THE JOURNAL FOR CMAs

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Editorial Office
CMA Bhawan, 4th Floor, 84, Harish Mukherjee Road, Kolkata-700 025
Tel: +91 33 2454-0086/0087/0184 , Fax: +91 33 2454-0063
Headquarters
CMA Bhawan, 12, Sudder Street, Kolkata 700016
Tel: +91 33 2252-1031/34/35 , Fax: +91 33 2252-7993/1026
Delhi Office
CMA Bhawan, 3, Institutional Area, Lodi Road, New Delhi-110003
Tel: +91 11 24622156, 24618645 ,Fax: +91 11 4358-3642

WEBSITE
www.icmai.in

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.

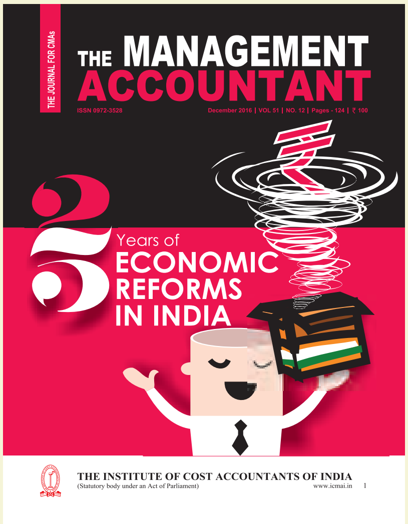
VISION STATEMENT

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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EDITOR

CMA Dr Debaprosanna Nandy
on behalf of The Institute of Cost Accountants of India, 12, Sudder Street, Kolkata - 700016
editor@icmai.in

PRINTER & PUBLISHER

CMA P V Bhattad

on behalf of The Institute of Cost Accountants of India, 12, Sudder Street, Kolkata - 700016

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CHAIRMAN
RESEARCH, JOURNAL & IT COMMITTEE

CMA Avijit Goswami

EDITORIAL OFFICE

CMA Bhawan, 4th Floor, 84, Harish Mukherjee Road, Kolkata - 700025
Tel: +91 33 2454-0086/0087/0184
Fax: +91 33 2454-0063

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EDITORIAL

Greetings!!!

During the initial years of post independence era, India witnessed inadequacy of resources. It was highly unfortunate that India could not have embarked on big-bang economic reforms during the decades of the 1970s and 1980s. Indians learnt to live with inadequacies and shortages and the country awaited the higher growth rates, unleashing of energies, sharper poverty declines and greater global integration. Eventually, the economic reforms of 1991 (liberalization, privatization and globalization) was aimed for the exposure of the country to global economy. The reform policy aimed towards greater freedom for doing business outside government control, reducing the role of public sector while giving more space to private sector and doing away with MRTP/FERA act. It also advocated foreign investment policies to attract foreign investment in the country.

There is no doubt that the reforms package opened up the Indian economy to global competition, stressed on fiscal consolidation and discipline for macro-economic stability, liberalised trade and capital markets, dismantled the age-old licence-permit raj that stymied local enterprise by rent-seeking and the reforms facilitated and expanded competitive private provisioning of public goods like health, education, public transport and infrastructure etc.

On the flip side, the economic reforms proved to be beneficial only for a few sectors viz finance, trade, investment etc. Other sectors like manufacturing didn't reap much benefit from such. The benefits of the reforms also had not percolated properly to agricultural sector due to which there prevailed disguised unemployment in the concerned sector. There was a missing link in the Indian economy where the service sector grew faster than the manufacturing and agricultural sectors which ideally should have been the other way round. Industrial policy had been restructured to a great extent and massive deregulation of the industrial sector was done in order to bring in the element of competition and increase efficiency. Industrial licensing by the central government was almost abolished except for a few hazardous and environmentally sensitive industries.

Financial sector is the mainstay of any economy and it contributes immensely in the mobilisation and distribution of resources. Financial sector reforms have long been viewed as significant part of the program for policy reform in developing nations. The broader objectives of the financial sector reforms, long been regarded an integral part of the overall policy reforms in India, were to formulate the policy for improving the financial health and to strengthen the institutions. The reforms had been driven by a thrust towards liberalization and several initiatives such as liberalization in the interest rate and reserve requirements were taken on this front. At the same time, the government emphasized on stronger regulation aimed at strengthening prudential norms, transparency and supervision to mitigate the prospects of systemic risks. Today, the Indian financial structure is inherently strong, functionally diverse, efficient and globally competitive. During the last fifteen years, the Indian financial system has been incrementally deregulated and exposed to international financial markets along with the introduction of new instruments and products.

Towards maintaining higher pace of economic reforms, Indian Government has taken an important and revolutionary move recently to curb the black money menace through massive scale of demonetization. Initially, this bold move may cause some temporary inconvenience among the common mass but this short lived inconvenience is a price that is worth paying for the long-term benefit of addressing this menace. This lethal blow will not only eliminate black money, but will also choke the activities of anti-nationals from across the border financed by fake currency ensuring inclusive growth and national securities in one go.

This issue presents a good number of articles on the cover story theme '25 Years of Economic Reforms in India' by distinguished experts and authors. We look forward to constructive feedback from our readers on the articles and overall development of the journal. Please send your mails at editor@icmai.in. We thank all the contributors to this important issue and hope our readers enjoy the articles.

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: Indian Banking Sector in Transition — January 2017

Subtopics

- Impact Analysis of Dynamic Banking Scenario
- Technology trends and operating models
- New licensing agreements
- MSME Finance: Credit challenges and impetus for growth
- Managing Risk, Regulations and Capital
- M&A of Banks in India

Theme: Cost Leadership and Competitive Advantage — February 2017

Subtopics

- Cost leadership and Value Chain
- Road map to competitive edge
- Cost leadership strategy for sustainability
- Strategic decision & Cost Management tools
- Economies of Scale & Cost leadership
- Make in India & Competitive Advantage
- Role of CMAs

Theme: Environmental Management Accounting — March 2017

Subtopics

- Conventional Accounting & Environmental issues
- Ecological Accounting – Role of CMAs
- Eco – Efficiency & Environmental Management
- Environmental Information, Costing & Sustainable Development
- Environmental Impact Assessment
- EMA Standards & benchmarking
- Environmental Risk Management in business Development
- EMA – Case Studies and emerging issues

Theme: Municipality, Panchayati Raj and Rural Development — April 2017

Subtopics

- Accounting & Audit of Local Bodies
- Smart Cities and e-Town
- Women Empowerment
- NPAM and Control Systems
- Impact of Decentralized Planning
- Livelihoods missions
- Project appraisal through Cost Benefit Analysis
- Performance evaluation - 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
The Institute of Cost Accountants of India (Statutory body under an Act of Parliament)
CMA Bhawan, 4th Floor, 84 Harish Mukherjee Road, Kolkata - 700 025, India
Board: +91-33- 2454 0086 / 87 / 0184, Tel-Fax: +91-33- 2454 0063
www.icmai.in

PRESIDENT'S COMMUNIQUÉ

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

I believe if you keep your faith, you keep your trust, you keep the right attitude, if you're grateful, you'll see God open up new doors.

- Joel Osteen

My Dear Professional Colleagues,

Namaskaar

The Institute has extended its wholehearted support to the Government of India in its endeavour to demonetize old currency in order to curb the menace of Black Money for economic development of the Country. We submitted a report to the Government on the initiatives taken by the Institute, its regional councils and Chapters to support the Government's decision, containing messages, press release, newspaper clippings, audio message and photographs in respect of our initiatives to support demonetization. I take this opportunity to thank all the regions and chapters of the Institute who took part in Institute's activities to support the Government's path breaking initiative of Demonetization by organizing press meets to spread the message and also by extending help to the common man by ways of filling in the cash withdrawal / exchange form, educating them about the new currency regime and also serving them with small water bottles. I would also like to pay gratitude to all those members of the CMA family, who supported the Institute as per their capacity in this noble cause. We are sure that this resolve against corruption, black money and counterfeit notes will go a long way in cleansing the Nation's economic system and building a cleaner environment for the future generations.

Institute incorporates Insolvency Professional Agency (IPA)

I am pleased to inform that the Institute has incorporated a Section 8 Company to function as Insolvency Professional Agency (IPA) of the Institute under the provisions of the Insolvency and Bankruptcy Code 2016 and Rules and Regulations framed thereunder. The Insolvency and Bankruptcy Board of India (IBBI) has recently notified three Regulations:

(i) Insolvency and Bankruptcy Board of India (Insolvency Professional Agencies) Regulations 2016;
(ii) Insolvency and Bankruptcy Board of India (Insolvency Professionals) Regulations 2016; and
(iii) Insolvency and Bankruptcy Board of India (Model Bye-Laws and Governing Board of Insolvency Professional Agencies) Regulations 2016.

As provided under the "Insolvency and Bankruptcy Board of India (Insolvency Professionals) Regulations 2016". The IPA of the Institute shall allow enrolment of cost accountants and other persons who meets the eligibility criteria under the said Regulations. Based on the enrolment and membership of IPA, a cost accountant may register as Insolvency Professional with Insolvency and Bankruptcy Board of India. The said Regulations along with other details are available on the Institute's website. I am sure this will pave way for the huge professional opportunity for our members to showcase their technical worth.

Shri Tapan Ray, IAS, Secretary to the Government of India, Ministry of Corporate Affairs handed over the Certificate of Registration to the Insolvency Professional Agency of the Institute on 30th November 2016 at CMA Bhawan, New Delhi in the presence of CMA Sanjay Gupta, Vice President, CMA P

Raju Iyer, CCM, CMA JK Budhiraja, CEO (Designate) of the IPA, Ministry Officials, representatives of other two Institutes, officials of IBBI and media. Certificates to the first set of Insolvency Professionals, registered with the newly formed IPAs of three professional Institutes were also distributed in the event. I am pleased to inform that the IPA incorporated by the Institute could register Six IPs, who got certificates during the event. I hereby congratulate these six IPs for being the pioneer in this important area. I hope that more and more eligible members will register with the IPA incorporated by the Institute in coming days.

