP sub-processes,involving identification of sub-processes and the risks and controls involved,

Sub Process	Risk Description	Control Description	Control Evidence	Type of Control	Risk of	
					Fraud	Material Mis-statement
Vendor Master	Unauthorized / fictitious vendor master created or amendments in the vendor master	Vendor details are obtained by Buyer and given to Accounts Manager for updating	Vendor registration documents, access rights in system	Preventive	Yes	No
		Modifications based on Invoice, cancelled copy of cheque, etc. by Accounts Officer. Vendor payments disabled till approval by Accounts Manager.	Access rights in system, cancelled cheque, communication from vendor.	Preventive	Yes	No
		Independent review of edit log by Head of Accounts	Review email / working papers	Detective	Yes	No
PO Creation	PR / PO creation / amendments may not be authorized	PO's by authorised-Buyers only based on PPO initiated and-authorised by user departments as per CompanyAuthorisation Guidelines and entered in system	Access control for placing and approving PO in system, workflow of user department for raising PPO, approval matrix in system, negative testing	Preventive	Yes	No
Material Receipt	Material received may not be accurately and completely captured in the system	GRN to be verified by stores with PO for item description, quantity, value etc. in system. Without PO, GRN cannot be generated.	System screenshot – linkage of GRN with PO	Preventive	Yes	Yes
		Proof of delivery to be obtained on receipt by Stores	LR/BL/ABL	Preventive	Yes	Yes
		Stores in-charge to do physical count of inventory on receipt	Physical count report signed by Stores in-charge	Preventive	Yes	Yes

Maintenance of Cost Records go beyond financial reporting. Cost Records means books of account relating to utilization of materials, labour and other items of cost as applicable to the production, processing, manufacturing or mining activities of the company.

Rule 5 of the Companies (Cost Records and Audit) Rules, 2014 defines the requirements for maintenance of records as,

(1) Every company under these rules including all units and branches thereof, shall, in respect of each of its financial year commencing on or after the 1st day of April, 2014, maintain cost records in 'form CRA1'.

(2) The cost records referred to in sub-rule (1) shall be maintained on regular basis in such manner as to facilitate calculation of per unit cost of production or cost of operations,

cost of sales and margin for each of its products and activities for every financial year on monthly or quarterly or half-yearly or annual basis.

(3) The cost records shall be maintained in such manner so as to enable the company to exercise, as far as possible, control over the various operations and costs to achieve optimum economies in utilisation of resources and these records shall also provide necessary data which is required to be furnished under these rules.

CRA-1 provides particulars relating to the 'Items of Costs' to be included in the Books of Accounts. There are various records like machine utilization, under recovery workings, idle time monitoring, losses due to rework/rejection, product/project wise allocation of overheads etc. which are not directly relevant for financial accounting but are the core for Cost Accounting. ***Internal Control documentation for these processes may not be done by many organisations as they are normally not covered within the scope of audit of financial statements for IFC over Financial Reporting.***

However, the Companies Act, 2013 has vide sections 143(3)(i) and 143(14)(a), placed the ***onus on the Cost Auditor to report whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.***

143 (3) (i) The auditor's report shall also state whether the company has adequate internal financial controlssystem in place and the operating effectiveness of such controls;

143 (14) The provisions of this section shall mutatis mutandis apply to—(a) the cost accountant in practice conducting cost audit under section 148;

The cost auditor during his assessment of IFC can rely on the work done by management to establish adequacy and effectiveness of IFC and also take note of the (financial) auditor's comment from their independent assessment. The cost auditor, however, has to independently assess the process documentation, risk assessment and adequacy and effectiveness of controls relevant to the maintenance of cost records and cost accounting in order to satisfy the requirements of sections 143(3)(i) and 143(14)(a) of the Companies Act 2013.

Section 148(3) of the Companies Act, 2013 states – "Auditor conducting the cost audit shall comply with the cost auditing standards."(For the purposes of this sub-section, the expression "cost auditing standards" mean such standards as are issued by the Institute of Cost Accountants of India, with the approval of the Central Government.)

The Institute of Cost Accountants of India is in the process of issuing the Standards of Cost Auditing (SCA's) with necessary approval of the Central Government. The SCA-116 (awaiting MCA approval) –"Communicating Deficiencies in Internal Control to those charged with Governance and Management", deals with internal controls in cost accounting area.

The SCA-116 defines Internal Control as "The process designed, implemented and maintained by those charged with governance, management and other personnel to provide reasonable assurance about the achievement of an entity's objectives with regard to reliability of cost and financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations."

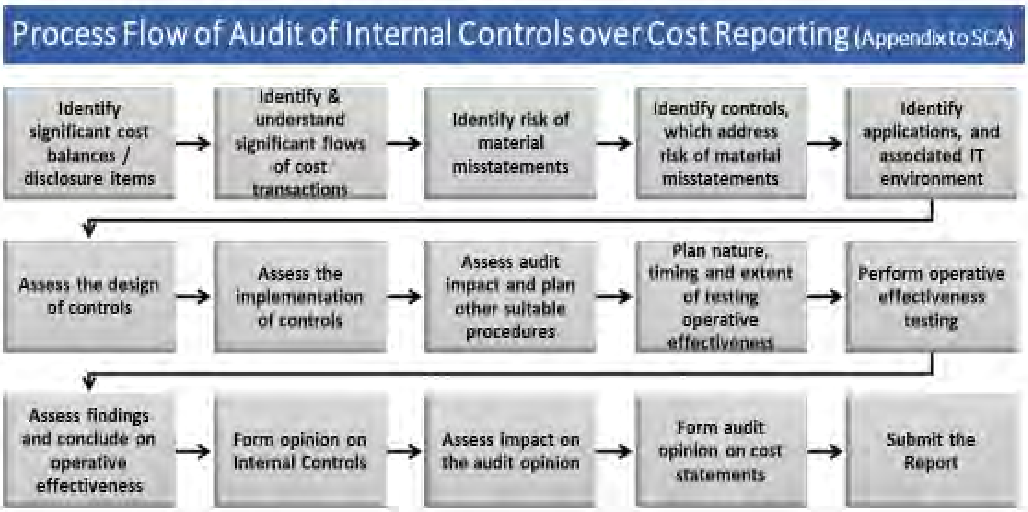
The SCA also mentions that the cost auditor is required to obtain an understanding of internal control relevant to the audit to help him to,

- Identify and assess the risks of material misstatement
- Design adequate audit procedures
- Communicate about deficiencies identified during the audit

The SCA suggests areas that need to be assessed for internal control as enlisted below:

- Selection and application of cost accounting policies
- Material misstatements in the measurement, classification, allocation, apportionment and absorption of costs
- The susceptibility to loss or fraud relating to misappropriation of assets or overvaluation or under-valuation of inventories
- The subjectivity and complexity in determining the quantity or value of consumption of raw materials and other inputs effecting true and fair value of COP, COS and margin for each product/service.
- Significant transactions with related parties
- Significant management estimates
- Period-end cost reporting framework
- Significant transactions outside the entity's normal course of business.

The SCA also provides an appendix to indicate the flow to be followed for identifying and reporting of deficiencies in Internal Contol



Audit of Cost Records

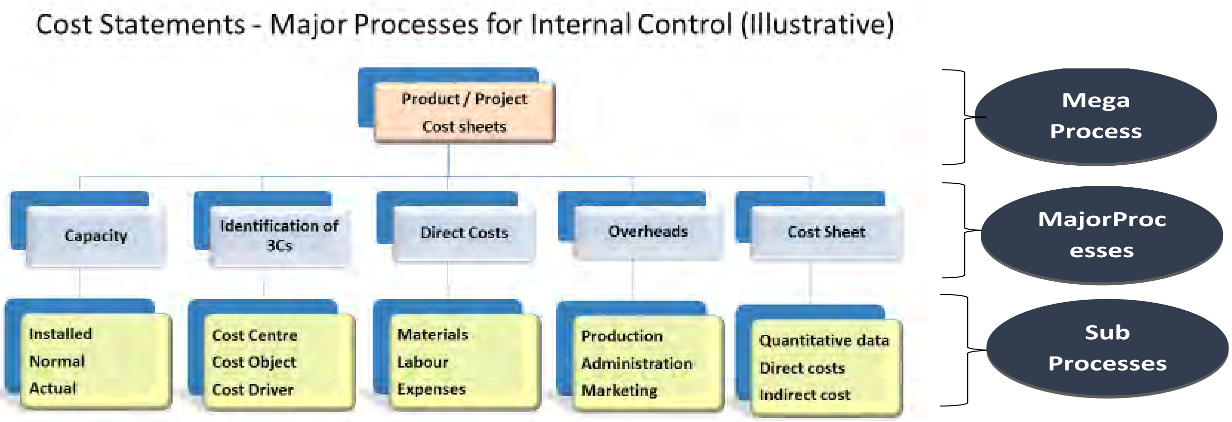
To comply with the requirements of the Companies Act and the upcoming SCA's, it is pertinent that the cost auditor is geared up to assess and report on the Internal control in the area of maintenance of cost records and cost accounting and reporting.

There are 3 key pre-requisites for Internal Control Review in Cost Accounting and Reporting. They can be called the 3 P's.

- Policy – Cost accounting policy
- Processes – The processes involved in manufacturing / construction and the business operating processes.
- Procedures – Standard operating procedures (SOP's) for performing the various operational activities.

Theapproach is explained by way of illustration of a sample Cost statement preparation,

- Product / Project Costing Statement – this is a Mega process and can be divided into Major processes and their sub-processes as indicated in the chart below
- Process Documentation and Flow (PDF) provides a detailed understanding of process control check points
- Risk and Control Matrix (RCM) narrates the risks identified and controls built-in



For each of the sub-processes, a few illustrative controls are indicated in the next page:

CAPACITY DETERMINATION RCM (an example)

Risk Description	Control Description	Control Evidence	Type of Control	Risk of	
				Fraud	Material Misstatement
Installed capacity is under or over stated	Annually capacity determination by Production head based on manufacturer's specification, planned number of shifts, working of individual or interrelated processes and critical/constraint facilities	Capacity determination workings duly certified by technical expert and supported by documentary evidence and process flow diagram.	Preventive	No	Yes
Installed capacity not reworked for additions / reductions	Production head assesses additions/deletions of major P&M, that attribute to change in capacity. This is factored in and Installed capacity is reworked as and when such change occurs.	Fixed asset schedule in Balance sheet, Physical verification of plant and machinery, Installed capacity calculations	Preventive	No	Yes
Normal capacity is under or over stated	Normal capacity is determined by Costing head based on the Installed capacity and duly approved by Production/Factory Head.	Worksheet duly certified by Factory Head and supported by historical data of normal production loss times (e.g. planned shutdowns, idle time, machine set up time, preventive maintenance, batch change over, machine efficiency due to ageing etc.), number of holidays, number of shifts working.	Preventive	No	Yes
Incorrect reporting of utilization of capacity	Daily maintenance of log book by workmen indicating shift-wise recording of hours utilised for products, idle time etc. This is daily reviewed and signed by Shop Supervisor. The log books are entered in system by Accounts Clerk and sign-off in system by Shop Supervisor. Similar log book system for machine utilization.	Log books signed by the Shop Supervisor, system screen shots evidencing sign-off by Shop Supervisor in system.	Preventive	Yes	Yes

COST CENTER / COST OBJECT / COST DRIVER RCM (an example)

Risk Description	Control Description	Control Evidence	Type of Control	Risk of	
				Fraud	Material Misstatement
Wrong identification / addition of Cost Center	Cost Center to be identified/added/deleted by BU Head/Project Head and Informed to Accounts & IT departments. Master control for modifications to cost center in system with Accounts Manager and approval by Accounts Head.	Sign-off document, system screen shots, email communication	Preventive	No	Yes
Wrong identification / addition of Cost Object (project code)	Cost Object (project code) to be identified/added by Project Head based on PO received from customer and informed to Accounts, Buyers, IT etc. Master control for additions in project code to cost center in system with Accounts Manager and approval by Accounts Head.	Sign-off document, system screen shots, email communication	Preventive	No	Yes
Wrong identification of Cost Driver	Cost Driver to be identified/verified annually at the time of rate working by qualified Cost Accountant in consultation with Production Head and other Departmental Heads and approved by Accounts Head.	Sign-off document, email communications	Preventive	No	Yes

OVERHEADS RECOVERY RCM (an example)

Risk Description	Control Description	Control Evidence	Type of Control	Risk of	
				Fraud	Material Misstatement
Recovery of overheads is done incorrectly	Overheads to be recovered on projects/products as per the recovery rates for man/machine hours entered in system. The recovery rates are based on normal capacity and budgeted expenses and done by Cost Accountant and approved by Accounts Head.	Overhead recovery rate working, Sign off by Accounts Head, system screen shot for recovery rate master, screen shots of amounts debited to projects/products	Preventive	No	Yes
Under recovery working is incorrect	Under recovery due to underutilization of capacity, expense overrun, efficiency variance to be worked out and analyzed by the Cost Accountant and approved by Accounts Head on monthly basis for reporting as an item of profit reconciliation in Cost statements	Workings of under recovery, approval email from the Accounts Head	Preventive	No	Yes

NON-COST ITEMS RCM (an example)

Risk Description	Control Description	Control Evidence	Type of Control	Risk of	
				Fraud	Material Misstatement
Non-cost items are treated as cost items in product/project cost sheets	All GL accounts to be scrutinized and identified as cost item or non-cost item by the cost accountant and approved by the Accounts Head and duly verified by Cost Auditor. Such non-cost items to be treated as profit reconciliation items in Cost Statements.	Sign-off document	Preventive	No	Yes

Conclusion

The essence is to look beyond the traditional methods of auditing the cost records. The cost auditor therefore needs to explain the process and legal requirements in detail and impress upon the auditee to develop Process Description and Flow (PDF) and Risk and Control Matrix(RCM) for all processes relating to cost accounting. It is now imperative for the Cost Auditor to look in-depth into all aspects of internal control relating to cost recordsof the auditee company, assess his audit plan, design effective audit strategies and document evidences during the process of his audit,in order to form an opinion on the internal control over maintenance of cost records and cost statements. Needless to mention, he has to have a clear understanding of the business environment, industry practices, risks and controls and the IT framework in place. The SCA's released / to be released by the Institute and the mandate of the Companies Act, 2013 are the arms to help and guide the costauditor to conduct his audit and he must use them with utmost vigor. MA

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GST AUDIT: DESIRABLE BY ALL STAKEHOLDERS

"ARE YOU READY FOR GST AUDIT"

Goods and Services Tax (GST) is the hottest topic amongst the accounting & tax professionals, Govt Taxation officials and every trade and business segments in India. GST has gained so much importance as it will be touching each and every person buying or selling any goods or providing or receiving any services in India. Corporate is looking to professionals like us to advise on practical approach on GST. The Cost Accountants will be more affected by GST law, as it is opening new area of practice in the form of GST audit, apart from consultation for implementing GST law in the country.

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GST is introduced to simplify the indirect tax laws by subsuming various tax laws like, Value Added Tax (VAT), central sales tax, service tax, excise duties, CVD and SAD under custom duties, luxury Tax, Entertainment Tax, etc.. The problem of complex indirect taxation structure is expected to improve by adopting the GST.

Actually implementation and managing the GST more effectively and efficiently will improve complex structure of indirect taxation system. There will be much scope for tax professionals to interpret and implement GST for the benefit of stakeholders. It won't be out of context to mention that there is only one Medicinal Herb/ solution i.e. "GST Audit" which can be used as a game changer to manage the GST compliances in the most efficient way.

On the one hand GST Audit can play very important role to examine/find out fraudulent GST practices by corporate, in the interest of Government to generate the revenue and prohibit all the unacceptable practices.

On the other hand, in favour of corporate, GST Audit may disclose non-compliance of GST rules and regulations outlined by the GST law for which organisations would have to pay penalties to government or have to bear financial loss. GST Audit will also reveal how organisations can manage the GST more effectively, efficiently and convenient way so that organisation will grow from financial darkness to brightness & prosperity day by day.

Points to be noted:

A) To understand the meaning of GST Audit and Purposes.
B) Brief detail about who can conduct the GST Audit and who can be audited?
C) A few notable points regarding GST Audit.
D) A glance on points which should be considered while conducting the GST Audit.
E) To understand Proformas and Annexures for conducting GST Audit.