Cost Consciousness Week

As you are aware that Institute is organising "Cost Consciousness Week" across the country for Members and Industry during 1st to 7th December 2016 with an objective of addressing the challenges in building cost competitiveness and exploring the contributions that CMA fraternity can make to nurture the Indian economy by adopting Cost Management. **To commemorate the occasion a special knowledge pack prepared by the Institute on "Cost Consciousness - Prelude for Organizational Efficiency" was released by Shri Arjun Ram Meghwal, Hon'ble Minister of State for Finance and Corporate Affairs on 30th November 2016 at New Delhi.** Hon'ble Minister said that the concept of cost management needs to be propagated in a massive manner. He stated that we all know the importance of cost management but we need to spread the socio economic benefits of Cost Management to all segments of society. I request all the members to attend the programs / seminars organised locally by the Regional Council or Chapter to make this initiative of "Cost Consciousness Week" a grand success.

Cost Governance Week

I wish to inform that the Institute is planning to celebrate the ***first week of January 2017 as "Cost Governance Week".*** During this week many programs, seminars and interactions will be organised by the Regions and Chapters of the Institute all over the country. I urge the members to give constructive suggestions to make this initiative a grand success.

Training on GST to Government Employees

I feel happy to inform that, National Academy of Customs, Excise and Narcotics (NASEN) apex Institute of Government of India, has in-principle, empanelled ICWAI Management Accounting Research Foundation (Section 8 Company promoted by the Institute) as a Training Partner to impart training on GST to Government Employees across the country. This project will be executed with the active support of our members. As the Government of India is expecting our Members to contribute in a big way in imparting necessary Training on GST to a vast number of Government Employees, I invite all the Members to participate in this endeavour and offer their candidature to become Resource Person by sending their on-line applications by visiting website: ***www.icwaimarf.org***

Capacity Building of State of Tripura

I wish to inform that I had a meeting with Principal Secretary to the Government of Tripura in which the Institute was invited to develop a roadmap for the growth of the state through capacity building of the human resource of the state. The Institute has started consultations with the authorities of state in this regard.

National Events

Swachta Divas through Bal Sahbhagita

I wish to inform that as advised by the Ministry of Corporate Affairs, the Institute observed Swachta Divas coinciding with Children's Day at CMA Bhawan, New Delhi. The event saw 30 children from an NGO â€“ Haripriya taking part in the Drawing Competition on the topic "Swachh Bharat- We Clean, We Learn, We Prosper". Employees of Delhi office encouraged the children and a Prize Distribution ceremony was also organized. The children were very happily participated in the program and shown keen interest in taking up cleanliness drive.

Communal Harmony Campaign

As advised by Ministry of Corporate Affairs and National Foundation for Communal Harmony (NFCH) the Institute observed the Communal Harmony Campaign Week, from 19th November to 25th November 2016 and Flag Day on 25th November 2016. The funds collected on the occasion were sent to National Foundation for Communal Harmony.

Initiatives by various departments of the Institute

Cost Accounting Standards Board (CASB)

I am pleased to inform that the Cost Accounting Standards Board (CASB) of the Institute in its recently held meeting has finalized two exposure drafts: (i) Impact of GST on the existing Cost Accounting Standards; and (ii) Impact of IndAS on the existing Cost Accounting Standards. These documents are being hosted on the Institute website for comments/ suggestions from the stakeholders. I urge all stakeholders and members to give their valuable suggestions on these documents to enable CASB to issue limited revision in the cost accounting standards which have impact of GST and IndAS.

International Affairs Department

SAFA Events at Colombo

The South Asian Federation of Accountants (SAFA) hosted events at Colombo, Sri Lanka during 3rd to 5th November 2016, where CMA Dr. P.V.S. Jagan Mohan Rao, Council Member chaired the Committee on Professional Accountants in Business (PAIB) of

SAFA and on behalf of the Institute released a Knowledge Pack on 'Contemporary Issues in Taxation & Companies Act: Role of Professional Accountants' which was presented to President and Vice President of SAFA and circulated to PAIB Committee members. This is a compiled volume consisting of articles on various emerging and contemporary issues like Goods and Services Tax (GST), National Company Law Tribunal (NCLT) and the Insolvency and Bankruptcy Code (IBC). CMA S Papa Rao attended the meeting of Committee on Education, Training and CPD. CMA Dr. P.V.S. Jagan Mohan Rao along with CMA S Papa Rao and CMA Dr. I Ashok attended the International Conference on "Implementation of IPSAS and Path to Accrual Accounting" organised by CA Srilanka. CMA Dr. P.V.S. Jagan Mohan Rao Chairman PAIB of SAFA also represented in the SAFA Board Meeting.

Webinars for SAFA

The Institute conducted webinars for members and SAFA member bodies on 'Climate Justice and CSR' on 31st October 2016 and on 'Internal Audit' on 1st November 2016. It was very much appreciated by the members of PAIB Committee and SAFA Board and requested for more such webinars.

Cost Audit Workshop for ICMAB

The Institute of Cost and Management Accountants of Bangladesh (ICMAB) requested our Institute to support and share our expertise for conducting the Cost Audit Workshop during 17th to 19th November 2016 at Dhaka and Chittagong at Bangladesh. The Institute was represented by our learned members CMA BB Goyal, Former Addl. Chief Adviser (Cost), Ministry of Finance, Government of India and CMA P Raju Iyer, Council Member and Chairman, Cost Audit and Assurance Standards Board of the Institute. They made presentations and deliberated on the scope, methodology, benefits and practical aspects of cost audit. ICMAB Senior members appreciated the sessions with a lively interaction, both at Dhaka and Chittagong. ICMAB expressed sincere gratitude that this workshop has surpassed their expectations and has changed their thought process regarding the horizon of cost accounting and cost audit.

Meeting at Ministry of Commerce & Industry

The Institute was represented by the Head (International Affairs) in a meeting at Ministry of Commerce & Industry, under Chairmanship of Shri Sudhanshu Pandey, Joint Secretary, Dept. of Commerce on 14th Nov 2016 to discuss the views of Stakeholders on the Concept Note on Trade Facilitation In Services (TFS) tabled by India in the WTO.

Studies Department

I am pleased to inform that the studies directorate has released E-Bulletin for Students of Foundation, Intermediate and Final. The same is available on the student section of the website. I hope that the e-bulletin will be of immense help to the students and they will be able to prepare for the exams in a better manner.

Placement Initiatives

I am happy to share that the first round of Campus Placement Program conducted for June 2016 CMA qualified students has been successfully completed with the participation of 25 companies. In the campus placement program, 70 CMAs got selected who were determined to give their best to their respective companies where they have been selected. As the Institute endeavour to place its maximum number of candidates, the campus placement program will be a round the year activity to ensure more number of placements. A special drive, therefore, is being organized in four regions in December 2016 for some companies for this batch. I am sure maximum students will find placements through this initiative. I wish all the young CMAs a great success in their new assignments and expect them to make a significant contribution to the growth of their respective organisations.

Professional Development Directorate

Representation with Government, PSUs, Banks and Other Organizations

PD Directorate is regularly sending representation letters to various organisations for inclusion of cost accountants for providing professional services in the area of Accounts, Internal Audit / Concurrent Audit/ Taxation, Stock audit and other assignments. On the representation letters sent, NBCC Ltd, Rajasthan State Mines & Minerals Limited, IIT-Guwahati and Guru Ghasidas Vishwavidyalaya, Bilaspur included Cost Accountants in EOIs. Further, the eminent organizations like Jharkhand Urja Sancharan Nigam Limited, New Town Kolkata Development Authority, State Bank of India, United Bank of India, Indian Overseas Bank, Chennai Metro Rail Limited, Karnataka Forest Development Corporation Limited, Security Printing and Minting Corporation of India Limited, BSNL, RailTel, Haryana Power Generation Corporation Ltd also recognized CMA profession in their Tenders/EOIs in the month of November. The list of organizations that were represented and those who recognized cost accountants can be seen at the PD Portal.

Meeting with Secretary General, Audit Bureau of Circulations (ABC)

My council colleague & Chairman PD Committee CMA Amit Anand Apte met with Shri H.B. Masani, Secretary General, Audit Bureau of Circulations (ABC) on 23rd November, 2016 and gave him a brief presentation on the benefits and improvement which Cost Accountants can bring to improve their certification process.

I am confident, ABC will include Cost Accountants to sign audit report/check list.

Career Awareness Activities

Career Awareness Seminar in association with Tezpur University

This gives me an immense pleasure to attend a one-day Career Awareness National Seminar on 'Commerce Education and Beyond: The Professional Edge' organized by the Institute in association with Department of Commerce, Tezpur University on 15th November 2016 at the KBR Auditorium of the University. The programme was inaugurated by Prof. MihirKanti Chaudhuri, Vice Chancellor of Tezpur University and Prof. Chandana Goswami, Dean, School of Management Sciences, Tezpur University highlighted the issue of recent demonetization in the country and how students of commerce should get their knowledge updated to have a clear conception of the topic. November 2016 issue of Institute's monthly journal 'The Management Accountant' was also released by Vice Chancellor, Prof. Chaudhuri. CMA Dr. Debaprosanna Nandy, Director, (Research & Journal and Examination) of the Institute took a session on career counselling in different aspects of commerce with special emphasis on cost accountancy course and CMA Arup Sankar Bagchi, Director (Finance) of the Institute conducted his session on motivation. Mr. Vibhor Pandey, Assistant Vice President of Multi Commodity Exchange of India (MCX) along with Mr. Diptendu Moulik introduced the audience with MCX, one of the newest exchanges of India. Prof. Subhrangshu Sekhar Sarkar, Head, Department of Commerce, Tezpur University suggested that students of commerce should pursue various professional courses for betterment of their career. The programme had been attended by more than 850 students of various colleges and it was highly effective and interactive and inspired the audience, especially the young participants. Vice-Chancellor of Tezpur University has agreed to start a North East Development Research Centre in association with the Institute for the capacity building of the North Eastern states of India.

Career planning program at ICFAI University Tripura

I wish to further inform that I was invited by the ICFAI University Tripura to address their students for career planning. I visited them and addressed the students. The interaction was very lively and the organisers were very satisfied with the deliberations.

Seminar organised by University of Culcutta

I am pleased to inform you that I was invited by the Department of Business Management, University of Culcutta on 12th November 2016 to be the Chief Guest of the Seminar on Indian Inc. in Make-in-India: Issues in Finance, Marketing & HR. I addressed the participants and spoke about the role being played by the Institute in this the development of Indian Economy. The interaction was very lively.

Meeting with West Bengal State University

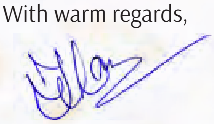
I am pleased to inform that I got an opportunity to meet Prof. Basab Chaudhuri, Vice-Chancellor, West Bengal State University to discuss the initiatives with regard to career planning and counselling of their students. WBSU agreed to associate the Institute for the same in their 55 colleges. They have also agreed to hold joint programs and a capsule course for their students by the Institute.

Initiatives by Regions /Chapters /ROCC / CMA Support Centres

I am pleased to inform that I got an opportunity to address the participants during one day program on GST Implementation - Let's be ready for the Roll Out on 8th November 2016 at **COCHIN Centre for Excellence** wherein Chief Commissioner of Central Excise was the Chief Guest. I also attended the CMA Career Counselling program at Kozhikode on 8thNov 2016 organised by the **PPTA CMA Support Centre.** I also inaugurated CMA Career Counselling Program at **Edapol organised by the Edapol CMA Support Centre cum ROCC** on 9th November 2016 and also released a Special Souvenir. I also inaugurated CMA Career Counselling Month Program in **Malappuram District at PSMO College** organised by **ICMS Malappuram ROCC cum CMA Support Centre** on 9th November 2016. The career counselling programs were organised in FIVE more schools and colleges by CMA H Padmanabhan, CCM. I would like to place on record my appreciation to **CMA H Padmanabhan, CCM** for his dynamic efforts in organising all these events in two phases. **Bhubaneswar Chapter of the Institute** organized "Kalinga Commerce Olympiad (KCO)" on 13th November 2016 to create awareness about the Career Prospects of Commerce students of the State of Odisha. I inaugurated the event as Chief Guest. **Rajpur Chapter** of the Institute organized a one day seminar on GST on 19thNovember 2016 at Kolkata which was attended by me as Chief Patron and I also addressed the participants.

I wish prosperity and happiness to members, students and their families on the occasion of Id-e-milad and Christmas and pray for the success in all of their endeavors.

With warm regards,



CMA Manas Kumar Thakur

1st December 2016

ICAI-CMA SNAPSHOTS

Hon'ble Shri Arjun Ram Meghwal, Minister of State for Finance and Corporate Affairs being felicitated by CMA Manas Kumar Thakur, President, CMA Sanjay Gupta, Vice-President and CMA P Raju Iyer, CCM on the occasion of 'Cost Consciousness Week' on 30th November 2016 at New Delhi

Hon'ble Shri Arjun Ram Meghwal, Minister of State for Finance and Corporate Affairs releasing a special knowledge pack of the Institute on 'Cost Consciousness - Prelude for Organizational Efficiency' celebrating the occasion of 'Cost Consciousness Week' on November 30, 2016 at New Delhi in presence of CMA Manas Kumar Thakur, President and CMA P Raju Iyer, Council Member of the Institute.

CMA Sanjay Gupta, Vice-President and CMA P. Raju Iyer, Council Member attending a meeting on Demonetization held by Shri Piyush Goyal, Hon'ble Minister of State (I/C) for Power, Coal, New & Renewable Energy and Mines with the representatives of various Institutes

CMA Sanjay Gupta, Vice President of the Institute at the meeting of Advisory Committee of Insolvency and Bankruptcy Board of India held at New Delhi office of the Institute under the chairmanship of Mr. Uday Kotak, Vice Chairman and MD, Kotak Mahindra Bank. Dr. M S Sahoo, Chairperson, IBBI, Mr. Ashish Kumar Chauhan, MD & CEO, BSE Ltd, Mr. M V Nair, Chairman, CIBIL, Mr. Amardeep Singh Bhatia, IAS, Jt. Secy, MCA, Mr. Praveen Trivedi, GM, SEBI, Mr. Gyaneshwar Kumar Singh, Jt. Secy, MCA and Mr. Virender Ganda, President NCLT & NCLTA Bar Association and many dignitaries are also present in the meeting.

CMA Manas Kumar Thakur, President addressing at Kozhikode Kerala during CMA Career Counseling Month organised by CMA Support Centre and ROCC - PPTA, Kozhikode on November 8, 2016. CMA H Padmanabhan, Council Member of the Institute and other Resource Persons are also seen

Press Meet organized by President and other officials of the Institute on Demonetization issues at Headquarters, November 18, 2016, Kolkata

Shri Tapan Ray, IAS, Secretary, MCA and Dr. M.S. Sahoo, Chairperson- IBBI presenting Registration Certificate of IPA of the Institute to CMA Sanjay Gupta, Vice President of the Institute, CMA J.K. Budhiraja, CEO- IPA of the Institute and CMA P. Raju Iyer, Council Member of the Institute on November 30, 2016.

CMA H Padmanabhan Council Member ICAI addressing the student fraternity of PSMO College on the occasion of CMA Career Counseling Month Program of the Institute at Malapuram District int he august presence of Honorable President ICAI CMA Manas Kumar Thakur. Principal of the College and other dignitaries keenly listening

Mr Uday Kotak, Executive Vice Chairman & MD, Kotak Mahindra Bank welcomed by CMA Sanjay Gupta, Vice President at Delhi Office of the Institute on November 4, 2016.

REFORM IN INDIAN BANKING SECTOR

A RETROSPECTIVE

CMA Ela Sen
Senior Manager, Allahabad Bank
Kolkata

Reform means change, change for betterment. History of Indian banking in its present organized form can be traced back to late eighteenth century with intrusion of European merchants in the country. Till independence and in the initial years of independence business was confined to urban affluent classes only and bank credit was heavily skewed in favor of a few big business houses due to their control and ownership of most commercial banks.

The industry experienced its first reform in 1969 with Nationalization of its major banks which with its program of rapid branch expansion and priority sector credit created a nationwide banking infrastructure and forced the Indian banks to come out of its closed elite circle, penetrate within the rural market and explore new business areas such as lending to small and medium sectors. But it also caused a drag on profitability, low capital base and developed a culture of complete lack of professional attitude. It is at this stage the present reform process steps in.

Reform and its background

The reform now in progress in India was not started solely at her own initiative, nor was it unique to her. The process was taken up under the conditionality clause of IMF.

IMF, like all lenders, when making loan to a country, used to stipulate certain conditions to bring financial disciplines among its borrowers. These were generally limited to reducing fiscal deficit by cutting off government expenditure, increasing tax revenues etc.

During seventies a number of private lenders in US flushed with oil funds and others made large value sovereign loans to many Latin American countries for their infrastructure projects rather unwisely.

Subsequent deterioration in exchange rate and rise in interest rate in the lender's countries led the debtor countries to default in their foreign debts. The news spread panic among the international creditors. With the assistance from IMF these debtor countries were ultimately able to repay their loans and the lenders were also saved from writing off their huge loan losses. Analysis of the situation showed that these countries' faulty economic policies like mismatch in interest/exchange rate, poor administration created the said disaster and previous measures alone would not be sufficient for restoring economic stability permanently. An elaborate reform in economic policies of these governments would be necessary to prevent recurrence of such incidence.

The reform measures initially designed for Latin American countries were later applied to other developing countries as well viz., Asian, African and East European countries that took assistance from the Fund at time of their crisis and has now become a world-wide feature. India in nineties, faced with acute financial problems when its budget deficits were soaring high and foreign exchange reserves were just sufficient to cover two weeks import, took assistance from IMF and accepted the conditionality clause and undertook reform.

Reform process now in progress

A committee headed by Mr M Narashimham, former RBI Governor, was constituted in 1991 to review the position of financial sector. It suggested measures for banking sector reform attuned with global standard. These were implemented by RBI judiciously with proper sequencing.

A. Removal of controls

Public Sector Banks (PSB) were burdened with a number of controls which was hindering their profitability. These were removed or relaxed in phases and new business avenues were opened up to increase revenues

1. Nearly half of the bank funds were used to be preempted by Government in shape of Statutory Liquidity and Cash Reserve ratios to meet budget expenses. These were reduced to make bulk funds available for profitable deployment.

2. Interests on deposits/credits which were exclusively under control of RBI and often cross subsidized were deregulated and made market determined giving ample opportunity to the banks for bargain. Risk-based, tenor-linked interest rate was introduced and floor rates were worked out by individual banks to ensure minimum profit.

3. Banks were permitted entry into non-conventional areas which would earn more fee based income. Merchant banking, lease financing, insurance, brokerage, loan syndication were some among these.

4. Retail lending e.g., personal, mortgage, housing, education, auto loans were started and soon became a coveted target sector.

5. Branch licensing policy was relaxed and Banks were

permitted to close their non-viable branches.

The banks continued with their policy for mandatory priority sector lending which was in nation's greater interest but now banks given more autonomy in selection and negotiation with the borrower the lending actually proved to be profitable particularly when with freeing of economy large corporate borrowers were moving away from traditional source of bank finance.

B. Risk Management

B-I NTRODUCTION OF REGULATORY NORMS- ADOPTION OF BASEL GUIDELINES

Removal of external control requires stricter adherence to inner discipline. But this was often being ignored. In seventies and eighties failures of some large banks with international presence showed the need to develop an appropriate strategy for banking business and a strong supervisory system for compliance of ground rules.

Accordingly, the BASEL committee, Bank for International Supervision had issued guidelines for proper identification & measurement of risks in banking business, and for maintenance of adequate capital to cover the risks. These rules now become applicable for Indian banks as well.