Model GST Law approved by GST Council in Nov., 2016 provides the circumstances and conditions of audit to be conducted of a Registered Taxable Person.

Accounts and Records

The accounts and records are to be maintained by Registered Taxable person in accordance with Section 53 of the Model GST Law. It provides that every registered taxable person shall keep and maintain, at his principal place of business, as mentioned in the certificate of registration, a true and correct account of

i) production or manufacture of goods,
ii) inward or outward supply of goods and/or services,
iii) stock of goods,
iv) input tax credit availed,
v) output tax payable and paid,
vi) such other particulars as may be prescribed in this behalf.

Where more than one place of business is specified in the certificate of registration, the accounts relating to each place of business shall be kept at such places of business concerned.

The registered taxable person may keep and maintain such accounts and other particulars in the electronic form in the manner as may be prescribed.

The Commissioner/Chief Commissioner may notify a class of taxable persons to maintain additional accounts or documents for such purpose as may be specified. Where the Commissioner/ Chief Commissioner considers that any class of taxable persons is not in a position to keep and maintain accounts in accordance with these provisions, he may, for reasons to be recorded in writing, permit such class of taxable persons to maintain accounts in such manner as may be prescribed.

Audit under GST Law

Meaning and purposes

Audit is defined by Section 2(14) of the Act, "audit" means examination of records, returns and other documents maintained or furnished by the taxable person under this Act or rules made thereunder or under any other law for the time being in force to verify, inter alia, the correctness of turnover declared, taxes paid, refund claimed and input tax credit availed, and to assess his compliance with the provisions of this Act or rules made thereunder.

Purposes

A) To analyse the correctness of turnover declared by the organisation.
B) To determine the GST accounted and paid correctly and accurately.
C) To determine the correctness of refund claimed
D) To determine the correctness of input tax credit availed, and

E) To identify revenue leakages.

F) To measure and assess the level of compliance with the provisions of this Act and rules by the registered taxable person

Circumstances of conducting audit

Section 53(4) of the Model GST Law provides that every registered taxable person whose **turnover during a financial year exceeds the prescribed limit** shall get his accounts audited by **a cost accountant** or a chartered accountant and shall submit to the proper officer a copy of the audited annual accounts, the reconciliation statement under sub-section (2) of section 39 and such other documents in the form and manner as may be prescribed in this behalf.

It may be noted that the turnover limit is yet to be prescribed exceeding which the audit shall be mandatory.

Section 39(2) provides that every registered taxable person who is required to get his accounts audited under sub-section (4) of section 53 shall electronically furnish, along with the annual return under section 39(1), the audited copy of the annual accounts and a reconciliation statement, reconciling the value of supplies declared in the return furnished for the year with the audited annual financial statement, and such other particulars as may be prescribed.

Various formats of reconciliation statements as provided by GST Council are given in this article, basically providing reconciliation of data submitted in GST returns with the financial statements and rules made under the Act.

In addition to the above audit, Model GST Law provides the audit to be conducted by tax Authorities (Section 63), special audit by Cost Accountants or Chartered Accountants after the direction of Commissioner (Section 64) and audit by CAG (Sec.65)

Audit by tax authorities (Section 63):

(1) The Commissioner of CGST/Commissioner of SGST or any officer authorised by him, by way of a general or a specific order, may undertake audit of any taxable person for such period, at such frequency and in such manner as may be prescribed.

(2) The tax authorities may conduct audit at the place of business of the taxable person and/or in their office.

(3) The taxable person shall be informed, by way of a notice, sufficiently in advance, not less than 15 working days, and prior to the conduct of audit in the prescribed manner.

(4) The audit by tax authorities shall be completed within a period of 3 months from the date of commencement of audit. However, if the Commissioner is satisfied that audit in respect of such taxable person cannot be completed within 3months from the date of commencement of audit, he may, for the reasons to be recorded in writing, extend the period by a further period not exceeding six months. The 'commencement of audit' shall mean the date on which the records and other documents, called for by the tax authorities, are made available by the taxable person or the actual institution of audit at the place of business, whichever is later.

(5) During the course of audit, the authorised officer may require the taxable person, (i) to afford him the necessary facility to verify the books of account or other documents as he may require and which may be available at such place, (ii) to furnish such information as he may require and render assistance for timely completion of the audit.

(6) On conclusion of audit, the proper officer shall, within thirty days, inform the taxable person, whose records are audited, of the findings, the taxable person's rights and obligations and the reasons for the findings.

(7) Where the audit conducted by tax authorities results in detection of tax not paid or short paid or erroneously refunded, or input tax credit wrongly availed or utilised, the proper officer may initiate action u/s 66 or 67 to determine tax and issue order for demand and recovery of tax.

Special audit by Cost Accountants (Section 64)

(1) **If at any stage of scrutiny, enquiry, investigation or any other proceedings** before him, any officer not below the rank of Deputy/Assistant Commissioner **having regard to the nature and complexity of the case and interest of revenue**, is of the opinion that **the value has not been correctly declared or the credit availed is not within the normal limits**, he may, with the prior approval of the Commissioner, direct such taxable person by a communication in writing to get his records including books of account examined and audited by a cost accountant or a chartered accountant as may be nominated by the Commissioner in this behalf.

(2) The cost accountant or chartered accountant so nominated shall, within the period of ninety days, submit a report of such audit duly signed and certified by him to the said Deputy/Assistant Commissioner mentioning therein such other particulars as may be specified. The proper officer may, on an application made to him in this

behalf by the taxable person or the cost accountant or chartered accountant or for any material and sufficient reason, extend the said period by another ninety days.

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

(4) The taxable person shall be given an opportunity of being heard in respect of any material gathered on the basis of special audit, which is proposed to be used in any proceedings under this Act or rules made thereunder.

(5) The expenses of, and incidental to, the examination and audit of records under special audit, including the remuneration of such cost accountant or chartered accountant, shall be determined and paid by the Commissioner and that such determination shall be final.

(6) Where the special audit results in detection of tax not paid or short paid or erroneously refunded, or input tax credit wrongly availed or utilised, the proper officer may initiate action under section 66 or 67, to determine tax and issue order for demand and recovery of tax.

Power of CAG to call for information for audit (Section 65)

The proper officer shall, upon request made in this behalf, make available to the Comptroller and Auditor General (CAG) of India or an officer authorised by him, information, records and returns furnished under the Act, required for conduct of audit as required under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act (56 of 1971).

Access to business premises

The Registered taxable person has to provide access to the business premises and to all records as may be required by the person doing the audit, as provided u/s 83 of the Model GST Law:

(1) Any CGST/SGST officer authorized by the Additional/Joint Commissioner of CGST or SGST shall have access to any place of business of a registered taxable person to inspect books of account, documents, computers, computer programs, computer software (whether installed in a computer or otherwise) and such other things as he may require and which may be available at such place, for the purposes of carrying out any audit, scrutiny, verification and checks as may be necessary to safeguard the interest of revenue.

(2) Every person in charge of such place of business shall, on demand, make available to the authorised officer or the audit party deputed by the Additional/Joint Commissioner of CGST or SGST or a cost accountant or chartered accountant nominated under section 64, as the case may be:-

(i) the records as prepared or maintained by the registered taxable person and declared to the CGST/SGST officer as may be prescribed;

(ii) trial balance or its equivalent;

(iii) Statements of annual financial accounts, duly audited, wherever required;

(iv) cost audit report, if any, under section 148 of the Companies Act, 2013 (18 of 2013);

(v) the income-tax audit report, if any, under section 44AB of the Income-tax Act, 1961 (43 of 1961); and

(vi) any other relevant record,

for the scrutiny of the officer or audit party or the cost accountant or chartered accountant, as the case may be, within a reasonable time, not exceeding fifteen working days from the day when such demand is made, or such further period as may be allowed by the said officer or the audit party or the cost accountant or chartered accountant, as the case may be.

It may be noted that Cost Audit Report has been given due importance under the GST Law.

Please Note:

- 15 Days prior intimation is required before conducting the GST audit.
- The audit should be completed within 3 months from the date of commencement of audit or within a further period of a maximum of 6 months subject to the approval of the Commissioner
- The auditor will have to submit the report within 90 days or within the further extended period of 90 days.
- The expenses for examination and audit including the remuneration payable to the auditor will be determined and borne by the Commissioner

A Glance on Points to be Considered while Conducting GST Audit

Audit Points	Reconciliations to Examine/Check Accuracy
Total outward supplies	Reconciliation of outward supplies as per return and as per financial statement must be done.

Audit Points	Reconciliations to Examine/Check Accuracy
Total Inward supplies	Reconciliation of Inward supplies as per return and as per financial statement must be done.
Total tax liability on output supply and supplies liable to reverse charge	Reconciliation of tax liability as per Return and as per Rules prescribed in GST Act should be done.
Input tax credit availed during the year	Reconciliation of Input tax credit availed during the year as per Return and as per Rules prescribed in GST Act must be done.
Payment of tax liability on output supply and supplies liable to reverse charge	Reconciliation of payment of tax liability *(utilising cash in cash ledger, utilising input tax credit ledger &TDS)*, as per Return and as per financial statement must be done.
GST Deposit challans	Reconciliation of GST deposit challans, as per return and as per financial statement must be done.
Transfer of TDS Amount from deductors	Reconciliation of Transfer of TDS amount from deductors, as per return and as per financial statement must be done.
GST Refunds	Reconciliation of GST Refunds *(Refund claim pending at start of the year, Refund claim filed during the year, Refund claim received during the year, Refund to be received at the end of year)*,as per return and as per financial statement must be done.
Amount paid under protest/ as pre-deposit against demand	Reconciliation of amount paid under protest/ as pre-deposit against demand, as per return and as per financial statement must be done.
Balances of GST payableas on date of financial statements	Reconciliation of balance of GST payable as per returns and as per financial statement must be done.
Balances of Input Tax Creditas on date of financial statments	Reconciliation of balance of Input Tax Credit as per returns and as per financial statement must be done.
TDS deducted	Reconciliation of balance of amount of TDS deducted as per returns and as per financial statement must be done.

Apart from above, the reconciliation of Income and expenditures shall also be made as per the formats provided.

Proformas and Annexures for GST Audit.

FORM GST 9A

*(See **Section__** of the Central/ State Goods and Services Tax Act, 2016 and **Rule** __of the Central/ State Goods and Services Tax Rules, 2016)*

Certified that I/we .... being a .... have audited the accounts of _<<Name>>_ at <<Address>> having a registration number (GSTIN) __________ for the year ending 31st March 20__ and subject to my/our observations and comments about non-compliance, short comings and deficiencies in the returns filed by the Taxable person, as given in the attached report,

1	The books of accounts and other related records and registers maintained by the taxable person are sufficient for the verification of the correctness and completeness of the returns filed for the year;
2	The total turnover of outward supplies declared in the returns includes all the outward supplies effected during the year;
3	The total turnover of inward supplies declared in the returns includes all the inward supplies made during the year;
4	The deductions from the total turnover including deduction on account of sales /supplies returns claimed in the returns are in conformity with the provisions of the law;
5	The adjustment to turnover of outward supplies and inward supplies is based on the entries made in the books of account maintained for the year;

The stakeholders are eagered to know GST Audit meaning & purposes, GST Auditing Compliance, how GST documents and records will be checked, verified and authenticated? What documents will be required for GST audit? Under what circumstances a special audit can be instituted? Who can serve the notice for special audit? What are the rights and responsibilities of an auditor? What are the obligations of taxable person when he receives the notice of audit? Who can conduct audit of taxpayers under GST? Who can be audited? Whether any prior intimation is required before conducting the audit? What is the period within which the audit is to be completed? What would be the action by the proper officer upon conclusion of the audit? Who will bear the cost of special audit? What action the tax authorities may take after the special audit?

6	The classification of outward goods/services supplied and inward supplies, rate of tax applicable and computation of output tax and input tax and net tax payable as shown in the return is correct;
7	The computation of classification of goods supplied, the amount of input tax paid and deductions of input tax credit claimed and reversed in the return is correct and in conformity with the provisions of law;
8	Other information given in the returns is correct and complete.

Taxable Person Information

(A)	**GENERAL INFORMATION**	
1	Name of the taxable person	
2	GSTIN	
3	Address	
3(a)	Principal place of business	
3(b)	Additional place of business	*<<to be given only if there is change in the address during the period as compared to the registration certificate>>*
4(a)	Details of any branch or unit in the State having a different registration number (GSTIN)	
4(b)	Details of any branch or unit in other State having different registration number (GSTIN)	
5	Nature of business	
6(a)	Description of 10 major goods sold/ services provided	
6(b)	New business activity	
7	Constitution of the business	
8	Names and address of the Proprietor/Partners/ Directors as on date of filing of Audit Report	
9	Details of Registration with other departments	
9(a)	- Income Tax Permanent Account Number	
9(b)	- Importer Export Code Number	
9(c)	- Corporate Identity Number	
10	Particulars of all bank accounts of the taxable person	
10(a)	Name of the bank and branch	
10(b)	Account number	
11	List of books of accounts maintained	

12	List of books of accounts examined	
13(a)	Name and version of accounting software used (if electronic records being maintained)	
13(b)	Change in accounting software, if any	
14(a)	Method of valuation of opening and closing stocks	
14(b)	Change in method of valuation of stock, if any	
(B)	**OTHER INFORMATION**	
1(a)	Taxable person has filed all the returns as per given periodicity	Yes/No
1(b)	Please state exceptions along with details of interest, late fee and penalty paid, if any	
2	Taxable person has maintained stock register	Yes/No
3	Returns applicable to the Taxable person	
	GSTR 1	Yes/No
	GSTR 2	Yes/No
	GSTR 3	Yes/No
	GSTR 4	Yes/No
	GSTR 5	Yes/No
	GSTR 6	Yes/No
	GSTR 7	Yes/No
	GSTR 8	Yes/No
	Other returns, please select	Yes/No

Summary of Reconciliation Statements

S.No.	Particulars	Consolidated amount as per annual return	Amount as per audited financial statements (for the GSTIN)	Difference	Reference
A) Details of Supplies and corresponding taxes					
1	Total outward supplies				*Annex 1*
2	Total inward supplies				*Annex 2*
3	Total tax liability on output supply and supplies liable to reverse charge				*Annex 3*
4	Input tax credit availed during the year				*Annex 4*
B) Payment of tax liability on output supply and supplies liable to reverse charge					
5	By utilising cash in cash ledger				*Annex 5*

6	By utilising input tax credit ledger				*Annex 5*
7	By utilising TDS in cash ledger				*Annex 5*
C) Other details					
8	Deposit by challans				*Annex 6*
9	Transfer of TDS from deductors				*Annex 7*
10	Refunds				*Annex 8*
11	Amounts paid under protest/ as pre-deposit against demand				*Annex 9*
12	Balances as on date of financial statements (GST payable)				*Annex 10*
13	Balances as on date of financial statements (Input Tax Credit)				*Annex 11*
14	TDS deducted				*Annex 12*

Annexure 1 - Reconciliation of Outward supplies		
(including taxable supplies on account of time of supply being different from invoice date)		
Particulars	**Amount**	**Remarks**
Value of outward supplies as per returns (Section 15)	*<<to be taken from Outward supplies sheet>>*	
Adjustments:		
A) Difference in value of supplies as per returns and financial statements on account of following reasons:	Amount	Please specify briefly the details
15(4)(i):	minus	the consideration, whether paid or payable, is not money, wholly or partly
15(4)(ii):	minus	the supplier and the recipient of the supply are related
15(4)(iii): Other reasons	minus	there is reason to doubt the truth or accuracy of the transaction value declared by the supplier
15(4)(iv): Special sectors	plus/minus	business transactions in the nature of pure agent, money changer, insurer, air travel agent and distributor or selling agent of lottery
15(4)(v): Other notified cases	plus/minus	such other supplies as may be notified by the Central or a State Government in this behalf
B) Adjustments (if not included in financial statements)		
15(2)(a)	minus	any amount that the supplier is liable to pay but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods and/or services

15(2)(b)	minus	the value, apportioned as appropriate, of such goods and/or services as are supplied directly or indirectly by the recipient of the supply free of charge or at reduced cost for use in connection with the supply of goods and/or services being valued, to the extent that such value has not been included in the price actually paid or payable
15(2)(c)	minus	royalties and licence fees related to the supply of goods and/or services being valued that the recipient of supply must pay, either directly or indirectly, as a condition of the said supply, to the extent that such royalties and fees are not included in the price actually paid or payable
15(2)(d)	minus	any taxes, duties, fees and charges levied under any Statute other than the SGST Act or the CGST Act or the IGST Act
15(2)(e)	minus/plus	incidental expenses such as commission, packing, charged by the supplier to the recipient of a supply, including any amount charged for anything done by the supplier in respect of the supply of goods and/or services at the time of, or before delivery of the goods or, as the case may be, provision of the services
15(2)(f)	minus	subsidies provided in any form or manner, linked to the supply
15(2)(g)	minus	out of pocket expenses
15(2)(h)	plus/minus	any discount or incentive that may be allowed after the supply has been effected
Others (please specify)	plus	
C) Adjustments (if included in financial statements)		
15(3)		discount allowed before or at the time of supply provided such discount is allowed in the course of normal trade practice and has been duly recorded in the invoice issued in respect of the supply
Others (please specify)		
D) Adjustments (Differences on account of time of supply)		
Opening advances		
Closing advances		
Opening unbilled revenue		
Closing unbilled revenue		
Derived as per financial statements		
Effective turnover for present State (Note 1)		
Difference		

Note:

Total turnover as per financial statements	<<to be taken from audited financial statements>>
Less: Turnover pertaining to other states	<<to be taken from audited financial statements>>
Add: Turnover of stock transfer outward	
Effective turnover for present state	

Annexure 2 –Reconciliation of Inward supplies

(Including taxable supplies on account of time of supply being different from invoice date)

Particulars	Amount	Remarks
Value of inward supplies as per returns (Section 15)	*<<to be taken from inward supplies sheet>>*	
Adjustments:		
A) Difference in value of supplies as per returns and financial statements on account of following reasons:		
15(4)(i):		the consideration, whether paid or payable, is not money, wholly or
15(4)(ii):		the supplier and the recipient of the supply are related
15(4)(iii): Other reasons		there is reason to doubt the truth or accuracy of the transaction value declared by the supplier
15(4)(iv): Special sectors		business transactions in the nature of pure agent, money changer, insurer, air travel agent and distributor or selling agent of lottery
15(4)(v): Other notified cases		such other supplies as may be notified by the Central or a State Government in this behalf
B) Adjustments (if not included in financial statements)		
15(2)(a)		any amount that the supplier is liable to pay but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods and/or services
15(2)(b)		the value, apportioned as appropriate, of such goods and/or services as are supplied directly or indirectly by the recipient of the supply free of charge or at reduced cost for use in connection with the supply of goods and/or services being valued, to the extent that such value has not been included in the price actually paid or payable
15(2)(c)		royalties and licence fees related to the supply of goods and/or services being valued that the recipient of supply must pay, either directly or indirectly, as a condition of the said supply, to the extent that such royalties and fees are not included in the price actually paid or payable
15(2)(d)		any taxes, duties, fees and charges levied under any Statute other than the SGST Act or the CGST Act or the IGST Act
15(2)(e)		incidental expenses such as commission, packing, charged by the supplier to the recipient of a supply, including any amount charged for anything done by the supplier in respect of the supply of goods and/or services at the time of, or before delivery of the goods or, as the case may be, provision of the services
15(2)(f)		subsidies provided in any form or manner, linked to the supply
15(2)(g)		out of pocket expenses
15(2)(h)		any discount or incentive that may be allowed after the supply has been effected

Others (please specify)		Eg. unbilled revenue, advances
C) Adjustments (if included in financial statements)		
15(3)		discount allowed before or at the time of supply provided such discount is allowed in the course of normal trade practice and has been duly recorded in the invoice issued in respect of the supply
Others (please specify)		
D) Adjustments (Differences on account of time of supply)		
Opening advances		
Closing advances		
Opening unbilled revenue		
Closing unbilled revenue		
Derived as per financial statements		
Effective turnover for present State (Note 1)		
Difference		

Note:

Total turnover as per financial statements <<to be taken from audited financial statements>>
Less: Turnover pertaining to other states <<to be taken from audited financial statements>>
Add: Turnover of stock transfer Inward
Effective turnover for present state

Annexure 3 - Reconciliation of 'Total tax liability' on output supply and supplies liable to reverse charge

	As per Annual return				As per Auditor				Difference				
Particulars	**CGST**	**SGST**	**IGST**	**Total**	**CGST**	**SGST**	**IGST**	**Total**	**CGST**	**SGST**	**IGST**	**Total**	**Remarks**
Tax liabilities on:													
Inter-State supplies	*NA*	*NA*			*NA*	*NA*			*NA*	*NA*			
Intra-State supplies			*NA*				*NA*				*NA*		
Exports	*NA*	*NA*			*NA*	*NA*			*NA*	*NA*			
Sales returns													
Supplies liable to reverse charge													
Total													

Annexure 4 - Reconciliation of 'Input tax credit' availed during the year

	As per Annual return				As per Auditor				Difference				
Particulars	**CGST**	**SGST**	**IGST**	**Total**	**CGST**	**SGST**	**IGST**	**Total**	**CGST**	**SGST**	**IGST**	**Total**	**Remarks**
Input tax credit availed on:													
Inter-State supplies													
Intra-State supplies													
Imports													
Purchase returns													
Total													

Annexure 5– Reconciliation of 'Payment of Tax liability' on output supply and supplies liable to reverse charge

	As per return				As per financial statements				Difference				
Particulars	**CGST**	**SGST**	**IGST**	**Total**	**CGST**	**SGST**	**IGST**	**Total**	**CGST**	**SGST**	**IGST**	**Total**	**Remarks**
By Utilising Cash in Cash Ledger													
By Utilis-ing Input tax Credit Ledger													
By Utilising TDS in Cash Ledger													

Annexure 6 - Reconciliation of 'Deposit by Challans'

Particulars	**CGST**	**SGST**	**IGST**	**Total**
Tax deposit by Challans as per returns				
Tax deposit by Challans as per books of accounts				
Difference				
Reason for difference	-	-	-	
Reason 1				
Reason 2				
Reason 3				
Reason 4				
Total				

Annexure 7 - Reconciliation of 'Transfer of TDS' from deductors

Particulars	CGST	SGST	IGST	Total
Amount of Transfer of TDS from deductors as per returns				
Amount of Transfer of TDS from deductors as per financial statements				
Difference				
Reasons for difference	-	-	-	
Reason 1				
Reason 2				
Reason 3				
Reason 4				
Total				

Annexure 8 - Reconciliation of 'Refunds'

	As per return				As per financial statements				Difference				
Particulars	**CGST**	**SGST**	**IGST**	**Total**	**CGST**	**SGST**	**IGST**	**Total**	**CGST**	**SGST**	**IGST**	**Total**	**Remarks**
Refund claim pending at start of the year													
Refund claim filed during the year													
Refund claim received during the year													
Refund to be received at the end of year													

Annexure 9 - Reconciliation of 'Amounts paid under protest/ as pre-deposit against demand'

Particulars	CGST	SGST	IGST	Total
Amounts paid under protest/ as pre-deposit against demand as per returns				
Amounts paid under protest/ as pre-deposit against demand as per financial statements				
Difference				
Reason for difference	-	-	-	
Reason 1				
Reason 2				
Reason 3				
Reason 4				
Total				

Annexure 10 - Reconciliation of 'Balances as on date of financial statements (GST payable)'

Particulars	CGST	SGST	IGST	Total
Balance of GST payable as per returns				
Balance of *GST payable* as per Financial statements				
Difference				
Reason for difference	-	-	-	
Reason 1				
Reason 2				
Reason 3				
Reason 4				
Total				

Annexure 11 - Reconciliation of 'Balances as on date of financial statements (Input Tax Credit)'

Particulars	CGST	SGST	IGST	Total
Balance of Input tax credit as per returns				
Balance of Input tax credit as per Financial statements				
Difference				
Reason for difference	-	-	-	
Reason 1				
Reason 2				
Reason 3				
Reason 4				
Total				

Annexure 12 - Reconciliation of 'TDS deducted'

Particulars	CGST	SGST	IGST	Total
Amount of TDS deducted as per returns				
Amount of TDS deducted as per financial statements				
Difference				
Reason for difference	-	-	-	
Reason 1				
Reason 2				
Reason 3				
Reason 4				
Total				

Detail Of Income

A) Total value of supplies on which GST paid (inter-State Supplies)

Goods			*As per Annual Return*			*As per Auditor*			
S.N	Description	HSN Code	Tax Rate	Taxable value	IGST	Tax Rate	Taxable value	IGST	*Reason for differences*
1									
2									

Services			As per Annual Return			As per Auditor			
S.N	Description	Accounting code	Tax Rate	Taxable value	IGST	Tax Rate	Taxable value	IGST	*Reason for differences*
1									
2									
3									

B) Total value of supplies on which GST paid (intra-State Supplies)

Goods			As per Annual Return			As per Auditor					
S.N	Description	HSN Code	Tax Rate CGST	Tax Rate SGST	Tax CGST	Taxable value	Tax Rate CGST	Tax Rate SGST	Tax CGST	Tax SGST	*Reason for differences*
1											
2											
3											

Services			As per Annual Return			As per Auditor					
S.N	Description	SAC	Tax Rate CGST	Tax Rate SGST	Tax CGST	Taxable value	Tax Rate CGST	Tax Rate SGST	Tax CGST	Tax SGST	*Reason for differences*
1											
2											
3											

C) Total value of supplies on which GST paid (Exports)

Goods			As per Annual Return			As per Auditor				
S.N	Description	HSN Code	Tax Rate	FOB Value	IGST	Tax Rate	FOB Value	IGST	Customs Duty	*Reason for differences*
1										
2										
3										

Services			As per Annual Return			As per Auditor				
S.N	Description	SAC	Tax Rate	FOB value	IGST	Tax Rate	FOB value	IGST	*Reason for differences*	
1										
2										
3										

D) Total value of supplies on which no GST paid (Exports)

Goods			As per Annual Return		As per Auditor		
S.N	Description	HSN Code	Tax Rate	FOB Value	Tax Rate	FOB Value	*Reason for differences*
1							
2							
3							
Ser-vices			*As per Annual Return*		*As per Auditor*		
S.N	Description	SAC	Tax Rate	FOB value	Tax Rate	FOB Value	*Reason for differences*
1							
2							
3							

E) Total value of Other supplies on which no GST paid

-		*As per Annual return*	*As per Auditor*	
S.N	Goods/service	Value	Value	*Reason for differences*
1				
2				

F) Sales Returns

Goods			*As per Annual Return*			*As per Auditor*				
S.N	Description	HSN Code	CGST	SGST	IGST	Taxable value	CGST	SGST	IGST	*Reason for differences*
1										
2										
3										

G) Other Income (Income other than from supplies)

-		*As per Annual return*	*As per Auditor*	
S.N	Specify Head	Amount	Amount	*Reason for differences*
1				
2				
3				

Detail Of Expenditure

A) Total value of purchases on which ITC availed (inter-State)

Goods				*As per Annual Return*				*As per Auditor*				
S.No.	Description	HSN Code	UQC	Qty.	Tax rate	Tax-able value	IGST credit	Qty.	Tax rate	Taxable value	IGST credit	*Reason for differences*
1												
2												
3												

Services			*As per Annual Return*			*As per Auditor*			
S.N	Description	Accounting code	Tax Rate	Taxable value	IGST credit	Tax Rate	Taxable value	IGST credit	*Reason for differences*
1									
2									
3									

B) Total value of purchases on which ITC availed (intra-State)

	Goods			*As per Annual Return*						*As per Auditor*					
S.N	Description	HSN Code	UQC	Qty.	Taxable value	Tax rate (CGST)	Tax rate (SGST)	Tax credit (CGST)	Tax credit (SGST)	Qty.	Tax rate (CGST)	Tax rate (SGST)	Tax credit (CGST)	Tax credit (SGST)	*Reason for differences*
1															
2															
3															

	Services		*As per Annual Return*					*As per Auditor*					
S.N	Description	SAC	Taxable value	Tax rate (CGST)	Tax rate (SGST)	Tax credit (CGST)	Tax credit (SGST)	Taxable value	Tax rate (CGST)	Tax rate (SGST)	Tax credit (CGST)	Tax credit (SGST)	*Reason for differences*
1													
2													
3													

C) Total value of purchases on which ITC availed (Imports)

	Goods			*As per Annual Return*					*As per Auditor*					
S.N	Description	HSN Code	UQC	Qty	Tax rate	CIF Value	IGST	Customs duty paid	Qty	Tax rate	CIF Value	IGST	Customs duty paid	*Reason for differences*
1														
2														
3														

Services			*As per Annual Return*			*As per Auditor*			
S.N	Description	SAC	Tax Rate	Taxable value	IGST	Tax Rate	Taxable value	IGST	*Reason for differences*
1									
2									
3									

D) Other Purchases on which no ITC availed

		As per Annual return	*As per Auditor*	
S.N	Goods/service	Purchase value	Purchase value	*Reason for differences*
1				
2				
3				

E) Purchase Returns

Goods			As per Annual Return				As per Auditor				
S.N	Description	HSN Code	Taxable value	CGST	SGST	IGST	Taxable value	CGST	SGST	IGST	*Reason for differences*
1											
2											
3											

Services			As per Annual Return				As per Auditor				
S.N	Description	SAC	Taxable value	CGST	SGST	IGST	Taxable value	CGST	SGST	IGST	*Reason for differences*
1											
2											
3											

F) Other Expenditure (Expenditure other than purchases)

-		*As per Annual return*	*As per Auditor*	
S.N	Specify Head	Amount	Amount	*Reason for differences*
1				
2				
3				

Conclusion:

GST Audit shall provide a tool ensuring due compliance of GST for the benefit of all stakeholders. It will help in ensuring that the GST is accounted and paid correctly and accurately, and shall be able to analyse the correctness of turnover declared by the taxable person. GST Audit will determine the correctness of input tax credit availed, and refund claimed. GST Audit will identify revenue leakages to the exchequer and will measure and assess the level of compliance with the provisions of the Act and rules by the registered taxable person.