Introduction of BASEL rules is a landmark in reform process. Prudential norms for income recognition and asset classification brought the concept of NPA in banking business. Income was to be recognized only on actual receipt. Assets were classified into performing and non-performing as per laid down criteria and prescribed provisions require to be made for loan losses. Introduction of prudential norms sent many PSBs into red and these were suitably recapitalized by the government to make them BASEL compliant.

So far BASEL had issued three guidelines for capital adequacy. BASEL-I was associated with credit risk and II with market and operation risk. Both have been complied. After the sub-prime lending crisis in 2007 another risk namely liquidity risk has been surfaced for which BASEL III guidelines have been issued requiring additional capital for banks. Banks are now taking necessary steps in this direction. A proposal for second phase recapitalization is on the bench.

B-2 STEPS TAKEN FOR RISK MITIGATION

Each bank has instituted its own risk management policy and system of risk based internal audit was established.

Banks are require to follow KYC or Know Your Customer rules before opening an accounts and could be held liable for any unscrupulous transaction of their clients.

Asset-Liability management committees are formed to take care of market risk.

Credit sanction process tightened and for assessment extraneous factors like exposure norms are taken into account.

CIBIL was set up for maintenance of credit history of individuals and companies.

Credit Rating Agencies were permitted for rating large value bank loan and risk weights are fixed on this basis.

Special thrust was given on credit monitoring to avoid delinquency. Asset classification was fine tuned with more frequent reporting to RBI.

Audit standard has been improved with more transparency and disclosure.

Recovery mechanism was strengthened. Special Recovery Tribunals were set up for speedy disposal of bank cases. SARFAESI law was made for direct resolution of charged assets. Asset reconstruction companies were formed for purchase of bad loans from bank balance sheets Latest Bankruptcy law to this effect is yet to come into force. Unfortunately, all these methods together could not produce the expected result and NPA still continue to be the hardest problems for the PSBs

C. Advent of Technology

Advent of technology made sea change in banking process. Without its support the reform process could not attain its present dimension. Techniques like core banking solution, mobile banking, payment bank, real time gross settlement, internet banking debit/credit card etc, brought an end to old days brick and mortar concepts of banking and any-point anytime banking took its place. It also help the banks to generate and maintain a vast database for MIS and controlling easier which was becoming more interconnected and intricate day by day.

D. Bank Restructuring

Narshimham committee suggested merger of strong banks into 4/5 large banks to make them globally competitive while 8/10 smaller banks to play within domestic boundary. Bank merger and consolidation is now a major agenda of the government but a definite strategy is yet to be worked out as various conflicting interest coming in the way. It is also somewhat difficult before cleaning up of bank data, bringing NPA at a lower level and preparing a definite exit policy.

E. Privatization

Main focus of reform process is free entry and privatization. After signing treaty with WTO India accepted full liberalization of its banking sector by 2005. Entry of private bank was officially allowed in 1993. Till 2005 fresh licenses were given to around 10 banks and foreign banks from different countries came up. Government ownership on PSBs partially reduced by issue of public shares. At present 25 Indian private banks and 46 foreign banks are operating in India.

As regards privatization and allowing foreign entry in the sector India is following a slow and cautious approach. Privatization invites competition which in turn brings in financial instability and that without proper regulatory system may result in economic collapse. Hence before opening up the sector fully India is building a strong institutional framework and equipping its public sector banks with modern skills and techniques so that they can compete with the others in a level playing ground. This approach has definitely helped her to avoid any financial disaster like Asian crisis.

The industry is still dominated by Public sector. In next phase of bank licensing two banks have received bank license in 2014, Bandhan Bank with microfinance background and IDFC Bank with infrastructure finance. This clearly shows the government's priority area.

F. Financial inclusion

Reform process cannot be completed if majority of population remain outside its boundary. Understandably, global agenda that promotes financial sector reform has started giving space to financial inclusion. Large population of India is still without a banking facility and Government has prepared different schemes for their financial services. Financial inclusion was the mission of Banks in Nationalized era also. But now deviating from past approach government is taking help of private players as well using kiosk, mobile banking, and business correspondences. This has proven to be more efficient and cost effective.

Micro-finance can take a pivotal role in financial inclusion institutions because of their flexibility in operation and ability for greater outreach. It is necessary to create a proper regulatory and supervisory structure to develop these into healthy financial institution.

Co-Operative Banks constitute another segment with good potential. China during reform has consolidated and remodeled its urban cooperative banks and converted them into City Commercial Banks which are now competing with country's other commercial banks. In India the cooperative banks are yet to gain that status.

Reform and its criticism

The reform process is not without criticism. Its absoluteness as a tool for sustainable development is often under question. Critics argue that the policy makers in IMF represent the developed countries alone which seldom takes any loan from Fund and Borrower countries' views are not reflected in the policy whereas need of developed and developing economy vary widely. Further, different developing countries have different economic, political, demographic environment and the "one size fits all "approach is not a practical one. It is alleged that through reform the western developed economies are imposing their own "*standard of civilization*" on developing countries. In that sense reform of reform may also become necessary.

Conclusion

The reform process initiated 25 years ago has indeed turned the Indian banking sector from a stagnant industry to a vibrant one, from its slow pace to a fast track and moving forward. The process is still continuing. Proper sequencing and adequate time space are two essential factors to make the process a success. Additionally it should be tailor-made to suit the country's requirement. So far India has been wise enough to follow the right track. Hope she will continue with the same in future also. MA

ela_sen19311@yahoo.com

ATTENTION

Authors and other contributors of the journal are requested to kindly send their* original unedited photos/images *in* JPEG format *only having* high resolution (200-300 dpi). *This is needed to maintain the required quality of the journal.

IMPACT OF ECONOMIC REFORMS ON TELECOM INDUSTRY

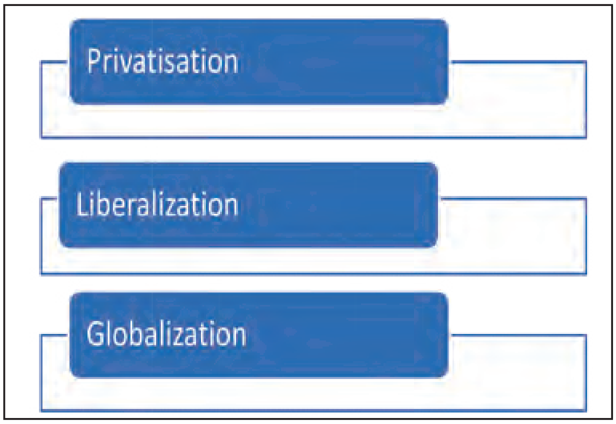
CMA Dr. M. Govindarajan
Sr. Accounts Officer (Taxation)
BSNL
Madurai

Economic Reform in India – Why?

Economic reform of a country indicates necessary structural adjustments to external events. The main objective is to reduce the fiscal deficit of the country. Another objective is to reduce the imports and at the same time to increase the export. By this a flexible economy will prevail in a country for the economic development. Prior to the year 1991 the country went through a severe economic crisis triggered by a serious balance of payments situation. The growth of economy was slow. There is a default in payments. The foreign exchange reserves also dipped into low. The prices of the goods were also in increase by the consumers were heavily affected. The performance of the public sector was also poor.

Measures taken by India

India introduced economic reforms in July 1991. The main ways selected by our country in regard to economic reforms are-



The objective is simply to improve the efficiency of the system. This is to be achieved by removing the barriers to entry and the restrictions or growth of firms. The Government announced its Industrial Policy during the same year. While the Industrial policy seeks to bring about a greater competitive environment domestically, the trade policy seeks to improve international competitiveness subject to the protection offered by the tariff.

The private sector is being given a larger space to operate. However nothing in the new economic policy which takes away the role of the State or the public sector in the system.

Privatization

The new wave of economic reforms in India witnessed the bold initiative in the form of privatization. Privatization means transfer of ownership and/or management of an enterprise from the public sector to the private sector. It also means the withdrawal of the State from an industry or sector partially or fully. Another dimension of privatization is opening up of an industry that has been reserved for the public sector to private sector. It marks a change from dogmatism to pragmatism and amounts to reversal of policy. In spite of criticism from a section of the society privatization has conferred benefits to the people. It has proved it can solve the fiscal crisis. The following are the benefits of privatization-

- It reduces the burden of State by giving relief from losses;
- The Government can better use its resources;
- It improves the administrative machinery of the State;

The year 1991 witnessed the implementation of economic reforms in India which leads to privatization, liberalization and globalization. The doors of various industries are opened to private sector for effecting competition at par with the world countries. The inflow of technology and FDI is on the increase due to the economic reforms. Telecom industry is not an exception to come in the purview of economic reforms in India. The industry is opened to the private operators by means of licence for all sorts of services.

There is fine tune of competition in this industry. The role of regulator and competition made the tariff reduced which enhances the increase in the subscriber base. Now India is the second largest in telecom industry next to China. This is the tremendous growth when comparing to the previous era in India and with the growth in developed countries.

- State functions can be concentrated;
- It may accelerate the pace of economic development;
- It would encourage entrepreneurial skill or entrepreneurship;
- It may promise employment;
- Competition may be promoted.

Liberalization

Liberalization means and includes the various economic measures taken by the Government to withdraw various controls and restraints partially or completely, temporarily or permanently on the various areas in the economy whether industry, trade, commerce etc., In particular it deals with permit, licence, quota etc., Liberalization of industrial licensing and opening up industry to foreign investment was an important of economic reforms. The industrial policy also underwent a lot of changes to suit the liberalization needs of the country, exemption from foreign exchange restriction, repealing of MRTP Act, FERA Act, creation of export processing zones etc.,

Opening up the economy to foreign trade was another important part of the reform agenda. The liberalization brings the reduction in tariff rate. Reduced tariffs on inputs will obviously help domestic industry to become more competitive. Disinvestment is another measure in the economic reform. This led the Government to leave with majority stakes in PSIs. The Government indicated its willingness to reduce the government's stake to a minority in the noncore and non strategic area.