Goods & Services Tax is a big step taken by the government towards reforming the Present Indirect Taxation System in India, surely GST Audit will play role to the great extent for proper and effective compliance of GST, and will be beneficial to all the stakeholders. MA

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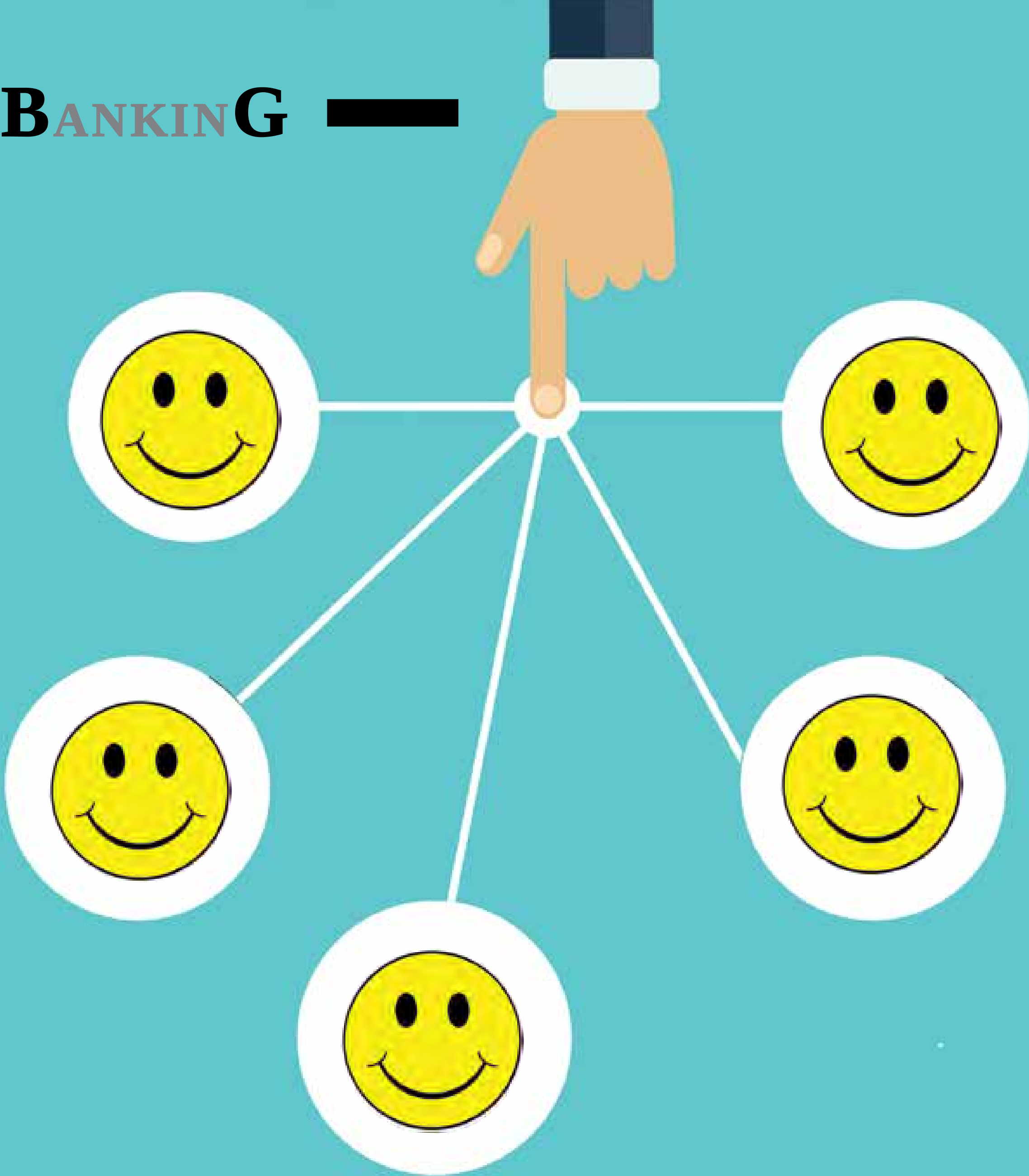

RELATIONSHIP MARKETING IN BANKS

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The business environment in India has become more complex and competitive over the last few decades with the introduction of LPG (liberalization, privatization, globalization). And it is this environment that forces different organizations to adopt innovative marketing strategies-the most common being Relationship Marketing Strategy (RMS) which "strives to get the firm close to the customers in order to enable it to accurately and adequately discern and satisfy their needs" (Ndubisi et al, 2005) (www.emeraldinsight.com/0265-2323.htm). A successful 'firm-customer relationship' enables the firm to gather exclusive information about the customers' needs and wants which is useful not only in serving the customers better but it also helps firms to achieve a competitive edge over its peers and rivals.

The environment of the banking business in India has undergone a sea change over the last three decades with the liberalization policies of the successive governments. The complex and competitive environment has resulted in a shift of the customers' attitude as they have become highly demanding in respect of the banking products and services and switching their loyalty according to their own sweet will. The high customer turnover today is attributed to the fact that they have wider choice and easy access to multiple options owing largely to the technological revolution. Hence it has become necessary to devise comprehensive and all-inclusive marketing strategies from 'reaching out to retaining' of customers with a special focus on the latter, which is discernible in their various marketing endeavours.

The banks which have predominantly promoted the transactional trait of its operation, of late are focusing on the relational aspect of marketing as is evident in the following promotional efforts.

Name of the Bank	Promotional Campaign
United Bank of India	The Bank that begins with U
United Commercial Bank	Honours your trust
Allahabad Bank	A tradition of trust
Union Bank	Good people to bank with
State Bank of India	Banker to every Indian
Bank of India	Relationship beyond banking
Union bank	Good people to bank with
Federal bank	Your perfect banking partner
HDFC bank	Bank aapki mutthi mein

In addition to the above, the banks of today, be it private or public, inevitably has a personal banking division headed by a Relationship Manager, offers redeemable bonus points for increased usage, provides facility of priority banking, has been opening up touch points (SBI e-corner), are introducing digital application based mobile services (apps like Buddy), all these with a single motive, to establish, maintain and enhance a long-lasting mutually beneficial relational bond, to not only reach out to, but also to retain customers. This has opened a new area of discussion, and in this respect, it is imperative to mention, that this needs to be cultivated in a more effective manner. Keeping this in mind an effort has been made to search to what extent some selected Kolkata based Indian banks are practising RMS as a tool to retain customer. From below one can understand the situation of the same.

Literature review

The earliest known reference to influence of relationship on marketing could be traced to an educator and economist of business administration Edmund Mcgarry's (1951, 1953) writings on 'Contactual Function' of marketing. Mcgarry was of the view that 'contactual' information formed the basis of cooperation/ collaboration between buyer and seller. He opined that long-term, continuous relationship between buyer and seller help to develop a bond of mutual interest, besides mutual confidence and respect can bring down the marketing cost by 10-20 percent. He further advocated that long-term cooperation/collaboration between the seller and buyer is a mechanism to increase marketing efficiency from the seller's point of view.

In 1975 Richard Bagozzi, Professor of Behavioral Science in Management, Ross School of Business, University of Michigan, put forward the idea that exchange relationship can fall into three types of exchanges: restricted, generalized and complex. Restricted exchanges are about reciprocal relationships between two parties like customers and company or company representatives, generalized exchanges are about univocal reciprocal relationships between at least three actors like the middleman, the company and its customers, complex exchanges are mutual relationships between at least three parties and are the closest to the concept of relationship Marketing.

The origins of modern relationship marketing can be traced back to a passage by B. Schneider (1980) in which he observes: "What is surprising is that researchers and businessmen have concentrated far more on how to attract customers to products and services than on how to retain customers". The initial research was done by C Gronroos (1982) at the Swedish School of Economics who introduced what he called "interactive marketing". In 1989 Gronroos wrote, marketing is a mutual exchange and fulfillment of promises and it is through making promises and keeping them that trust develops and out of trust long-term relationships grow. L Berry (1983) a distinguished professor of marketing at Texas A&M University and a former President of American Marketing Association, coined the term "Relationship Marketing" (RM). Berry emphasized the importance of maintaining and enhancing the relationships with existing customers in addition to creating new customers. He suggested five types of Relationship Marketing Strategies which are core service, relationship customization, service augmentation, relationship pricing and internal marketing. First generation marketing theorist Levitt (1983) at Harvard wanted to broaden the scope of marketing beyond individual transactions. In practice, RM originated in industrial and B-2-B markets where long-term contracts have been quite common for many years. Academics like Jackson (1985) at Harvard re-examined these industrial marketing practices and applied those to marketing proper.

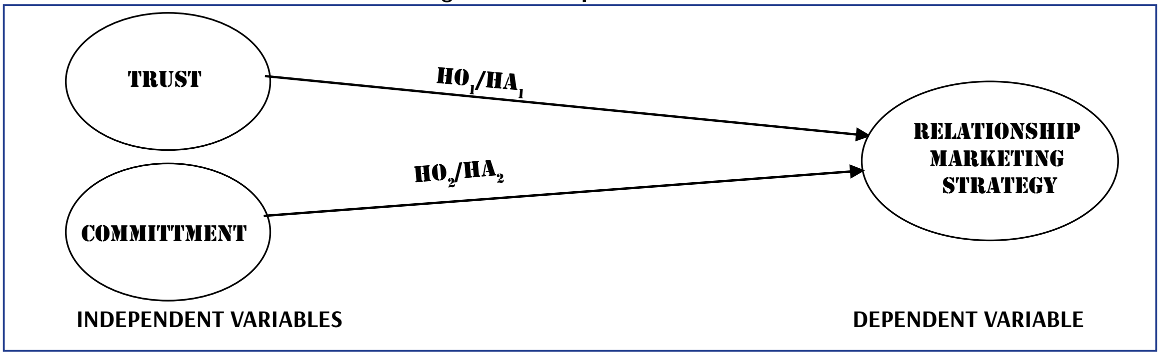
To understand Relationship Marketing further especially in the banking branches of Kolkata the researcher has tried to delve deeper into the subject through a thorough literature review and propose a conceptual model involving relationship drivers affecting Relationship Marketing Strategy. Scholars and academicians have listed and theorized key relationship drivers/constructs/variables like trust (Moorman et al., 1993; Morgan and Hunt, 1994; Ndubisi, 2004), Commitment (Moorman et al., 1993; Morgan and Hunt, 1994; Ndubisi, 2004), satisfaction (Sheith et al., 1988), Conflict Handling (Dwyer et al., 1987), empathy (Ndubisi, 2004) and many others through various marketing literatures.

The variables chosen for the current study are Trust and Commitment based on the following facts:

(i) The variables find a mention in the promotional efforts of the banks as referred to earlier.
(ii) The mid level bank officials whom the researcher interviewed and who act as a link between the rank & file supplying ground level information to the policy makers stressed on the aforementioned traits.
(iii) The customers spoken to by the researcher also corroborated the fact that they give importance to the variables chosen by the researcher.

In the current study the influence of each of the aforesaid independent variable (Trust and Commitment) on the dependent variable i.e., RMS will be empirically tested. In other words the conceptual framework of the following figure will be empirically tested.

Figure 1 : Conceptual Framework



Before deliberating on this issue it is necessary to have some idea about the concept of trust and commitment. Trust was defined in 'The Journal of Marketing Research' by Christine Moorman et al (1992) as "the willingness to rely on an exchange partner in whom one has confidence". Gronroos (1990) emphasized that the resources of the seller – personnel, technology and systems – have to be used in such a manner that the customer's trust in the resources involved and, thus, in the firm itself is maintained and strengthened.

Commitment is an important determinant of the strength of a marketing relationship. Commitment, according to Morgan & Hunt, 1994, plays a central role in the relationship marketing paradigm. In marketing literature Moorman et al., 1992 have defined commitment as "an enduring desire to maintain a valued relationship". Thus commitment is enduring and implies a positive evaluation of a long-term relationship (Bowen & Shoemaker, 1998; Moorman et al, 1992; Morgan & Hunt, 1994). Consequently, Commitment is often seen as a key to long-term customer retention (Amine, 1998). This further implies a higher level of obligation to make a relationship succeed and to make it mutually satisfying and beneficial (Gundlach et al., 1995; Morgan and Hunt, 1994). Since, commitment is higher among individuals who believe that they receive more value from a relationship, highly committed customers should be willing to reciprocate effort on behalf of a firm due to past benefits received (Mowday et al., 1982) and highly committed firms will continue to enjoy the benefits of such reciprocity.

Objective of the study

The objective of this study is to investigate the influence of selected independent variables (trust, commitment) on the dependent variable (relationship marketing strategy) of the selected banking branches in Kolkata Metropolitan area.

Research Hypotheses

To give effect to the problem statement a number of null hypotheses have been formulated, stating that no relationship exists, as depicted in the conceptual diagram figure. Alternative hypotheses have been formulated stating that relationship exists, as depicted in conceptual diagram.

Specifically the null and alternative hypotheses are:

Ho[1]: There is no relationship between perceived Trust and RMS in the selected banking branches in Kolkata Metropolitan area.

Ha[1]: There exists a relationship between perceived Trust and RMS in selected banking branches in Kolkata Metropolitan area.

Ho[2]: There is no relationship between perceived Commitment and RMS in selected banking branches in Kolkata Metropolitan area.

Ha[2]: There exists a relationship between perceived Commitment and RMS in selected banking branches in Kolkata Metropolitan area.

Research Methodology

A structured questionnaire was developed including some selected items from previous studies. In addition interviews were conducted with officers of the banks selected for the study in order to identify important aspects of Relationship Marketing to assist development of questionnaire items.

The questionnaire has two components- Part A and Part B.

The first part (i.e., Part A) contains five items to gather some relevant biographical information about the respondents viz., gender, age, qualification, annual income, and number of years of association with the bank.

The second part (i.e., part B) contains 15 items to gather the responses (i.e., the perceptions) of respondents on a five point scale (the response alternatives being, strongly disagree/ disagree/neither agree nor disagree/agree/strongly agree) with respect to three aspects viz., trust [6 sub-variables viz., Security of Transaction, Reliable Promise, Consistent Service, Respect of Customers, Fulfills Obligation, Confidence in Service], commitment [4 sub-variables viz. Flexibility1, Adjustment, Flexibility2 and Personalised Services] and relationship marketing strategy [5 sub-variables viz. Satisfaction, Relationship Benefits, Cooperation, Bond, Experience].

The primary data collected have been intelligently collated, analysed and tabulated using appropriate statistical techniques with the help of a statistical software package, viz., **SPSS (version 20).**

Data Sources

The researcher has chosen the public sector banks designated as scheduled commercial banks headquartered at Kolkata viz. United Commercial Bank, United bank of India and Allahabad Bank. The reason being:

The study is based on banks in Kolkata.

It helped the researcher design the questionnaire after talking to the officials who are involved in devising marketing strategies and policies.

It is basically a perception study. Hence it was essential to identify the customers interacting frequently with the bank. Speaking with the aforementioned officials helped the researcher to identify such customers.

There are 351 branches of UCO (79), UBI (North + South =118) and Allahabad (154) Bank in Kolkata. 35 branches were chosen (representing 10% of the number of branches) from among the 351 branches in the following manner. The branches were selected based on the premise of Convenience Sampling.

United Commercial Bank	8 branches
United Bank of India	12 branches
Allahabad Bank	15 branches
Total	35 Branches

The customers chosen are those having current accounts enjoying cash/credit accounts/facilities, who utilize the aforementioned accounts for financing their working capital requirement and the accounts are active and transactions are regular in nature.

Information relating to 5508 Cash/Credit account holders was collected. Out of them contact details [telephone numbers (landline and cellular), e-mail i/ds] of 550 (i.e 10% of 5508) account holders could be gathered and contacted to. 384 respondents (i.e 70% of 550) actually responded out of which 312 (57% of 550) completed questionnaires were selected.

Tools for Data Analysis

Crosstabs and Chi-square -The researcher performed the Chi Square test for independence of attributes between two categorical variables which uses cross classification table to examine the nature of relationship between the variables (independent, and dependent).

Factor Analysis-Factor analysis is a statistical tool used to group variables with similar characteristics together. It helps to reduce large number of variables to a smaller number of manageable variables. The reduced number of factors is utilized to explain the observed variance in the large number of variables.

Correlation and Regression-The word "correlation" is used to denote the degree of association between the variables. In the current research the statistical tool has been used to find out the relationship between the individual independent variables (Trust, Commitment) and the dependent variable (Relationship Marketing Strategy)

"Regression" is used to denote estimation or prediction of the average value of one variable for a specified value of other variable.

Pilot Survey

The researcher conducted a pilot survey to verify the strength of the measuring instrument viz., the questionnaire. A total of 50 participants were chosen for the pilot test and reliability test was performed using Cronbach's Alpha.

Reliability of a measure is an established tool for testing both consistency and stability. Consistency indicates closeness of the items measuring a concept. Cronbach's Alpha is a reliability coefficient that indicates how well the items in a set are positively correlated to one another. The coefficient can range between 0 and 1. Closer the value of item to 1 greater is its reliability/ consistency. In the present (pilot) study the three Key Constructs Trust (6 items), Commitment (4 items) and Relationship Marketing Strategy (5 items) have coefficient scores of 0.835, 0.792, 0.748 which indicates that the items within the Key Constructs are closely related, hence are consistent/reliable.

Empirical Survey and its Findings

The researcher then proceeded with the analysis of the data of the main survey. The Reliability test was performed using Cronbach's Alpha on the responses of the 312 customers. The coefficient scores of 0.754, 0.720 and 0.722 respectively of the independent (Trust and Commitment) and dependent variable (Relationship Marketing Strategy) shows that the responses are consistent and reliable.

Cross tabulation and Chi Square test were then performed in two stages to find out whether and how the sub variables (referred to earlier) of independent variables (trust, and commitment) and the sub variables (referred to earlier) of dependent variable (relationship marketing strategy) are related to each other. The null hypothesis being that, there is no statistically significant relationship between the sub variables of independent variables and the sub variables of dependent variable.