India has sought to increase inflows of foreign direct investment with a much liberal policy since 1991. The resulted continuous outflow of funds on account of remittances of dividends, profits, royalties and technical fees, etc., abroad on account of servicing of FDI and technology imports from the earlier period had grown sharply and had become a significant proportion of the foreign exchange account of the country.

Export Import Policy announced under the Foreign Trade (Development and Regulation) Act, 1992 would reflect the extent of regulation of liberalization of foreign trade and indicate the measures for export promotion. Foreign trade has played a crucial role in India's economic development. Exports cover a wide range of items in the agricultural and industrial sector. Project exports which include consultancy, civil construction and turnkey contracts have also made a significant progress in the recent years. Computer software exports have also increased significantly.

Globalization

Globalization is the process of integrating various economics of the world without creating any hindrances in the free flow of goods and services, technology, capital and even labor or human capital. The term 'globalization' has, therefore, four parameters-

- Reduction of trade barriers to permit the free flow of goods and services among nation-states;
- Creation of environment in which free flow of capital can take place among nation-states;
- Creation of environment, permitting free flow of technology; and
- Creation of environment in which free movement of labor can take place in different countries of the world.

The following measures are taken in India for globalization-

- Reduction of import duties;
- Encouragement of foreign investment;
- Reducing customs duties;
- Devaluation of currency;
- Partial convertibility.

Positive impacts of economic reforms

- Companies are able to undertake restructuring such as merger, amalgamations and acquisition ;
- The industries in the country spreaded their wings in other countries;
- The quality and consciousness of Indian workers is on the rise;
- Because of better facilities and support there has been a rise in value of exports;
- There is a upward trend in quality because of R&D growth, technological growth and productivity.
- The business entities focus on aggressive brand building to find their spot in an increasingly competitive market place.

Negative impacts of economic reforms

- Insufficient fiscal discipline;
- Non implementation of industrial de-regulation;'
- Foreign trade measures;
- Unplanned disinvestment;
- Infrastructure growth.

Reforms in external reforms

- Exchange rate stabilization;
- Foreign investment liberalization of FDI
- Import licensing – EXIM policy allowed free trade of all items except the negative list of exports and imports;
- Quantitative restrictions removed
- Tariff – reduced the tariff rate
- Export subsidies;
- SEZ
- FERA TO FEMA

Reforms in industrial sector

- Abolition of industrial licensing;
- Reservation in public sector;
- Automatic clearance;
- Foreign investment
- Repeal of MRTP Act

Impact of economic reforms on Telecom Industry

Telecom is one of the sector that has been developed by means of economic reforms of our country. The following are the impact of economic reforms on Telecom Industry-

- Private participation in telecom;
- Telecom a regulatory sector;
- Telecom population i.e., subscribers
- Foreign Direct Investment;
- Tariff reduction;

Telecom from Monopoly to privatization

Once the Telecom sector was in the hands of Central

Government which controls the entire sector. The tariff was much higher. The consumers were to wait for getting a connection of telephone for a long time. The liberalization policy adopted by the Government paved the way for the private operators to enter in this sector. Thus the monopoly was converted to one with private service providers along with public sector undertakings. The Government itself during the year 1986 converted the areas of Bombay and New Delhi as Mahanagar Telephone Nigam Limited and during the year 2000 converted the other areas as Bharat Sanchar Nigam Limited. In 1986 Videsh Sanchar Nigam Limited was also established. This depicts the evolution of regulator and policy environment. The following measures were taken in respect of telecom industry-

- In 1991 telecom equipment manufactures licences were dispensed with;
- Value added services were let for private and foreign players on franchisee or licence basis;
- During 1992-93 cellular mobile phones, radio paging, electronic mail, voice mail, audiotex services, videotext services, data services using VSAT and video conferences were introduced;
- In September 1994 the Government announced the National Telecom Policy which opened basic telecom services to private participation including foreign investments.

Now except the Mahanagar Telephone Nigam Limited and Bharat Sanchar Nigam Limited others are private operators engaging in all sorts of telecom activities. As on 31.07.2016 the market share of public sector is only 9% in wireless phones. The remaining 91% of market shares are in the hands of the private operators. Even in wire line the Department has 100% market which has been now reduced to 71.18% in the hands of both public sectors and the remaining 38.82% is in the hands of the private sectors. Many a private operator is engaging the telecom equipment production. The role of private operators is also in the infrastructure projects.

Regulatory Sector

The regulator and policy changes of the government played a major role in the phenomenal growth of telecom industry for the past 22 years. The following are the existing Acts, Rules and regulations applicable to Telecom industry:

- The Indian Telegraph Act, 1885;
- The Indian Telegraph Rules, 1951;
- The Indian Wireless Telegraphy Act, 1933;
- The Telegraph Wireless (Unlawful Possession) Act, 1950;
- The Telecommunications Regulatory Authority of India Act, 1997.

Being the Telegraph Act is century old it was proposed to repeal the same and to bring a new Act for the new environment. Convergence Bill, 2001 was introduced in the Parliament incorporating all the provisions of the erstwhile laws consistent with the present scenario and necessary changes to meet out the existing environment but the same has not yet been passed by the Parliament.

In the earlier period this sector was in the hands of the Central Government. After liberalization, the Act was amended to provide licence to the operators in the field. The Department of Telecom is the licensing authority and the licence is issued to all sorts of services in single unified licence or for each service on PAN India basis or as per geographical area basis.

The National Telecom Policy of 1994 and the New Telecom Policy of 1999 established a strong and independent regulatory mechanism with well-defined powers and responsibilities. This regulatory mechanism sustains a competitive environment in the services sector by establishing guidelines for service providers, monitoring compliance, and providing a framework for dispute settlement. Additional reforms clearly separated regulatory and adjudicatory functions and created a specialized tribunal, which operates independently of the regulator, to settle disputes.

The Telecom Regulatory Authority is the regulating authority for the telecom industry. It has framed many regulations in order to have a control over the industries. The Telecom Regulatory Authority has given many recommendations to the Government. The Government has accepted many of the recommendations of the Authority and implemented the schemes recommended by the Authority. The Authority also is having powers to impose penalties on the operators who contravene the provisions of the Regulatory Act and regulations made by the authority.

Telecom population

In the earlier period the telecom facility was considered as a luxurious one. Only the rich people could have availed the services. Further the subscriber to pay a heavy cost for these services. After liberalization the competition increased and the tariff is much reduced which enables almost all the people including in the rural area to avail the telecommunication services. This growth is possible due to the technology developments and innovations in the telecom products. The telecom industry is the second largest industry in the world next to China. This growth has occurred within a short span of time. The use of internet is on the increase by all sorts of people for their day to day uses as well as for their business and professional purposes.

Subscriber data as on 31.07.2016

As on 31.07.2016, India witnessed 105.89 crores of subscribers having the landline, mobile, broadband facilities. The following statement will give the details of subscriber base in India as on 31.07.2016-

Sl. No.	Particulars	Wireless	Wireline	Total
1.	Urban Telephone subscribers (in million)	859.61	20.61	610.22
	Rural Telephone subscribers (in million)	444.63	4.00	448.63
	Total Telephone subscribers	**1034.24**	**24.61**	**1058.85**
2.	Urban Tele density	148.00	5.17	153.18
	Rural Tele density	50.72	0.46	51.17
	Overall Teledensity	**81.11**	**1.93**	**83.04**
3.	Share of urban subscribers	57.01%	83.74%	57.63%
	Share of rural subscriber	42.99%	16.26%	42.37%
4.	**Broadband subscribers**	**149.47**	**17.49**	**166.96**

FDI

The FDI measures taken by the Government makes the success of the Telecom Industry. Liberalizing foreign direct investment was another important part of India's reforms, driven by the belief that this would increase the total volume of investment in the economy, improve production technology, and increase access to world markets. The following are the stages in which FDI is allowed-

- During 1998-99 foreign equity participation up to 49% was allowed in basic telecom services, radio paging and cellular mobile, subject to licence permitted companies providing Global Mobile Personal Communication by satellite services;
- The Foreign equity in respect of value added services was fixed at 51%;
- The FDI limit has been raised in the year 2004 from 49% to 74%;
- The budget 2005 – 06 hiked the limit has been further increased to 100%;
- 100% FDI was allowed for the telecom equipment manufacturing and provision of IT enabled services;

FDI Policy as on 05.07.2016

The Department of Telecom, in its website declares the FDI policy in respect of telecom as on 05.07.2016. As per this policy 100% FDI is allowed for Telecom services including Telecom Infrastructure Providers Category – I, viz., Basic, Cellular, Unified Access Services, Unified Access services, Unified licence (Access services), Unified Licence, National/International Long Distance, Commercial V-Sat, Public Mobile Radio Trunked Services (PMRTS), Global Mobile Personal Communications Services (GMPCS), All types of ISP licences, Voice Mail/Audio Tex/UMS, Release of IPLC, Mobile Number Portability Services, Infrastructure Provider Category – I (providing dark fiber, right of way, duct space, tower) except other service providers.

The entry route for FDI is up to 49% automatic route subject to observance by licencee as well as investors as notified by Department of Telecommunications from time to time. Beyond 49% it is by FIPB route.

Statistics of FDI in Telecom

The total inflow of FDI into India from April 2000 to March 2016 in respect of Telecom industry is as shown in the following table:

STATEMENT ON FINANCIAL YEAR WISE FDI EQUITY INFLOWS
FROM APRIL 2000 TO MARCH 2016
TELECOMMUNICATIONS

Sl No	Year	FDI in Rs million	FDI in US$ million
1	**2000-01 Apr-Mar**	7,841.59	177.69
2	**2001-02**	39,384.61	873.23
3	**2002-03**	9,077.31	191.60
4	**2003-04**	3,978.40	86.49
5	**2004-05**	5,411.01	118.33
6	**2005-06**	27,514.50	617.98
7	**2006-07**	21,495.77	476.51
8	**2007-08**	50,995.61	1,260.70
9	**2008-09**	116,848.11	2,548.63
10	**2009-10**	122,696.62	2,539.26
11	**2010-11**	75,420.44	1,664.50
12	**2011-12**	90,115.26	1,997.24
13	**2012-13**	16,543.04	303.87
14	**2013-14**	79,872.83	1,306.95
15	**2014-15**	173,718.22	2,894.94
16	**2015-16**	86,373.81	1,324.40
	Grand Total	927,287.11	18,382.35

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The FDI flow in Telecom industry contributes 6.37% of the total FDI inflow into India from all over India which is depicted in the following table:

STATEMENT ON SECTOR-WISE FDI EQUITY INFLOWS (From APRIL 2000 TO MARCH 2016)

Sl. No.	Sector	Amount of FDI Inflows		%age of Total inflows
		(in Rs. Millions)	(in US $ Millions)	
1	Telecommunications			
	Telecommunications	310,276.37	6,213.52	2.15
	Radio paging	272.98	5.93	0.00
	Cellular Mobile/Basic telephone services	300,270.85	6,525.58	2.26
	Other (Telecom)	316,466.91	5,637.32	1.95
	Sector Total	927,287.11	18,382.35	6.37

Note : Amount includes the Inflows received through SIA/FIPB route, acquisition of existing shares
Source: www.dot.gov.in

The following table gives the details of the countries investing in Indian Telecom Industry-

STATEMENT ON COUNTRY-WISE FDI EQUITY INFLOWS (FROM APRIL 2000 TO MARCH 2016, TELECOMMUNICATIONS)

Sl. No.	Name of the Country	Amount of FDI inflows		%age with inflows
		(In Rs. Million)	(in$ Million)	
1	Mauritius	592,601.44	12,002.11	65.29
2	Singapore	186,216.93	3,395.09	18.47
3	Russia	46,032.80	846.62	4.61
4	Japan	21,432.62	406.32	2.21
5	U.S.A	17,718.29	356.63	1.94
6	Cyprus	11,921.01	253.84	1.38
7	United Kingdom	11,552.17	250.81	1.36
8	Country Details Awaited	8,018.28	181.61	0.99
9	Netherlands	5,098.77	105.38	0.57
10	Germany	4,231.64	100.17	0.54
11	NRI	3,330.07	77.02	0.42
12	UAE	3,927.78	74.59	0.41
13	British Virginia	2,369.22	49.82	0.27
14	Australia	1,903.38	42.19	0.23
15	Spain	1,745.41	39.53	0.22
16	Hong Kong	1,350.93	28.50	0.16
17	South Korea	958.40	20.73	0.11
18	Thailand	737.81	17.14	0.09
19	France	708.50	17.04	0.09
20	Sweden	678.53	15.70	0.09
21	Italy	619.80	13.90	0.08
22	New Zealand	568.86	12.31	0.07
23	Cayman Islands	530.50	11.60	0.06
24	Switzerland	476.97	10.38	0.06
25	South Africa	499.89	9.81	0.05
26	British Isles	331.49	7.30	0.04
27	Finland	313.25	6.61	0.04
28	The Bermudas	260.14	5.77	0.03
29	Taiwan	208.26	4.58	0.02
30	Maldives	196.07	4.37	0.02
31	Saudi Arabia	105.51	2.10	0.01
32	Bahamas	96.71	1.93	0.01
33	Kuwait	63.83	1.37	0.01
34	Canada	81.48	1.34	0.01
35	Malaysia	59.98	1.13	0.01
36	China	70.58	1.12	0.01
37	Chile	45.00	1.00	0.01
38	Seychelles	34.88	0.87	0.00
39	Czech Republic	31.66	0.71	0.00

Sl. No.	Name of the Country	Amount of FDI inflows		%age with inflows
		(In Rs. Million)	(in$ Million)	
40	Israel	28.30	0.60	0.00
41	Qatar	29.90	0.54	0.00
42	Korea(North)	21.54	0.45	0.00
43	Greece	13.85	0.31	0.00
44	Liechtenstein	12.00	0.30	0.00
45	Ireland	13.29	0.30	0.00
46	Luxembourg	12.23	0.27	0.00
47	Bulgaria	6.33	0.14	0.00
48	Uruguay	8.13	0.14	0.00
49	Sri Lanka	4.73	0.10	0.00
50	Philippines	3.80	0.08	0.00
51	Turkey	2.45	0.05	0.00
52	Belgium	0.87	0.02	0.00
53	Denmark	0.40	0.01	0.00
54	Bahrain	0.30	0.01	0.00
55	Norway	0.10	0.00	0.00
56	Oman	0.05	0.00	0.00
	Grand Total	**927,827.11**	**18,382.35**	

Note: Amount includes the Inflows received through SIA/FIPB route, acquisition of existing shares

Source: www.dot.gov.in

Tariff reduction

Across the board, reduction in telecom tariff has been one of the primary factors behind the exponential growth experienced by the Indian telecom industry. The competition within the various segments of the telecom sector has intensified in the past few years and has led to a price war between the operators. The race between the telecom service providers to capture the market, which led to substantial tariff reduction, has proved beneficial for the consumer. The array of tariff schemes is being made available by various service providers to suit the usage profile of a wide range of customers in India to stay ahead of competitors. Also, most operators offer schemes with assured lifetime connectivity without having to pay any recurring fixed charges.

Moreover, intense competition and the resultant reduction in tariff levelsinduced the TRAI to gradually move towards a regime of tariff deregulation. While tariffs for some crucial segments like rural telephony, roaming services and leased lines are still regulated, all the other tariffs are under forbearance. The tariff regulation of TRAI has even granted the unique option for customers to avail a particular tariff for the entire licensing period of their service providers without having to fear any tariff hike.

Contribution of Telecom in GDP

The following table depicts the role of telecom in increasing the GDP of the country-

(in crores)

Year	GDP	Telecom	Contribution
2011-12	8832012	185390	2.10%
2012-13	9988540	207498	2.07%
2013-14	11345056	219357	1.93%
2014-15	12520618	242900	1.94%

Further the Telecom Sector is the highest contributor in service tax payments.

Conclusion

Reforms have allowed the telecom sector to address a wide range of issues, including quality of service, protection of consumer interest, and the growth of telecom services in rural areas. In addition, both the regulatory mechanism and the tribunal are key factors in attracting investments and their success has sparked phenomenal growth in wire line and wireless telephones and value added services. India must ensure it remains on the current path of reform so that the telecom sector and its customers can continue to benefit from new technologies. MA

govind.ayyan@gmail.com

25 years of ECONOMIC where India was,

CMA Kalyani Karna
Kalyani & Co.
Practicing Cost Accountant
Delhi

Why the economic reform was kick started in 1991?

The first and foremost thing arises in mind is the meaning of economic reform and the reasons for the need of reform. Reform will be required when the form will not be proper or fruitful. Economic reform refers to taking the country out of economic crisis and gearing up the development. What was the situation of India which led the economists to think for the economic reform? Let us have a glance of causes leading to the economic reform.

Position of balance of payments:

Balance of payment is the statement which summarises the transactions of the country with rest of the world during a particular period of time. The transactions in Balance of Payment are categorised under current account, capital account, and errors or omissions. India faced a balance of payments crisis in 1991 and it had to pledge 20 tonnes of gold to Union Bank of Switzerland and 47 tonnes to Bank of England. (Source: International Journal of Informative and Futuristic Research).

REFORMS - where India is!

Trade deficit	Amount (In millions of USD)
1989-90	4606.7
1990-91	5927.3

(Source: Reserve Bank of India database)

Break-up of the Soviet Union: The break-up of the Eastern European countries caused the termination of several rupee payment agreements in 1990-91. Due to the break- up of Soviet Union the flow of trade credits declined in 1990-91.

Gulf War: The Gulf crisis began in August 1990. The Gulf war increased the price of Crude oil from USD 15 per barrel in July 1990 to USD 35 per barrel in October 1990. India imported a major portion of crude oil from Gulf countries.

Rise in inflation and prices:

Inflation is synonymous of increase in cost of goods and services. The increase in inflation, ceteris paribus, that money can buy fewer goods. The average inflation rate in the financial year 1989-90 was 7.5% and it rose to 10% in 1990-91. This led to the increase in cost of goods and services, unemployment, and lowering the purchasing power.

Year	Average Inflation rate
1989-90	7.5%
1990-91	10%

Political Instability: There was a political unrest in the country during the period of November 1989 to May 1991. There were three coalition governments and three Prime Ministers during this period. Rajiv Gandhi from 31st October1984 to 2 December 1989, V P Singh from 2nd December 1989 to 10 Nov 1990, and Chandra Shekhar became Prime Minister on 10th November 1990.

Decline in credit rating: The International Credit Rating agencies Standard & Poor's, and Moody's, had downgraded India's long term foreign debt rating to the bottom of investment grade by 1991.

Increase in Non-oil Imports: The trends in imports and exports show that imports rose much faster than exports. The increase in imports over exports caused the trade deficit.

Year	Exports (In USD million)		Imports (In USD million)	
	Oil	Non-oil	Oil	Non oil
1989-1990	418.4	16194.1	3767.5	17451.7
1990-1991	522.7	17622.5	6028..1	18044.4
2015-2016	30423.5	231580.2	82879.9	297476.4

(Source: Reserve Bank of India database)

Increase in External Debt:

The deficit balance of trade balance and current account increased the amount of external debt. The current account deficit was mainly financed with external commercial borrowings, NRI deposits, and other external sources.

External debt	
Year	**Amount (In USD billion)**
1980-81	23.50
1985-86	37.50
1989-90	58.63
1990-91	63.40

(Source: Indiabefore91.in)

Features of Economic Reform 1991

The economic reform in India initiated with short term measures and long term measures. The short term measures were the efforts made to reduce the fiscal deficit by removing restrictions on flow of foreign capital. Short term measures were taken to bring economic stability. Long term measures are the approaches for structural changes in economy. Overall, the economic reform spurred changes in three facets (referred as LPG):

Components of economic reform

Liberalisation

Liberalisation refers to decrease in government intervention in business. Liberalisation is removal of restrictions on the flow of goods and services between countries. India became the member of World Trade Organisation in 1995.