In the first instance the null hypothesis is that there is no relationship between the sub variables of the independent variable trust and the sub variables of the dependent variable relationship marketing strategy and the low p values ($p<0.001$) obtained gave the strength to reject the same. In other words we accept the alternative hypothesis that there is relationship between the sub variables of the independent variable and the sub variables of the dependent variable.

In the second instance the null hypothesis is that there is no statistically significant relationship between the sub variables of the independent variable commitment and the sub variables of the dependent variable relationship marketing strategy and the low p values ($p<0.001$) obtained prove that the same can be rejected. In other words we accept the alternative hypothesis that there is relationship between sub variables of the independent variable and the sub variables of the dependent variable.

Factor Analysis was then performed in three stages to reduce the number of variables into a manageable limit.
The tables showing the results are given below.

TABLE 1: Factor Analysis - Trust

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.758
Bartlett's Test of Sphericity	Approx. Chi-Square	422.756
	Df	15
	p value	<0.001

Source: worked out by using the SPSS (version 20)using responses to questionnaire

The value of KMO measure of Sampling Adequacy as shown in the table above for the variable Trust is 0.758 which is acceptable, hence Factor Analysis is appropriate for this data.

The Bartlett's test of Sphericity tests the null hypothesis that original matrix is an identity matrix. The p-value for the variable Trust is low enough ($p<0.001$) to reject the null hypothesis. In other words there are relationships between the variables.

TABLE 2: Total Variance explained:Trust

Total Variance Explained						
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.717	45.285	45.285	2.717	45.285	45.285
2	.994	16.570	61.855			
3	.761	12.683	74.538			
4	.624	10.400	84.939			
5	.532	8.867	93.806			
6	.372	6.194	100.000			

Extraction Method: Principal Component Analysis.

Source: worked out by using the SPSS (version 20)using responses to questionnaire

The above table shows the eigen values associated with each factor which represents the variance explained by that particular linear component. SPSS was used to extract factors having eigen values more than 1 which left us with one component having actual eigen value of 2.717 having variance explaining capacity of 45.285% which is satisfactory.

TABLE 3: Component Matrix:Trust

Component Matrix[a]	
	Component
	1
TRUST : SECURITY OF TRANSACTION:The bank is very concerned with security for my transaction	.769
TRUST : RELIABLE PROMISE : The bank's promises are reliable	.693

TRUST : CONSISTENCY IN SERVICE : The bank is consistent in providing quality service	.500
TRUST : RESPECT OF CUSTOMERS: The employees of the bank show respect to customers	.753
TRUST : FULFILLS OBLIGATION : The bank fulfils it's obligations to customers	.621
TRUST : CONFIDENCE IN SERVICE : I have confidence in the bank's services	.666
Extraction Method : Principal Component Analysis.	
a. 1 components extracted.	

Source: worked out by using the SPSS (version 20)using responses to questionnaire

The Component matrix above shows factor loadings against component 1 extracted earlier. All the loadings are significant as the values are more than 0.4. The order in which the customers considered the factors to be important is Security of transaction, Respect of customers, Reliable Promise, Confidence in service, Fulfills Obligation and Consistency in service.

TABLE 4: Factor Analysis - Commitment

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.642
Bartlett's Test of Sphericity	Approx. Chi-Square	263.271
	Df	6
	p value	<0.001

Source: worked out by using the SPSS (version 20)using responses to questionnaire

The value of KMO measure of Sampling Adequacy as shown in the table above for the variable Commitment is 0.642 which is acceptable, hence factor Analysis is appropriate for this data.

The Bartlett's test of Sphericity tests the null hypothesis that original matrix is an identity matrix. The p-value for the variable Commitment is highly significant ($p<0.001$) and low enough to reject the null hypothesis. In other words there are relationships between the variables.

TABLE 5: Total variance explained : Commitment

Total Variance Explained						
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.180	54.502	54.502	2.180	54.502	54.502
2	.793	19.815	74.317			
3	.644	16.110	90.427			
4	.383	9.573	100.000			
Extraction Method: Principal Component Analysis.						

Source: worked out by using the SPSS (version 20)using responses to questionnaire

The above table shows the eigen values associated with each factor which represents the variance explained by that particular linear component. SPSS was used to extract factors having eigen values more than 1 which left us with one component having actual eigen value of 2.180 having variance explaining capacity of 54.502 % which is satisfactory.

TABLE 6: Component Matrix : Commitment

Component Matrix[a]	
	Component
	1
COMMITMENT : ADJUSTMENT : The bank makes adjustments to suit my needs	.747
COMMITMENT : PERSONALISED SERVICES : The bank offers personalised services to meet customers' needs	.698
COMMITMENT : FLEXIBILITY1 : The bank is flexible when its services are changed	.783
COMMITMENT : FLEXIBILITY2 : The bank is flexible in serving my needs	.722
Extraction Method: Principal Component Analysis.	
a. 1 components extracted.	

Source: worked out by using the SPSS (version 20)using responses to questionnaire

The Component matrix above shows factor loadings against component 1 extracted earlier. All the loadings are significant as the values are more than 0.4. The order in which the customers considered the factors to be important is Flexibility1, Adjustment, Flexibility2 and Personalised Services.

TABLE 7: Factor Analysis - Relationship Marketing Strategy

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.773
Bartlett's Test of Sphericity	Approx. Chi-Square	283.513
	Df	10
	p value	<0.001

Source: worked out by using the SPSS (version 20) based on responses to questionnaire

The value of KMO measure of Sampling Adequacy as shown in the table above for the variable **Relationship Marketing Strategy** is 0.773 which is good hence factor Analysis is appropriate for this data.

The Bartlett's test of Sphericity tests the null hypothesis that original matrix is an identity matrix. The p-value for the variable **Relationship Marketing Strategy** is highly significant ($p<0.001$) and low enough to reject the null hypothesis. In other words there are relationships between the variables.

TABLE 8: Total variance explained : Relationship Marketing Strategy

Total Variance Explained						
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.393	47.869	47.869	2.393	47.869	47.869
2	.837	16.743	64.612			
3	.697	13.944	78.555			
4	.579	11.583	90.138			
5	.493	9.862	100.000			
Extraction Method: Principal Component Analysis.						

Source: worked out by using the SPSS (version 20)based on responses to questionnaire

The above table shows the eigen values associated with each factor which represents the variance explained by that particular linear component. SPSS was used to extract factors having eigen values more than 1 which left us with one component having actual eigen value of 2.393 having variance explaining capacity of 47.869% which is satisfactory.

TABLE 9: Component Matrix : Relation Marketing Strategy

Component Matrix[a]	
	Component
	1
Relationship Marketing Strategy : SATISFACTION:I am satisfied with the overall relationship that I have with my bank	.753
Relationship Marketing Strategy : PLEASANT EXPERIENCE:I have had a pleasant experience of working with my bank	.539
Relationship Marketing Strategy :RELATIONSHIP BENEFITS:I receive benefits due to my relationship with bank	.741
Relationship Marketing Strategy : BOND:I feel that I have a strong bond with my bank	.680
Relationship Marketing Strategy : COOPERATION:I always receive cooperation from the bank due to my relationship with the bank	.723
Extraction Method: Principal Component Analysis.	
a. 1 components extracted.	

Source: worked out by using the SPSS (version 20)based on responses to questionnaire

The Component matrix above shows factor loadings against component 1 extracted earlier. All the loadings are significant as the values are more than 0.4. The order in which the customers considered the factors to be important is **Satisfaction, Relationship Benefits, Cooperation, Bond and Experience.**

The table below represents the result of Correlations between independent variables and dependent variable. The outcome (correlation and p value) reveals that the strength and significance of the relationship between individual Independent Variables (Trust, Commitment) and the Dependent Variable (Relationship Marketing Strategy). In other words the independent variables have a statistically significant relationship with the dependent variable individually as shown by the sig. value.

TABLE 10:Correlations between Independent and Dependent variables

Correlations		
		Relationship Marketing Strategy
Trust	Pearson Correlation	0.671
	p value	<0.001
Commitment	Pearson Correlation	0.567
	p value	<0.001

Source: worked out by using the SPSS (version 20)based on responses to questionnaire

The researcher motivated by the above findings tried to find out the regression equation between the independent and the dependent variable. The result of the Regression analysis is given below.

Table 11 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.680[a]	0.462	0.459	0.73584490

a. Predictors: (Constant), Commitment, Trust

Source: worked out by using the SPSS (version 20)based on responses to questionnaire

In the first table R2, also called the Coefficient of Determination measures the proportion of total variation of the Dependent Variable (RMS) explained by the Independent Variables (Trust, and Commitment). In the current research the Independent Variables explain 45.9% of the total variation of Dependent Variable which can be considered as satisfactory.

Table 12

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	143.686	2	71.843	132.682	<0.001[b]
	Residual	167.314	309	.541		
	Total	311.000	311			
a. Dependent Variable: Relationship Marketing Strategy						
b. Predictors: (Constant), Commitment, Trust						

Source: worked out by using the SPSS (version 20)based on responses to questionnaire

In this table the focus is on F-statistic. The tool tests the null hypothesis that none of the Independent Variables (Trust and Commitment) help explain the variation in Dependent Variable (RMS). The p value ($p<0.001$) indicates that the F-statistic is large enough to reject the null hypothesis and accept the alternative hypothesis that the Independent Variables (Trust and Commitment) help explain the variation in Dependent Variable (RMS).

Table 13

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.606E-17	.042		.000	1.000
	Trust	.554	.062	.554	8.987	<0.001
	Commitment	.159	.062	.159	2.588	0.010
a. Dependent Variable: Relationship Marketing Strategy						

Source: worked out by using the SPSS (version 20)based on responses to questionnaire

The aforementioned table helps us determine whether the Independent Variables (Trust and Commitment) together have a statistically significant relationship with the Dependent Variable (RMS) and the direction and strength of the relationship.

It is found that the Independent Variables trust and commitment are positively correlated with the Dependent Variable Relationship

Marketing Strategy. The regression equation is as follows

RMS= -1.606E-017 + 0.554 TRUST + 0.159 COMMITMENT

Further the following Hypothesis were tested

Relationship between independent variables and dependent variable (RMS)

Ho[1]: There is no relationship between perceived Trust and RMS in the selected banking branches in Kolkata Metropolitan area

Ha[1]: There exists a relationship between perceived Trust and RMS in selected banking branches in Kolkata Metropolitan area

In case of the relationship between Trust and Relationship Marketing Strategy the p value ($p<0.001$) indicates that the Ho1 is rejected. In other words alternative Hypothesis Ha1 that, there exists a relationship between perceived Trust and RMS in selected banking branches in Kolkata Metropolitan area is accepted.

Ho[2]: There is no relationship between perceived Commitment and RMS in selected banking branches in Kolkata Metropolitan area

Ha[2]: There exists a relationship between perceived Commitment and RMS in selected banking branches in Kolkata Metropolitan area

In case of the relationship between Commitment and Relationship Marketing Strategy the p value ($p<0.05$) indicates that the Original Hypothesis Ho2 is rejected. In other words the Alternative Hypothesis (Ha2) that there is relationship between perceived Commitment and RMS in selected banking branches in Kolkata Metropolitan area is accepted.

Concluding Observations

The analysis of the empirical research carried out on the responses of the customers of selected banking branches of United Commercial Bank, United Bank of India and Allahabad Bank has helped the researcher draw the following conclusions:

- The sub-factors of trust (i.e Security of Transaction, Reliable Promise, Consistent Service, Respect of Customers, Fulfills Obligation, Confidence in Service) have significant influence on the sub-factors of Relationship Marketing Strategy (i.e Satisfaction, Pleasant Experience, Relationship Benefits, Bond, Co-operation).
- The sub-factors of commitment (i.e Adjustment, Personalised services, Flexibility1, Flexibility 2) have significant influence on the sub-factors of Relationship Marketing Strategy (i.e Satisfaction, Pleasant Experience, Relationship Benefits, Bond, Co-operation).
- The order of importance of the sub-factors of Trust, as per the customers of the selected banking branches of the Kolkata based banks are Security of Transaction, Respect of customers, Reliable promise, Confidence service, Fulfills obligation, Consistency in Service.
- The order of importance of the sub-factors of Commitment, as per the customers of the selected banking branches of the Kolkata based banks are Flexibility1, Adjustments, Flexibility2, Personalised Services.
- The order of importance of the sub-factors of Relationship Marketing Strategy ,as per the customers of the selected banking branches of the Kolkata based banks are Satisfaction, Relationship Benefits, Co-operation, Bond, Pleasant experience.
- The independent variables (i.e trust, commitment,) have strong individual correlation with the dependent variable Relationship Marketing Strategy.
- The independent variables (i.e trust, commitment) individually help explain significant amount of variance of dependent variable Relationship Marketing Strategy.

Suggestions

The researcher offers the following suggestions based on the empirical research carried out on the responses of the customers of selected banking branches of United Commercial Bank, United Bank of India and Allahabad Bank:

Banks may concentrate more on trust while designing Relationship Marketing Strategies.

Banks wishing to retain customers by developing trust may focus on factors like security of transaction, respect of customers, reliable promise, confidence, fulfills obligation, and consistency in service respectively.

Banks wishing to retain customers by developing commitment may focus on flexibility, adjustment and personalized services respectively. MA

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Clarification on the notification issued dated 21st September 2016 for 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 Members holding Certificate of Practice above the age of 65 years which states that -

"The member should undergo minimum mandatory training of 50% of the minimum CEP hours per year and block of 3 years as per the category of the members holding Certificate of Practice below the age of 65 years, i.e. 7 hours per year and 25 hours in a block of 3 years."

Clarification : The above requirements shall be effective for renewal of CoP from FY 2018-19 onwards and will not be applicable for renewal of CoP for FY 2017-18.

CUSTOMS

Notifications:

Tariff:

✤ Amendment to Notification No.09/2012-Cus reg. enabling authorised offices or agencies in India of the laboratories mentioned under para 4.74 of HBP 2015-20

[Notification No. 07/2017-Cus,dt. 01-03-2017]

✤ Seeks to further amend Notification No. 12/2012-Customs, dated the 17.3.2012 so as to carry out Budgetary changes. Details are contained in Joint Secretary (TRU – I) DO letter dated 31.1.2017.

[Notification No. 06/2017-Cus,dt. 02-02-2017]

✤ Seeks to reduce Basic Customs Duty from 10/7.5 % to 5% on all items of machinery required for (a) initial setting up of fuel cell based system for generation of power or for demonstration purposes and (b) for balance of systems operating on biogas or bio-methane or by-product hydrogen.

[Notification No. 05/2017-Cus,dt. 02-02-2017]

✤ Seeks to further amend Notification No. 21/2012-Customs, dated the 17.03.2012 so as to specify the rate of additional duty of customs leviable under sub-section 3(5) of Customs Tariff Act, 1975 for items specified therein.

[Notification No. 04/2017-Cus,dt. 02-02-2017]

✤ Seeks to further amend Notification No. 27/2011-Customs dated 1.3.2011.

[Notification No. 03/2017-Cus,dt. 02-02-2017]

✤ Notification No. 02/2017-Customs dated 27.01.2017 seeks to further amend Notification No. 96/2008-Customs dated 13.08.2008 so as to prescribe a Margin of Preference of 60% for all goods falling under sub-heading [0802 80] under the Duty Free Tariff Preference (DFTP) scheme.

[Notification No. 02/2017-Cus,dt. 27-01-2017]

✤ seeks to further amend Notification no.153/93- Customs, dated 13th August, 1993

[Notification No. 01/2017-Cus,dt. 20-01-2017]

Non-Tariff:

✤ Rate of exchange of conversion of the foreign currency with effect from 17th March, 2017

[Notification No. 22/2017-Cus (NT),dt. 16-03-2017]

✤ Tariff Notification in respect of Fixation of Tariff Value of Edible Oils, Brass Scrap, Poppy Seeds, Areca Nut, Gold and Sliver-Reg.

[Notification No. 21/2017-Cus (NT),dt. 15-03-2017]

✤ Appointment of Common Adjudication Authority in the case of M/s International Aircon Pvt. Ltd.

[Notification No. 20/2017-Cus (NT),dt. 03-03-2017]

✤ Amendment of Notification No. 384/86-Cus (N.T) dated 23.07.1986

[Notification No. 19/2017-Cus (NT),dt. 03-03-2017]

✤ Amendment of Notification No. 31/97-Cus (N.T) dated 07.07.1997

[Notification No. 18/2017-Cus (NT),dt. 03-03-2017]

✤ Appointment of Common Adjudication Authority in the case of M/s Fulchand & Sons

[Notification No. 17/2017-Cus (NT),dt. 03-03-2017]

✤ Courier Imports and Exports (Clearance) Amendment Regulations, 2017

[Notification No. 16/2017-Cus (NT),dt. 03-03-2017]

✤ Amendment to Notification No.62/1994-Customs (N.T.) dated 21st November, 1994 in respect of Revdanda Port in State of Maharashtra for the purpose of unloading of imported goods and loading of export goods or any class of such goods

[Notification No. 15/2017-Cus (NT),dt. 02-03-2017]

✤ Rate of exchange of conversion of the foreign currency with effect from 3rd March, 2017

[Notification No. 14/2017-Cus (NT),dt. 02-03-2017]

✤ Tariff Notification in respect of Fixation of Tariff Value of Edible Oils, Brass Scrap, Poppy Seeds, Areca Nut, Gold and Sliver – Reg

[Notification No. 13/2017-Cus (NT),dt. 28-02-2017]

✤ Rate of exchange of conversion of the foreign currency with effect from 17th February, 2017

[Notification No. 12/2017-Cus (NT),dt. 16-02-2017]

✤ Tariff value Notification in respect of Fixation of tariff Value of Edible Oils, Brass Scrap, Poppy Seeds, Areca Nut, Gold and Sliver

[Notification No. 11/2017-Cus (NT),dt. 15-02-2017]

✤ Empowering the Principal Commissioner with the powers of Chief Commissioner

[Notification No. 10/2017-Cus (NT),dt. 08-02-2017]

✤ Rate of exchange of conversion of the foreign currency with effect from 3rd February, 2017

[Notification No. 09/2017-Cus (NT),dt. 02-02-2017

✤ The Director General, Revenue Intelligence, hereby appoints officers mentioned in column (5) of the Table below to act as a common adjudicating authority to exercise the powers and discharge the duties conferred or imposed on officers mentioned in column (4) of the said Table in respect of notices mentioned in column (2) of the said Table for the purpose of adjudication of show cause notices mentioned in column (3) of the Table

[Notification No. 05/2017-Cus (CAA/DRI),dt. 31-01-2017]

✤ Tariff value Notification in respect of Fixation of tariff Value of Edible Oils, Brass Scrap, Poppy Seeds, Areca Nut, Gold and Sliver

[Notification No. 08/2017-Cus (NT),dt. 31-01-2017]

✤ The Director General, Revenue Intelligence, hereby appoints officers mentioned in column (5) of the Table below to act as a common adjudicating authority to exercise the powers and discharge the duties conferred or imposed on officers mentioned in column (4) of the said Table in respect of noticees mentioned in column (2) of the said Table for the purpose of adjudication of show cause notices mentioned in column (3) of the said Table

[Notification No. 04/2017-Cus (CAA/DRI),dt. 30-01-2017]

✤ Seeks to notify the India-Japan Comprehensive Economic Partnership Agreement (Bilateral Safeguard Measures) Rules, 2017

[Notification No. 07/2017-Cus (NT),dt. 24-01-2017]

✤ Regarding grant of Presidential Award of Appreciation Certificate to the officers of the Customs & Central Excise on the eve of Republic Day, 2017

[Notification No. 06/2017-Cus (NT),dt. 23-01-2017]

Anti Dumping Duty:

✤ Seeks to order provisional assessment on imports of "Phosphoric Acid-Technical Grade and Food Grade (including Industrial Grade)", originating in or exported from People's Republic of China by M/s. Guangxi Quinzhou Capital Success Chemical Co. Ltd. (producer or exporter) into India till the finalization of New Shipper Review initiated by DGAD, vide notification No.15/5/2016 - DGAD, dated 09.02.2017

[Notification No. 08/2017-Cus (ADD), dt. 15-03-2017]

✤ Seeks to levy definitive anti-dumping duty on Seamless tubes, pipes and hollow profiles of iron, alloy or non-alloysteel (other than cast iron and stainless steel), whether hot finished or cold drawn or cold rolled of an external diameter not exceeding355.6 mm or 14" OD originating in,or exported from the People's Republic of China.

[Notification No. 07/2017-Cus (ADD), dt. 17-02-2017]

✤ Seeks to extend the levy of anti-dumping duty, imposed on Cold Rolled Flat Products of alloy or non-alloy steel originating in or exported from China PR, Japan, Korea RP and Ukraine vide notification No. 45/2016-Customs (ADD), dated the 17.08.2016, for a further period of two months.

[Notification No. 06/2017-Cus (ADD), dt. 07-02-2017]

✤ Seeks to extend the levy of anti-dumping duty, imposed on Hot Rolled products of alloy or non-alloy steel originating in or exported from China PR, Japan, Korea RP, Russia, Brazil and Indonesia, vide notification No. 44/2016-Customs (ADD), dated the 08.08.2016, for a further period of two months.

[Notification No. 05/2017-Cus (ADD), dt. 07-02-2017]

CENTRAL EXCISE

Notifications:

Tariff:

✤ Seeks to amend Notification No. 16/2010-Central Excise dated 27.2.2010 so as to carry out Budgetary changes.

[Notification No. 07/2017-CE, dt. 02-02-2017

✤ Seeks to amend Notification No. 12/2012-Central Excise dated 17.03.2012 so as to carry out Budgetary changes.

[Notification No. 06/2017-CE, dt. 02-02-2017]

✤ Seeks to prescribe 6% concessional excise/CV duty on all items of machinery required for (a) initial setting up of fuel cell based system for generation of power or for demonstration purposes and (b) for balance of systems operating on biogas or bio-methane or by-product hydrogen.

[Notification No. 05/2017-CE, dt. 02-02-2017]

✤ Seeks to further amend Notification No. 42/2008-Central Excise dated 1.7.2008 so as to carry out Budgetary changes.

[Notification No. 04/2017-CE, dt. 02-02-2017]

✤ Seeks to further amend Notification No. 6/2005-Central Excise dated 1.3.2005 so as to carry out Budgetary changes.

[Notification No. 03/2017-CE, dt. 02-02-2017]

Non Tariff:

✤ Amendment to Notification No 38/2001-Central Excise (N.T.), dated the 26th June, 2001, regarding jurisdiction

[Notification No. 06/2017-CENT dt. 14-03-2017]

✤ Seeks to further amend Central Excise Rules, 2002

[Notification No. 05/2017-CENT dt. 02-02-2017]

✤ Seeks to further amend CENVAT Credit Rules, 2004

[Notification No. 04/2017-CENT dt. 02-02-2017]

✤ Seeks to amend Notification No. 11/2010-Central Excise (N.T) dated 27.2.2010.

[Notification No. 03/2017-CENT dt. 02-02-2017]

✤ Seeks to amend Notification No. 30/2008-Central Excise dated 1.7.2008.

[Notification No. 02/2017-CENT dt. 02-02-2017]

SERVICE TAX

✤ Seeks to amend Notification No 25/2012-Service Tax, dated 20.6.2012.

[Notification No. 10/2017-Service Tax dt. 08-03-2017]

✤ Service Tax payable by way of admission to a museum

[Notification No. 09/2017-Service Tax dt. 28-02-2017]

✤ Services by the operators of Common Effluent Treatment Plant by way of treatment of effluent from the 1st of July 2012 to 31st of March 2015

[Notification No. 08/2017-Service Tax dt. 20-02-2017]

✤ Seeks to amend notification No. 25/2012-Service Tax, dated 20th June 2012, so as to amend certain existing entries granting exemption on specified services and inserting new entries for granting exemption from service tax on specified services.

[Notification No. 07/2017-Service Tax dt. 02-02-2017]

✤ Seeks to amend Service Tax Rules, 1994 so that in case of online information and database access or retrieval services provided or agreed to be provided by any person located in a non-taxable territory and received by non-assesse online recipient, the service tax payable for the month of December, 2016 and January, 2017, shall be paid to the credit of the Central Government by the 6th day of March, 2017.

[Notification No. 06/2017-Service Tax dt. 30-01-2017]

✤ Seeks to amend notification No. 25/2012-ST dated 20.06.2012 so as to withdraw the exemption from service tax for online information and database access or retrieval services provided by a person located in non-taxable territory to an entity in India registered under section 12AA of the Income Tax Act, 1961 (43 of 1961).

[Notification No. 05/2017-Service Tax dt. 30-01-2017]

INCOME TAX

Notification:

✤ The Central Government in exercise of the powers conferred by clause (iii) of subsection (4) of Section 80-IA of the Income-tax Act, 1961(43 of 1961)(hereinafter referred to as the said Act), has framed and notified a scheme for industrial park, by the notifications of the Government of India in the Ministry of Commerce and Industry (Department of Industrial Policy and Promotion) vide number S.O. 354(E), dated the 1st day of April, 2002, for the period beginning on the 1st day of April, 1997 and ending on the 31st day of March, 2006;

[Notification No. 15 /2017, F.No.178/7/2016-ITA-I]

✤ The Central Government hereby notifies for the purposes for the said clause, Assam Electricity Regulatory Commission, constituted by the Government of Assam, in respect of the following specified income arising to that Commission, namely:-

amount received in the form of government grants;

amount received as license fees, petition fees and fines; and

interest earned on government grants, license fees, petition fees and fines kept as deposits or fixed deposits with banks.

[Notification No. 14/2017/F. No. 196/30/2016-ITA-I]

✤ The Central Government, hereby notifies for the purposes of the said clause, the National Iranian Oil Company, as the foreign company and the Memorandum of Understanding entered between the Government of India in the Ministry of Petroleum and Natural Gas and the Central Bank of Iran on the 20th day of January, 2013 as modified by the minutes of meeting signed on the 16th August, 2016 between the Government of India, Ministry of Finance, Department of Economic Affairs and Bank Markazi Jomhouri Islami Iran, as the agreement subject to the condition that the said foreign company shall not engage in any activity in India, other than the receipt of income under the agreement aforesaid.

2. This notification shall be deemed to have come into force from the 16th day of August, 2016.

[Notification No. 13/2017/ F. No. 370142/2/2017-TPL]

✤ Whereas, a Protocol amending the Convention and the Protocol between the Republic of India and the State of Israel for the avoidance of double taxation and for the prevention of fiscal evasion with respect to taxes on income and on capital was signed at Jerusalem, Israel on the 14th day of October, 2015 (hereinafter referred to as the said Protocol);

And whereas, the said Protocol has entered into force on the 19th day of December, 2016, being the date of the last notification of the completion of the procedures as required by the respective laws for entry into force of the said Protocol, in accordance with Article 6 of the said Protocol.

[Notification No.10/2017 F. No. 500/14/2004-FTD-II]

✤ The Central Board of Direct Taxes hereby makes the following rules further to amend the Income-tax Rules, 1962, namely:-

(1) These rules may be called the Income –tax (2 nd Amendment) Rules, 2017.

(2) They shall come into force on the date of their publication in the Official Gazette.

In the Income-tax Rules, 1962, –

in rule 114, in sub-rule (1) for the proviso the following proviso shall be substituted, namely:- "Provided that an applicant may apply for allotment of permanent account number through a common application form notified by the Central Government in the Official Gazette, and the Principal Director General of Income-tax (Systems) or Director General of Income-tax (Systems) shall specify the classes of persons, forms and formats along with procedure for safe and secure transmission of such forms and formats in relation to furnishing of permanent account number."

in rule 114A, in sub-rule (1) for the proviso the following proviso shall be substituted, namely:- "Provided that an applicant may apply for allotment of a tax deduction and collection account number through a common application form notified by the Central Government in the Official Gazette, and the Principal Director General of Income-tax (Systems) or Director General of Income-tax(Systems) shall specify the classes of persons, applicable forms and formats along with procedure for safe and secure transmission of such forms and formats in relation to furnishing of tax deduction and collection account number.".

[Notification No. 9/2017/F.No. 370142/40/2016-TPL]

✤ The Central Government hereby notifies for the purposes for the said clause, Punjab Building & Other Construction Workers Welfare Board, constituted by the Government of Punjab, in respect of the following specified income arising to that Board, namely:–

✪ labour cess collection; and
✪ interest income on deposits.
✪ This notification shall be effective subject to the conditions that Punjab Building & Other Construction Workers Welfare Board,-

shall not engage in any commercial activity;

activities and the nature of the specified income remain unchanged throughout the financial years; and

shall file returns of income in accordance with the provision of clause (g) of sub-section (4C) section 139 of the Income-tax Act, 1961.

✪ This notification shall be applicable for the financial year 2016-17 to 2020-21.

[Notification No. 6/2017/F. No. 300196/20/2016-ITA-I]

✤ The Central Government hereby notifies for the purposes for the said clause, the Punjab State Electricity Regulatory Commission, constituted by the Government of Punjab, in respect of the following specified income arising to that Commission, namely:-

amount received in the form of processing fee for determination of tariff;

amount received in the form of licence fee;

amount received in the form of petition fee; and

amount of interest income earned on bank deposits.

2. This notification shall be effective subject to the conditions that Punjab State Electricity Regulatory Commission,-

shall not engage in any commercial activity;

activities and the nature of the specified income remain unchanged throughout the financial years; and

shall file returns of income in accordance with the provision of clause (g) of sub-section (4C) section 139 of the Income-tax Act, 1961.

3. This notification shall be applicable for the financial years 2016-17 to 2020-21.

[Notification No. 5 /2017/F. No. 300196/3/2016-ITA-I]

✤ The Central Government hereby specifies the NCDEX Investor (Client) Protection Fund Trust (PAN: AABTN7481R) set up by the National Commodity and Derivatives Exchange Limited, Mumbai a commodity exchange, for the purposes of the said clause for the assessment year 2013-14 and subsequent assessment years.

[Notification No. 4 /2017/F.No. 173/51/2013-ITA-I]

Contributed by

Taxation Committee

Institute of Cost Accountants of India

Ref. No.: CMA (3)/2017 March 31, 2017

NOTICE

Extension of time for CEP Credit Hours for renewal of Certificate of Practice (COP)

Dear Members,

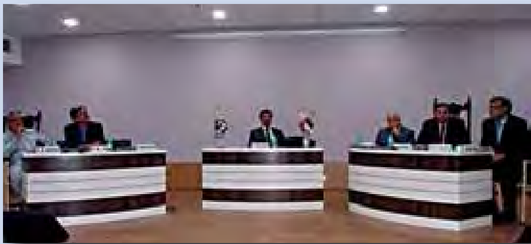
As you are aware that in case of members holding Certificate of Practice (COP), as per the Guidelines for Mandatory Training for all Members of The Institute under Continuing Education Programme, it is mandatory to undergo minimum mandatory training of 15 hours per year commencing from 1st April to 31st March. If the COP of members is not renewed for the year 2017-18 owing to shortfall in CEP hours, it might cause hardship to those members who thrive exclusively on practice notwithstanding the fact that compliance of prescribed minimum requirement of CEP hours is mandatory for renewal of Certificate of Practice. In view of the above, it is decided by the Council of the Institute to grant an extension upto 15th May, 2017 to complete the requirement of CEP credit hours for renewal of COP of the members for the year 2017-18.

(Kaushik Banerjee)
Secretary

INSTITUTE NEWS

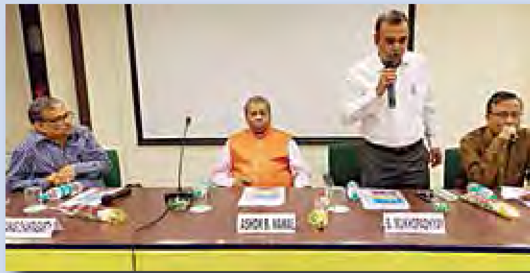
Eastern India Regional Council

On January 21 and 22, 2017, EIRC arranged a two day workshop on IBC-2016 for aspirant professionals appearing In Limited



Insolvency Examination. The workshop had been conducted by CMA Sumit Binani. On February 6, 2017 EIRC arranged a Panel Discussion on Union Budget 2017-18. eminent speakers, Shri K.L.