- Removal of license for most of the industries.
- Removal of restrictions on the flow of goods and services between countries.
- Freedom regarding fixation of price for goods and services.
- Reduction in tariff.
- Facilitation of import and export.
- Lesser regulation over foreign direct investment.

Privatisation:

Privatisation refers to encouragement of private sectors and conversion of public sector undertakings into partially or completely under private ownership.

- Increase in the role of private sector
- Reduction in number of public undertakings.
- Improvement in management
- Increasing competition in business for economic development

Globalisation:

Globalisation means integrating the economy with the rest of the world. Foreign Trade Policy was formulated in 2004 to regulate imports and exports.

- Free flow of capital, goods and services with other countries
- Free flow of manpower, information and technology in all the countries

Impact of Economic Reform in India

The economic reforms were able to bring changes. A comparative study of changes can be seen as follows:

Nominal Gross Domestic Product at market price

Nominal gross domestic product is the summation of monetary value of all goods and services produced in a country during the specified period when measured at current market price.

Nominal GDP	(In Rs. Billions)
1990-91	5862.12
2015-16	135760.86
Effect	Increased by 129898.74 in 25 years (average yearly increase 5195.95)

(Source: Reserve Bank of India Data)

India has been ranked at ninth position in the world in terms of nominal GDP. Real GDP growth rate was 5.3% in FY 91 and it reached to 7.6% in FY 16.

Ranking of countries on basis of GDP 2015		
Ranking	**Country**	**Amount in millions of USD**
1	United States	17,946,996
2	China	10,866,444
3	Japan	4,123,258
4	Germany	3,355,772
5	United Kingdom	2,848,755
6	France	2,421,682
7	India	2,073,543

(Source: World Bank Data)

According to the data of World Bank, India has been ranked at *seventh position* with total gross domestic product $ 2,073,543 million. According to the report of Forbes, India will be the *third largest economy* with expected GDP USD 9.6 trillion in the world in 2020 (China at number one and United States at number two position). The annual GDP growth rate for 2016 is 7.6%. (Source: World Bank)

Foreign direct investment

According to *The Financial Times*, India received $63 billion in 2015 and replaced China as the top FDI destination. *The foreign direct investment was 0.027% of GDP in the year 1991 whereas FDI stood 2.132% of GDP in the year 2015. (Source: World Bank database)*

Foreign Direct Investment	(In USD billion)
1991	0.07353
2015	44.208
Effect	Increased by 44.13447

(Source: World Bank database)

***"No power on earth can stop an idea whose time has come"*, quoted by former Prime Minister of India *Dr. Manmohan Singh* (who was Finance Minister in 1991) while presenting the Union Budget on July 24, 1991. In India, the economic reform catapulted in 1991 with a target to bring comprehensive transformation in the economy and now it has been celebrating 25 years of achievement. The economic reform in India italicized on gradual changes and evolutionary transitions instead of abrupt changes.**

Foreign exchange reserve

Foreign exchange reserve is the amount of foreign currency held by the central bank of the country. Generally, the major portion of foreign exchange reserves in the world is held in U.S. dollars, being the most traded global currency.

Foreign exchange reserve	Amount (In USD million)
1990-1991	5,834
2015-2016	360176
Effect	Increased by 354342 in 25 years (average growth of 14173.68 per year)

(Source: Reserve Bank of India database)

External debt

According to International Monetary Fund, external debt is the amount of disbursed and outstanding contractual liabilities of residents of a country to non residents to repay principal, with or without interest, or to pay interest, with or without principal at any given period of time. The external debt of our economy started increasing with the expansion of economy.

External debt	Amount (In USD billion)
1991	83.8
2015	480.2
Effect	Increased by 396.4

(Source: Reserve Bank of India)

Per capita income

Per capita income represents the average income of every citizen arrived at by dividing the GDP by the country's population. Between 1991 and 2016, per capita income rose from Rs 6,270 to Rs 93,293.

Per capita income	Amount (in Rs.)
1991	6,270
2016	93,293
Effect	Increased by 87,023 in 25 years

(Source: Economic Times)

However, per capita income does not give the true picture of growth and development of the economy.

Labour force:

The labour force in India has abruptly shifted from agriculture sector to industry. The labour force of India stands as:

Labour forces	In million
1991	336.94
2014	496.96
Effect	Increased by 160.02

(Source: the globaleconomy.com)

However, the growth in labour force is not remarkable after the economic reform,

Development in Telecommunication

Telephone connections have seen exponential growth after 1991. Currently, India has been ranked at the second largest telephone subscribers in the world after China. It is expected that four million direct and indirect jobs will be created by the telecom sector over the next five years (Report of Randstad India). According to the report of International Data Corporation, India is supposed to overtake US as the second-largest smartphone market globally by 2017. The growth rate is almost five times faster than the world's largest smartphone market China. Telecom sector has attracted FDI worth USD 18.38 billion during the period April 2000 to March 2016 (Source: Department of Industrial Policy and Promotion).

The reforms enabled entrepreneurs to dream and to bring economic development in the country. For example:

- Sunil Mittal started the third largest mobile operator in the world - Bharti Airtel
- Subhash Chandra founded the Zee Television Network.
- 74% foreign direct investment allowed in banking, and 100% FDI in telecom.
- The leading Indian company such as TATA acquired Jaguar, Land Rover and Tetley Tea.
- It also led to the emergence of new enterprises in the Indian aviation sector.
- The government has further introduced 100% FDI in food retail, civil aviation and 49% in private security agency and 100% in pharmaceutical businesses.
- CEO Sachin Bansal of Flipkart, one of the biggest e-commerce company stated that the timing from 2005 to 2016 was

perfect for commencement of a start-up revolution in India.

- Flipkart (Banglore) has been ranked at position eight in the Fortune list of unicorn companies 2016. (Source: www.fortune.com/unicorn)
- The endeavours of Indian entrepreneurs resulted in nine unicorns and the third largest start-up ecosystem in the world.
- On 16 Aug 2016 Hike messenger has been valued at more than $1.4 billion and has joined the list of unicorns. (Source: cbinsights.com)
- Now, more than 50% of Indian entrepreneurs feel that it will be the best time to start and run a company in this country with the introduction of GST.

The Indian Companies enlisting their names in the list of unicorn companies (current private companies valued at $1 billion and above are the following:

Company	Date of joining	Investments (In USD billion)
Flipkart	8/6/2012	16
Snapdeal	21/5/2014	7
Olacabs	27/10/2014	5
Paytm	12/5/2015	4.83
Hike	16/8/2016	1.4
Shopclues	12/1/2016	1.1
Zomato Media	10/4/2015	1

(Source: cbinsights.com)

Conclusion

Economic reform is not related to some actions taken in one budget. It is a continuing process dedicated for the development of country. The reformation allowed 100% FDI in the defence and civil aviation sector. According to the report of Forbes, India will be the *third largest economy* of the world in 2020. The Indian economy seems better placed to reach new heights. However, India has been ranked at 130th position for ease of doing business and at 155th position for starting a new business. (Source: World Bank data) The economists feel that problem of governance is the biggest constraint to achieve our development goals. The former Governor of RBI, Raghuram Rajan said in the interview with Times of India, "We are still a $1,500 per capita economy and relatively poor economy. In order to wipe the tear from every eye, one would at least want to be middle-income around $6,000-7,000." The Gross Domestic Product per capita at current price for the year 1990 was $385.41 whereas it has increased to $1,747.49 and India has been ranked at 142 position in the world for GDP per capita income at current price. (Source: Knoema.com). According to the report by New World Wealth, India has been ranked seventh in the list of top 10 wealthiest countries in the world. The list was topped by the United States with total individual wealth of USD 48,700 billion and the total individual wealth of India is USD 5,200 billion but the large population lowers per capita income (Source: NDTV). Undoubtedly, India has achieved sublime success on several parameters but there is a need to improve social issues like increasing population, unemployment, education system and other problems.

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cwakalyani@gmail.com

LIBERALIZATION POLICY ON MANUFACTURING SECTOR IN INDIA

Sumit Kumar Maji
Assistant Professor
University of Burdwan
Burdwan

Dr. Debasish Sur
Professor
University of Burdwan
Burdwan

The degree of economic openness determines the nature of economic system that a nation intends to pursue. The intensity of integration of the national economy with the global economy, import and export situation, transfer of technology, economic co-operation and interdependence, free flow of fund, pro-market economic and industry policies, freedom of private entrepreneur, deregulation, reliance on the market forces for price determination etc are the major parameters of economic openness of a country. Generally, 1980s can be earmarked as the period of economic reforms and trade liberalization in the light of the developing countries of the world. During this period the existence of import substitution and high rate of tariffs were discredited with the low growth rate of the national economies. Thus the simplified procedure of economic reforms through liberalizing the import and export processes, reduction of quota, dismantling licensing requirement and installing justified tariff was to by the developing countries during 1980s and in exchange the developing countries , namely Bolivia, Brazil, Chile, Ghana, Senegal, Poland, Turkey, Peru etc obtained long term financial assistance from the World Bank (Rodrik, 1992). In India, some pro-business reform measures were initiated during 1980s which could not boost the Indian economic growth for a long period of time (Soo, 2006). But facing with the foreign exchange crisis, Indian economy was bailed out by IMF on the precondition of introducing huge economic reform initiatives in 1991 (Rodrik and Subramanian, 2005). It is generally believed that competitive market structure fosters innovation and productivity growth among the firms operating in an economy (Du Plessis et al., 2015). This proposition justifies the initiatives taken by the different countries to adopt economic reform measures.