Maheshwari, Chief Commissioner, Income Tax, GOI, Prof. P.K Roy, Shri. N.P Jain, Shri Kalyan Kar, CMA Mrityunjay Acharjee, Associate Vice President, Balmer Lawrie, Dr. Suman Mukherjee, renowned Economist, Shri S.K Sanyal were among the distinguished panelists present in the discussion meet. On 7th February 2017, EIRC participated in the programme organised by NCLT Kolkata Bar Council Association. CMA Bibekananda Mukhopadhyay, Chairman, EIRC, CMA Pranab Kr. Chakraborty, Vice Chairman, EIRC, CMA Arundhati Basu, Chairperson, PD Committee, EIRC & CMA Shyamal Kr. Bhattacharjee, RCM, Shri Prabir Banerjee, PD & education officer along with other members of Institute attended the programme to felicitate Shri M.M Kumar, President of NCLT. On February 18 and 19, 2017 the Region organized a two day workshop on GST. CMA Ashok B Nawal, CCM & Chairman Taxation Committee of the Institute, CMA Suraj Prakesh, GM (Finance), BHEL & CA Vivek



Mehta, Manager, Indirect Tax Deloitte were the eminent speakers present during the workshop. CMA Biswarup Basu, Council Member, CMA Bibekananda Mukhopadhyay, Chairman EIRC, CMA Pranab Kr. Chakraborty, Vice Chairman, EIRC, CMA Shiba Prasad Padhi, immediate past chairman, EIRC, CMA Shyamal Kr Bhattacharjee, RCM, EIRC, CMA (Dr.) Umar Farooque, RCM, EIRC & CMA Arundhati Basu Chairperson, PD & Seminar Committee, EIRC were among other distinguished delegates present in this programme.

The Institute of Cost Accountants of India-Bhubaneswar Chapter

The Chapter organized one Practitioners Meet on 'Insolvency & Bankruptcy Code-2016 – opportunities & challenges for CMAs' on March 5, 2017 at its premises. CMA Bibhuti Bhusan Nayak, Chairman, PD Committee of the Chapter delivered the key note

address. CMA Shyam Sundar Sonthalia, Past Chairman, EIRC was the resource person of the programme and deliberated in details on the topic to the participants. On March 8, 2017 the chapter observed Women's Day at its premises and in this connection,

plantation of flower plants was made in the chapter's premises by girl students of the Chapter in the presence of CMA Siba Prasad Kar, Chairman of the chapter, CMA Basanta Kumar Pattnaik, past chairman and one of the founder members of the chapter.

The Institute of Cost Accountants of India-South Odisha Chapter

An Evening Talk programme had been conducted by the Chapter on January 18, 2017 on 'Maintenances of Cost Records and Cost Audit under Companies Act – 2013' and CMA S. S. Sonthalia, Chief

Guest and the chief speaker spoke on salient features of companies cost records and audit records. CMA B. B. Nayak, Chairman of the chapter provided a brief introduction about cost records and cost audit under Companies Act 2013 to the audience. On February 15, 2017 an Evening Talk programme had been conducted by the chapter on 'Union Budget – 2017 an over view' and CMA Siba Prasad Padhi, member, EIRC, the chief speaker focused on developments of infrastructure in budget. He also discussed about budget allotment on digital economy and public services, fiscal management. CMA Akshya Kumar Swain, lecturer in Khallikote Cluster University

as speaker spoke about Budget – 2017. CMA Biranchi Narayan Mallick, CFO, South Co Utility, the chief guest and CMA Ch. Venkata Ramana, treasurer, EIRC as guest of honour reviewed points on Budget.

Northern India Regional Council

The Region started awareness campaign on GST among the Industries/Traders associations. On January 6, 2017 the first programme was conducted by NIRC in association with Mayapuri Industrial Welfare Association on GST Registrations and GST Returns. The program was conducted by Regional Council Members, CMA Navneet Kumar Jain and CMA Sanjay Garg. Mr Neeraj Sehgal, General Secretary from the association also spoke about the problems being faced by the industry regarding GST registrations. The association expressed its desire to conduct more sessions in

near future with NIRC. It was also proposed to set up two days camps by NIRC for GST queries as and when required in their office.

On January 14, 2017 the Region organized an in-house seminar at Bharat Electronics Ltd, Sahibabad on 'Overview of GST and Impact on BEL Ltd' along with procedural issues. CMA S.K, Bhatt, RCM, NIRC and CMA Sandeep Goel and CMA Deepika B. Prasad, member of the Institute were the keynote speakers of the seminar. On January 19, 2017 the Region organized another inhouse seminar on GST Overview and Compliance issue with Badli Industrial Estate Association (Regd.), Delhi presented by CMA S.K Bhatt, RCM, NIRC and CMA Sandeep Goel and CMA Deepika B. Prasad, member of the Institute. On February 2, 2017, NIRC organised an inhouse seminar

on GST with impact on marketing perceptive by NIRC at Bharat Electronics Ltd at their Connaught place office for their marketing team. On February 4, 2017, an inhouse seminar had been organized by NIRC on GST at Gurgaon office of Power Grid Corporation of India Ltd deliberated by CMA Sandeep Goel and impact analysis was delivered by CMA Anil Sharma and CMA Rakesh Bhalla. The session was chaired by CMA K. Sreekant, Director Finance of Power

Grid Corporation and attended by various General Managers and other senior officials. On February 10, 2017 the Region in association with NTPC, Dadri conducted a half day programme on GST. The key note speakers on this occasion were Mr. Ravi Sahni, Chairman, NIRC, Mr. Anil Sharma, Secretary, Mr. S K Bhatt, RCM & Mr. R K Bhalla, Past Chairman, NIRC who shared all the nitty-gritty about the proposed act and how to gear up for the future requirement. Participants from Finance and Contract & Material(C&M) along with Head of Finance, Mr. Masood Ansari and Head of C&M, Mr. U S Gupta attended the programme and the entire programme was

successfully coordinated by CMA K N Thakur, DGM, Finance, NTPC Dadri. On March 4, 2017 the seminar had been jointly organized by UCCI Udaipur and NIRC on handling IT Notices post demonetization at the premises of Udaipur Chamber of Commerce & Industry, Udaipur. CMA Ravi Kumar Sahni, Chairman, NIRC, was the chief guest and he told that GST is destination based tax and will be levied on supply , not on sales. CMA Navneet Kumar Jain, RCM, NIRC shared that objective of these notices is to find the source of cash deposit so the black money earned can be legalized. UCCI President Shri V.P. Rathi, Sr. Vice President Shri Hansraj Choudhary, Hon Gen. Secretary Shri Jatin Nagori and other office bearers were present in the seminar.

The Institute of Cost Accountants of India -Jaipur Chapter

On February 18, 2017 the first batch of CAT classes was inaugurated by Shri Sunil Soni, Chief Accounts Officer of Rajasthan Skill & Livelihood Development Corporation (RSLDC) and this course is jointly run by the Institute and RSLDC. Chief Guest, Shri Sunil Soni said that specialty of this course is that it offers practical knowledge of Tax Return Filling Computer, Tally Accounting and also emphasises on soft skills. CMA I. Ashok, Chairman, CAT Course and council member advised the students to complete the course with

sincerity and dedication. On this occasion Shri Naveen Sharma, DGM, RSLDC, CMA P.R. Jat, Chairman, CMA Alok Kumar Gupta, secretary and CMA R.K. Bhandari, executive member of the chapter and CMA R.K. Jain, Asstt. Director, CAT was also present. The Chapter organized a seminar on 'GST' and 'Insolvency & Bankruptcy Code 2016' on February 25, 2017 at its premises. In his inaugural

address, CMA Ravi Kumar Sahni, chairman, NIRC told if the Govt. brings out mandatory provisions for Cost Control, it will benefit to the consumers as well as increase revenue of the Govt. and enhance GDP growth. Key Speaker of first technical session was CMA Anil

Kumar Sharma, Secretary, NIRC and he explained in detail about various practical aspects of GST. Second technical session was on 'Insolvency and Bankruptcy Code 2016'. Key Speaker was CMA Ravi Kumar Sahni, Chairman, NIRC and he explained legal provisions of

Insolvency and Bankruptcy Code 2016 in terms of Bankrupt entity, Adjudicating and Appellate Authorities and the functions and duties of insolvency professionals.

Southern India Regional Council

The Institute of Cost Accountants of India-Bangalore Chapter

A Practitioners' Forum Meet was held on January 27, 2017 on 'Cost Audit – Way Forward' at Chapter's premises and CMA Suryanarayana , SIRC member, CMA Zitendra Rao, SIRC Member, CMA M R Kishna Murthy were present at the Meet. Various professional development meets on 'De-Monetisation, Re-Monetisation and E-Monetisation', 'Latest Development in Financial Systems in India', 'Insolvency & Bankruptcy code 2016-Impact & opportunities for CMAS' etc were organized by

the chapter at its premises on December 2016 and January 2017 and many eminent dignitaries shared their views on the concerned

subjects. On December 21, 2016 a seminar was held on 'Goods and Service Tax' and Shri Ritvik Pandey, IAS, Sri D.P. Nagendra Kumar,

IRS, Dr. Ravi Prasad, Joint Commissioner of Commercial Taxes, CMA B M Sharma were present at the seminar. Another seminar was held on January 18 and 28, 2017 at MLA College, Bangalore on the

same theme. Various career counselling programmes were held on different dates of December 2016 and January 2017 at different colleges of Bangalore.

The Institute of Cost Accountants of India-Coimbatore Chapter

The Chapter organized a joint PD program on 'Budget 2017' on February 4, 2017 with Coimbatore branch of the Institute of Chartered Accountants of India and Auditors' Association of Southern India. The budget proposals on direct and indirect taxes were discussed in length. As per HQ Circular, Cost Synergy Week was celebrated from 1st to 7th February, 2017. CMA K.

Anantharaman, Management Consultant, Coimbatore addressed MBA students at Avinashilingam University on February 3, 2017. CMA R. Maheswaran, Vice President, Finance & Infrastructure, Coimbatore Hitech Infrastructure Pvt. Ltd. (Special Economic Zone-ITES), KG Information Systems Private Limited, KGISL Technologies

and Infrastructures Private Ltd, Coimbatore addressed oral coaching students on February 6, 2017. On February 5, 2017 the

chapter conducted communication and soft skill programme for intermediate students. On February 18, 2017 the chapter organized an industrial visit for the students to M/s. Precot Meridian Cotton Spinning Mills Ltd., Kanjikode Palakkad.

The Institute of Cost Accountants of India-Hyderabad Chapter

On February 2, 2017 a programme was conducted by the chapter on 'Analysis of Union Budget, 2017' at ICSI-Hyderabad Chapter Premises, Hyderabad. CA VS. Sudhir, Partner, Hiregange &

Associates, CA Naveen Agarwal, Partner, TAX & Regulatory Services, Ernst & Young India and CA Sidhartha Jain, Partner,

Indirect Taxation, Ernst & Young India were the speakers of the programme. They with powerpoint presentations explained the key changes proposed by Honourable Finance Minister from 01st March, 2017. On February 6, 2017 a student orientation programme was held at CMA Bhawan and CMA D. Surya Prakasam, Chairman, CMA Dr R. Chandra Sekhar, Secretary & CMA K.V.N. Lavanya, Vice Chairperson, CMA D. Zitendra Rao, Member, SIRC attended the programme. On February 18, 2017 a half day

seminar had been organized by the chapter on 'Implementation of IND-AS' at FTAPCCI Auditorium, FTAPCCI Bhavan, Hyderabad. CMA V.V. Ravi Kumar, EFO, Laurus Labs Ltd. was the chief guest and had rightly emphasized the need for India to follow IFRS. Sri Naga Durga Sudhakar, Associate Director Finance, Dr. Reddy's Laboratories Ltd was the speaker of the seminar. On the same day, a training programme on 'GST and its impact on Electricity Sector' for Telangana Electricity Accounts Staff Association (TEASA) was held at TSSPDCL, Corporate Office, Hyderabad and CA Manindar, Practising Chartered Accountant and Sri J.V Rao, Advocate & Tax Consultant were the speakers of the programme. CA Maninder

gave a quick overview of the model GST law and the key differences between the current indirect tax regime and GST regime. Sri J.V

Rao explained the background of GST and had made the session interactive by taking questions from the participants. On February 19 and 25, 2017 a programme on 'Concurrent Audit in Banks' had been held at CMA Bhavan and Sri K. Radhakrishnan, Deputy General Manager, Circle Office, Canara Bank, the chief guest highlighted

that Cost and Management Accountants shall advise the banks to arrest increasing NPAs(non performing assets). Speaker CMA K.S.N. Murthy, Practising Cost Accountant explained in detail the approach for conducting concurrent audit in banks. On February 27 and 28, 2017 a joint programme with Dept of Commerce, Osmania University, International Skill Development Corporation (ISDC) and The Association of Chartered Certified Accountants (ACCA) on 'Commerce Education New Paradigms in Accounting and Finance' at Dept. of Commerce, Osmania University was held and in the inaugural session, Prof. Satyanarayana and Prof. Venkateswarlu of Osmania University highlighted the need of correlation between academic curriculum and the contemporary global accounting and Financial needs. Thought provoking papers were submitted on varied topics viz Correlation between EPS-Market Capitalization, creative accounting, GST and Ind AS etc. by the young and upcoming PG students and professors. Mr Alan Hatfield, Executive Director, Strategy and Development of ACCA-UK (Association of Chartered Certified Accountants of United Kingdom) spoke on 7 key quotients for a Professional Accountant. CMA Sekkizhar of Deloitte also chaired a panel discussion. On February 28, 2017 a Faculty Meet was conducted at Hotel Sitara, Ameerpet, Hyderabad and on the same day, an Investor Awareness Programme was conducted for faculties of different colleges at Hotel Sitara, Ameerpet, Hyderabad. Resource person CMA K.K. Rao explained the important areas to be known by the investors before investing in mutual funds and

other securities.

On March 8, 2017 the Chapter celebrated International Women's Day on 'Global Corporate Trends - Women Leadership' in association with ICSI-Hyderabad Chapter, Institute of Directors and Institute of Public Enterprise at IPE, Osmania University. CMA Manas Kumar Thakur, President of the Institute was the chief guest and CS Sheela, CS Rasheeda, CMA Manjula and Smt. Vinulata were the speakers of the programme. The speakers highlighted their points as to why there is dearth of women in leadership roles despite more number of women joining the middle management roles. On the same day a Press Meet was occurred at NKM's Grand, Erramanzil, Hyderabad. President of the Institute, CMA Manas Kumar Thakur detailed the need of CMAs to the society and how students will be benefitted by taking up the course. On March 9, 2017 a programme was held on 'Women as Entrepreneurs and Directors' and Deputy Commissioner of Police, North Zone, Smt. B. Sumathi was the chief guest and Smt K. Ramadevi, President of ALEAP and Smt Sujana Prabha, Vice-President of Vivekananda Seva Samithi of the Bharat Vikas Parishad, Hyderabad Chapter were among the eminent dignitaries present during the programme. Smt K. Ramadevi explained that the

concepts of convincing nature, change, conviction, and commitment are very vital for a woman to be a successful entrepreneur. Smt. Sujana Prabha explained about the "Abhaya Bharathi" program that was started by the Bharat Vikas Parishat, and how a proper education of the general behaviour of girls and boys will prove quite beneficial to the society in eradicating the cases like 'Nirbhaya'. CMA Jyothi Satish, Treasurer, SIRC also added her inputs to the program. The program concluded with the vote of thanks by CMA KVN Lavanya.

The Institute of Cost Accountants of India-Visakhapatnam Chapter

The Chapter organized a Professional Development Programme on 'Talk on Budget 2017' on February 18, 2017 at its premises, CMA Bhawan. Speaker CMA K.N. Hari Hara Prasad emphasized the amendments made in the union budget relating to indirect taxes and another speaker CA T. Ramprasad emphasized the amendments related to Direct Tax.

The Institute of Cost Accountants of India-Trivandrum Chapter

The Chapter with Celebrus Capital Ltd, Trivandrum jointly organised a PD programme on February 2, 2017 on the theme 'Impact of Union Budget and Investment Opportunities in Stock

Market'. Shri Girish Kulmar P S., Equity Analyst of Celebrus Capital Ltd., Trivandrum was the speaker of the programme. On February 5, 2017 the chapter organised a PD programme on the theme 'Stress How to manage it effectively' and speaker was Dr Ajith Kumar, a

renounced clinical psychologist, Government Hospital, Alapuzha and also consultant Psychologist, RBI, Trivandrum and a faculty of Institute of Management in Government, Trivandrum. The programme was well attended by the esteemed members and students of the chapter.

Western India Regional Council

The Region organized the inaugural session of 12 Days pre campus orientation programme of WIRC at Mumbai on March 15, 2017 inaugurated by Mr. A.K. Chaturvedi, Regional Director, MCA. Mr. Syamal B Bhattacharya, EX ED. BPCL, CMA Kailash Gandhi, Vice Chairman, WIRC, CMA Deepak Ukidave, Faculty Member, CMA Dhaneshchandra P. Revawala, Sr. Member were among the eminent dignitaries present during the session.

The Institute of Cost Accountants of India-Pimpri Chinchwad Akurdi Chapter

The Chapter organized a seminar on 'Discussions on Union

Budget 2017' on February 3, 2017 at CMA Bhawan. CMA Bappa Majumdar, Managing Committee Member of the chapter in his speech highlighted the changes in Direct Taxes and CMA L D Pawar, RCM & Secretary, WIRC briefly focused on the changes in various sections of Finance Act under service tax, changes in central excise and customs.

The Institute of Cost Accountants of India- Surat South Gujarat Chapter

On February 18, 2017 the chapter organized a CEP on 'Export Import' at its office. Mr. Mahendra Khare, the faculty, elaborated on the topic and explained in details the definition of valuations in customs, import export procedure, duty drawbacks and baggage etc. The Chapter organized an educational tour to M/S. Balaji Wafers Pvt. Ltd., Valsad on February 11, 2017 especially for final year students under the guidance of chairman of the chapter. Ms. Nishitha Panchal, Hr. Executive, Balaji Wafers Pvt. Ltd., Valsad Professional Educational Head guided the students beautifully with demonstration. The Chapter arranged Press Meet with local media on February 23, 2017 at Chapter's Office. CMA Manubhai Desai, chairman of the chapter and CMA Brijesh Mali, managing committee member representing from the chapter's side, provide Information to the media about result for December 2016 session & silver jubilee function of the chapter.

The Institute of Cost Accountants of India- Navi Mumbai Chapter

The Chapter organized a CEP programme on the theme 'Budget Connect 2017' on February 5, 2017. The speaker for this event was CA Subhasis Banerjee, Practicing Taxation Expert in Navi Mumbai. The speaker in his lucid style elaborated the topic and explained in details the definition of various new rules and provisions covering Direct taxes, Indirect Taxes and other related issues, followed by lively interactions with the participants. Members from service and practice, including students participated actively in the CEP Programme.

Role of CMAs in Municipality, Panchayati Raj and Rural Development

Women Empowerment: It has to be considered that the inclusion of well-qualified women in village Panchayat Institution in rural areas would be an important instrumental measure in planning for improving social status and empowering women. This group of women, if provided representation at village Panchayat level can strongly rise in the issues related to the betterment of women, can play dominant role in decision making process, management of resources and make suitable recommendation for improving the status of women. To encourage women owned businesses in India and promote women entrepreneurship, the Government has announced financial aid to Gram Panchayats in India for Women Entrepreneurs. The CMAs can keep a track on allocation and apportionment of fund allotted to the rural woman entrepreneurs. With their professional expertise can facilitate women entrepreneurs to take suitable strategies for business sustainability.

Micro Credit: Micro Credit has emerged as a visible credit channel to the poor as their access to conventional credit channels is constrained by the requirement of collateral and high transaction cost. Although microcredit is lent to individuals as well as groups, the Microcredit Institutions (MFIs) prefer the latter as it helps to reduce transaction cost apart from contributing to prompt repayment through peer pressure and to the empowerment of the beneficiaries. Community audit is highly beneficial in this context for efficient utilization of financial assistance, mobilization of savings, eradication of embezzlement of cash and surplus cash management. CMAs can help out in proper auditing of accounts on regular basis to provide the transparency and accountability among the members. SHG Audit is an effective medium as SHGs enable women to grow their savings and to access the credit which banks are increasingly willing to lend to rural poor for their socio-economic empowerment.

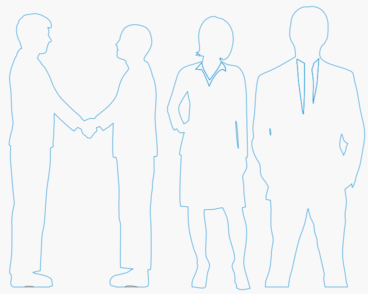
Resource Mapping: Panchayats can realize the dream of rural administration and rural development with complete coordination and transparency. It is evident from the data given that a huge amount of funds is spent on the rural development by the government but this is not properly utilized. There is a huge difference between the funds sanctioned by the government and funds utilized by the Panchayats. Here is a need to keep a strict watch over the utilization of funds by Gram Panchayats. CMAs in these regard can frame suitable strategies and help in Resource Mapping for efficient utilization of resources and can keep track of allocation and apportionment of fund. Further, to add value they can identify areas where waste or misappropriation is occurring.

Public Private Partnerships (PPP): The PPP serves as a mechanism for the government to carry out rural development through infrastructure construction, while at the same time minimizing the risks and heavy drain on government budgets. The private sector can invest heavily as it has the resources to do so, and since these projects are for social good, the government plays a role in providing incentives to make it attractive enough for the private sector to invest, while at the same time ensuring that it is in a position to supervise and regulate the project. Hence it seems amply clear that the government would like to harness private sector resources and channel it into ensuring economic growth. The CMAs can assist the Government to select the effective PPP Model by carrying out cost benefit analysis of a range of solutions offered by the bidders. The CMAs are competent enough to assist in project cost estimation, ensure optimum use of available resources and assist in monitoring and tracking of P3 project cost for avoiding time and cost overruns.

Performance Audit: There are additional costs for PPP projects – usually the cost of borrowing money is higher for the private sector than for the public sector and there are administrative costs for the management of PPP contractual regimes. Transaction costs of PPP projects can also be substantial. PPP projects may also impose many explicit and implicit liabilities on the government. Here, CMAs can carry out Performance Audit to assess whether the State Government have a well defined policy for rural development projects, whether efforts have been made to optimize the revenue sharing under PPP mode and due diligence was carried out while fixing the revenue share, whether PPP projects were completed economically and appropriately.

Project Appraisal through Cost Benefit Analysis (CBA): Cost benefit analysis is used mainly in the evaluation of projects or project appraisal to optimize funding of money. Moreover the cost benefit analysis is an economic tool that helps decision making for project financing. CBA analyzes and describes in terms of costs, all benefits and results in order to achieve a goal. The CMAs through their professional expertise can carry out CBA analysis to facilitate the Government for apposite planning, decision-making, evaluation and control project costing to determine the profitability in addition to the feasibility of the project. For better transparency and effectiveness, Social Audit can be performed to ensure that the activity or project is designed and implemented in a manner that is most suited for the prevailing conditions, appropriately reflects the priorities and preferences of those affected by it, and most effectively serve public interest.

CMA 2016-17 CAREER AWARENESS PROGRAMME



CAREER AWARENESS PROGRAMMES HELD DURING MARCH 2017 *

Date	HQ/Region/Chapter/CMASC	Venue
2/3/2017	Nellore	Saastra College
2/3/2017	Durgapur	Michael Madhusudan Memorial College
3/3/2017	Nellore	B.V.S.M.C Girls High School
3/3/2017	Nellore	S.R.R.Z.P High School
3/3/2017	Nellore	R.S.R.M.C High School
3/3/2017	Nellore	Y.V.M.C High School
3/3/2017	Nellore	Govt. Girls High School, Mulapet
3/3/2017	Tiruchirapalli	Urumu Dhanalakshmi College
4/3/2017	Nellore	Jagan's Degree College
4/3/2017	Nellore	Veda & Sanskrit High School
4/3/2017	Nellore	Zilla Parishad High School, Buja Buja, Nellore
15/3/2017	Tiruchirapalli	Aiman College of Arts & Science for Women
16/3/2017	Nellore	NBKR Institute of Science & Technologies
16/3/2017	Nellore	NBKR Science & Arts College
16/3/2017	Nellore	D.R. Womens Degree College
16/3/2017	Nellore	D.R. Womens P.G. College
16/3/2017	Nellore	Audisankara College of Engineering Technology
18/3/2017	Nellore	M.S.R. Degree College
18/3/2017	Nellore	Sree Nethaji Degree College
18/3/2017	Nellore	Sri Raghavendra Institute of Science & Technology
18/3/2017	Nellore	S.V. Degree College

Date	HQ/Region/Chapter/CMASC	Venue
18/3/2017	Nellore	Govt. Polytechnic College
19/3/2017	Nellore	Govt. Degree College, Udayagiri
20/3/2017	Nellore	Swarnandhra Bharathi Degree
20/3/2017	Nellore	Srinivasa Degree Colege
20/3/2017	Nellore	Govt Polytechnic College, Gudur
20/3/2017	Nellore	S V Arts Science College
20/3/2017	Nellore	Karunamai Degree College
20/3/2017	Nellore	Vidyalaya Degree College
22/3/2017	Trivandrum	Government Wormen's College, Trivandrum
27/3/2017	Tiruchirapalli	Periyar E.V.R College

PROGRAMMES HELD IN FEBRUARY 2017 BUT REPORTED IN MARCH 2017 *

Date	HQ/Region/Chapter/CMASC	Venue
03.02.2017	NIRC & Kota Chapter	Govt. Adrash Sr. Sec. School. M.N.3, Kota
09.02.2017	NIRC	BRCM Public School, Vidyagram Bahal, Bhiwani
10.02.2017	NIRC	M.L.M Sr. Secondary School, Sohansara, Tehsil Loharu, Distt - Bhiwani
11.02.2017	NIRC	Genius Sr. Secondary School, Dhigawa Mandi, Distt-Bhiwani
13.02.2017	NIRC	Govt. Sr. Secondary School, Dhigawa Mandi, Distt-Bhiwani
14.02.2017	NIRC	Govt. Sr. Secondary School, Sohansara, Tehsil Loharu, Distt-Bhiwani, Haryana
14.02.2017	NIRC	Arya Sr. Secondary School, Dhigawa Jatan, Distt-Bhiwani, Haryana
15.02.2017	NIRC	Govt. Sr. Secondary School, Tehsil Loharu, Distt – Bhiwani, Haryana
21.02.2017	NIRC	Gyan Kunj Sr. Secondary School, Tehsil Loharu, Distt. Bhiwani, Haryana
21.02.2017	NIRC	Vivekanand Sr. Secondary School, Tehsil Loharu, Distt. Bhiwani, Haryana
22.02.2017	NIRC	Ch. Bansi Lal Govt. College, Lohara, Distt-Bhiwani, Haryana
22.02.2017	NIRC	Govt. College For Women, Tehsil Loharu, Distt-Bhiwani, Haryana
23.02.2017	NIRC	Govt. College For Women, Tehsil Badhra, Distt. Charkhi Dadri, Haryana
25.02.2017	NIRC	Govt. Sr. Secondary School, V.P.O. Berala, Tehsil Badhra, Distt-Charkhi Dadri, Haryana
25.02.2017	NIRC	S.V.M. Sr. Secondary School, V.P.O Kadama, Tehsil Baddhra, Distt-Charkhi Dadri, Haryana
27.02.2017	NIRC	Govt. College Bhiwani, Distt - Bhiwani, Haryana

PROGRAMMES HELD IN JANUARY 2017 BUT REPORTED IN MARCH 2017 *

Date	HQ/Region/Chapter/CMASC	Venue
03.01.2017	NIRC & Jaipur Chapter	Madhu Bal Niketan Sr. Secondary School, Mansarovar, Jaipur
18.01.2017	NIRC & Kota Chapter	Kendriya Vidyalia, NTPC, Anta (Baran)
18.01.2017	NIRC & Kota Chapter	Govt. Sr. Sec. School, Anta (Saran)
27.01.2017	NIRC & Jaipur Chapter	Parishkar College of Global Excellence, Mansarovar, Jaipur
29.01.2017	NIRC & Kota Chapter	Sainath Edutech (P) Ltd., Talwandi, Kota
30.01.2017	NIRC & Kota Chapter	Disha Delphi Public School (CBSE), Kota

** As reported till 01-04-2017*
 # The list may not be exhaustive

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)

INTERMEDIATE AND FINAL COURSE EXAMINATION TIME TABLE & PROGRAMME – JUNE 2017

	PROGRAMME FOR SYLLABUS 2012		PROGRAMME FOR SYLLABUS 2016	
Day & Date	**Intermediate Time: 2.00 P.M. to 5.00 P.M.**	**Final Time: 2.00 P.M. to 5.00 P.M.**	**Intermediate Time: 2.00 P.M. to 5.00 P.M.**	**Final Time: 2.00 P.M. to 5.00 P.M.**
Sunday, 11th June, 2017	Financial Accounting	Corporate Laws and Compliance	Financial Accounting	Corporate Laws & Compliance
Monday, 12th June, 2017	Laws, Ethics and Governance	Advanced Financial Management	Laws & Ethics	Strategic Financial Management
Tuesday, 13th June, 2017	Direct Taxation	Business Strategy & Strategic Cost Management	Direct Taxation	Strategic Cost Management – Decision Making
Wednesday, 14th June, 2017	Cost Accounting & Financial Management	Tax Management & Practice	Cost Accounting	Direct Tax Laws and International Taxation
Thursday, 15th June, 2017	Operation Management and Information Systems	Strategic Performance Management	Operations Management & Strategic Management	Corporate Financial Reporting
Friday, 16th June, 2017	Cost & Management Accountancy	Corporate Financial Reporting	Cost & Management Accounting and Financial Management	Indirect Tax Laws & Practice
Saturday, 17th June, 2017	Indirect Taxation	Cost & Management Audit	Indirect Taxation	Cost & Management Audit
Sunday, 18th June, 2017	Company Accounts and Audit	Financial Analysis & Business Valuation	Company Accounts & Audit	Strategic Performance Management and Business Valuation

EXAMINATION FEES

Group (s)		Final Examination	Intermediate Examination
One Group	(Inland Centres) (Overseas Centres)	Rs. 1400/- US $ 100	Rs. 1200/- US $ 90
Two Groups	(Inland Centres) (Overseas Centres)	Rs. 2800/- US $ 100	Rs. 2400/- US $ 90

1. Application Forms for Intermediate and Final Examination has to be filled up either through online or 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. Demand draft should be made in favour of The Institute of Cost Accountants of India, payable at Kolkata. 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, 2017 and with late fees of Rs. 300/- is 10th April, 2017. 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 and the last date for application is 10th April, 2017.

5. The Finance Act 2016 will be applicable for the Subjects Direct Taxation, Indirect Taxation(Inter) and Tax Management & Practice(Final) under Syllabus 2012 and Direct Taxation, Indirect Taxation (Inter) Direct Tax laws and International Taxation and Indirect Tax laws & Practice (Final) under Syllabus 2016 for the purpose of June 2017 term of Examination.

6. The Companies (Cost Records & Audit) Rules 2014 as amended till 14 July 2016 will be applicable for Paper 10 - Cost & Management Accountancy (Intermediate) and Paper 19 - Cost and Management Audit (Final) under syllabus 2012 and Paper 12- Company Accounts & Audit(Inter), Paper 19 – Cost & Management Audit(Final) under Syllabus 2016 for June 2017 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) under syllabus 2012 and Paper 6- Laws and Ethics (Inter) and Paper 13- Corporate Laws and Compliance (Final) under Syllabus 2016 to the extent notified by the Government at least six months prior to the date of the examination. For details visit clarification issued by Directorate of Studies.

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, 2017.

*** For any examination related query, please contact exam.helpdesk@icmai.in**

DR. D.P. NANDY
Director (Examination)

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Publication Date: 10 April 2017

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