A Brief Outline of the Existing Literature

Liberalization has always a significant implication towards the productivity growth of firms, firm performance, industrial growth and consequently on the economic growth a country (Fuzita, 1994). The economic reform measures initiated in India during 1980s could not propel the economic growth significantly and the state of the growth was also not stable mainly because of the 'pro-business' nature of the reform initiatives (Aluwahila, 2002). The industrial growth, firm performance and productivity were seriously affected in a negative fashion during 1980s (Bosworth et al., 2007). The fiscal expansion led growth during that period of time was backed by huge internal and external borrowings which not only failed to obtain a sustainable and stable growth but also resulted in a foreign exchange crisis (Joshi and Little, 1996). However, the economic reform measures undertaken in 1991 to tide over foreign exchange crisis with the financial assistance from IMF brought the desired and much awaited acceleration in the economic growth (Soo, 2008) and in that time the growth rate was also stable in nature (Panagariya, 2004). But many experts in the field of Economics argue that this growth was a service sector led growth (Kotwal et al., 2011). The economic reform measures initiated in India was a boom for the Indian manufacturing industry. The important policy reforms during 1990s enabled Indian manufacturing sector to exploit the advantage of economies of scale and the Total Factor Productivity in respect of most of the manufacturing industries improved at the helm of key reforms of 1991 (Pattnayak and Thangavelu, 2005). Moreover, economic reform measures had a significant positive implication towards the Foreign Direct Investment (FDI) in the Indian manufacturing sector. Larger portion of the FDI flowed in the pharmaceutical and drug, automobile and chemical sectors as compared to the other manufacturing sectors and this was totally driven by the domestic demand situation, high profitability, ownership control, imperfect market conditions, cost effectiveness and export orientation (Chaudhuri et al., 2013). In continuation with the debate at the international level, there is enough evidence at the national level too in the existing literature which suggested that the economic reform measures initiated during 1990s infused huge amount of pressure on the price-cost margin of the Indian firms because of the increased completion. Economic reform measures open up the macroeconomic gate, through which opportunity, challenges and externalities enter into an economy and that is why probably the financial performances of firms get

In India, some 'pro-business' reform measures were initiated during 1980s which failed to boost the Indian economic growth for a long period of time. However, broader and much more effective set of 'pro-market' reforms were pursued only in 1991 following the exchange rate crisis. Irrespective of the time frame, liberalization was very much positive for Indian economy. The registered and unregistered manufacturing sectors also grew more in the post-liberalization period as compared to the pre-reform regime.

more influenced by the industry specific and macroeconomic factors during the post reform regime as compared to that in pre-liberalized era (Majumdar and Bhattacharjee, 2010). Among the Indian manufacturing sectors, chemical and pharmaceutical industries adopted foreign technology and developed indigenous technology prior to liberalization and that in turn enabled these two industries to reap the advantage of the liberalised economy (Iyer et al., 2011). The research study, which was carried out by Kathuria et al. (2012) for examining the implications of the economic reform measures undertaken in India during the mid 1980s on the efficiency of the formal and informal manufacturing sectors, revealed that the reduction of industrial tariffs, withdrawal of industrial licensing and product licensing made the manufacturing firms belonging to the formal sector more efficient as compared to the manufacturing firms operating in the informal sector. However, Iyer et al. (2011) in their study observed that most of the manufacturing firms in India failed to obtain any significant benefit from the LPG initiatives undertaken during early 1990s. This argument is contrary to the findings of the similar kind of studies conducted by other researchers. In fact, the labour-intensive industries, the industries that depend heavily on external finance and infrastructure could not exploit the opportunities offered by the economic reforms in India (Gupta et al., 2008).

Conceptual framework

The effect of 'pro-market' business measures is well explained by Fuzita (1994). In accordance with Fuzita (1994) the liberalization initiatives help in achieving increased productivity and economies of scale by the introduction of new technology as generated by foreign fund inflow and indigenous R&D and technology embodied in imported goods

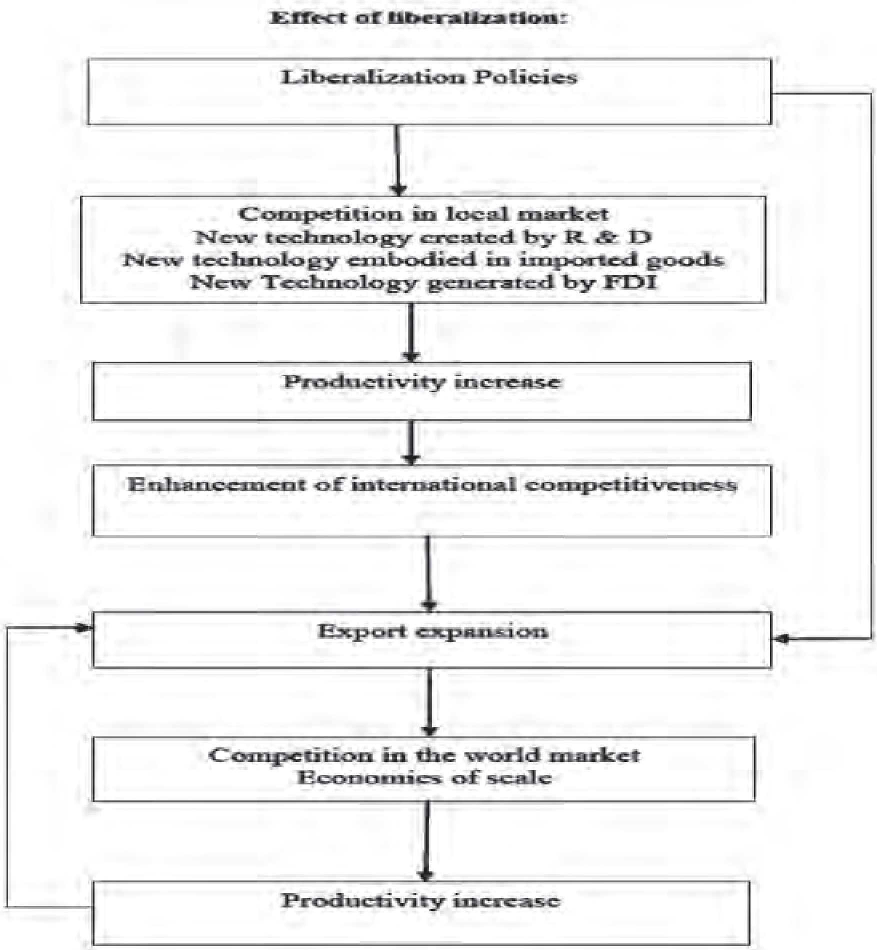

Figure 1: Linkages of liberalization policies on industrial performance (Fuzita, 1994)

Objectives of the Study

The present study has the following two objectives:

i. To assess the impact of the policy of liberalization on the Indian economy and the manufacturing sector growth.

ii. To evaluate the effect of the liberalization on the capital formation in the manufacturing sector.

Data and Methodology

The present study is predominantly analytical in nature. For the purpose of this study the data on national economy, GDP, GDP of manufacturing sector, Gross Fixed Capital Formation etc. for the period from 1950-51 to 2012-13 has been collected from National Accounts Statistics obtained from EPW Research Foundation database. In order to assess the growth and performance of the Indian economy and the manufacturing sector the growth rate has been calculated under alternative policy regimes. For this purpose of the entire paper the relevant growth rates have been calculated for the different time frames. Traditionally the semi-log model or log-linear model is popularly used by the researchers to compute compounded annual growth rate. Thus for the purpose of calculating growth rates semi-log model is used. The log-linear or semi-log model is expressed as:

$$ln\, y = \alpha + \beta x_t$$

Where, ln y is the natural logarithm of the variable, α is the intercept, t is the time period (Xt=1, 2, 3 ...n), β is the relative change: $\beta = \frac{\delta(\ln y)}{\delta(x)} = \frac{\delta(\ln y)}{\delta(x)} = \frac{(1)(1)}{y\ \ y} \times \frac{\delta(y)\delta(y)}{\delta(x)\delta(x)}$

In the above model dependent variable is the natural logarithm of y and the independent one is time variable, which will vary from 1 to n. In this model the slope coefficient i.e. β measures the relative change in y for the absolute change in the value of the dependent variable t i.e. time. If the calculated value of β is multiplied by 100, it will give the percentage change or the growth rate in y for an absolute change in x. The basic difference of the semi-log model with the liner trend model is that the former determines the relative growth while the later gives us the absolute growth. Thus the semi-log model is widely used to ascertain the relative change in a given variable over a period of time.

Analysis and Discussion

In order to assess the implications of the liberalization initiatives in 1980s the growth rates were compared between the pre-liberalization and post-liberalization periods. The year 1987 was assumed as the year of liberalization and the pre-liberalization period was marked as 1972-73 to 1986-87 and 1987-88 to 2001-02 was assumed to be the post-liberalization period. In a similar fashion for the purpose of assessing the implications of the economic reforms initiative of 1991 the growth rates were calculated and compared between the pre-liberalization and post-liberalization periods where pre-liberalization period has been taken as from 1971-72 to 1991-92 and the period from 1992-93 to 2012-13 has been earmarked as the post-liberalization period.

Table 1

Growth rates of GDP and Manufacturing Sector in pre and post reforms periods

Period	GDP	Manufacturing		
		Total	Registered	Unregistered
Pre-liberalization period (1972-73 to 1986-87)	4.06*	4.74*	5.69*	3.62*
Post-liberalization period (1987-88 to 2001-02)	5.72*	6.08*	6.76*	4.85*
Pre-liberalization period (1971-72 to 1991-92)	4.33*	4.96*	6.07*	3.53*
Post-liberalization period (1992-93 to 2012-13)	6.77*	7.08*	7.88*	5.48*
*Significant at 1% level				

Source: Author's calculation based on National Accounts Statistics.

In Table 1, an attempt was made to evaluate the impact of the liberalization on the growth rate of the GDP and the GDP growth rate of manufacturing sector (including both the registered and unregistered. This table shows that the liberalization measures which were initiated in late 1980s had significant positive impact on the growth rate of GDP and the GDP growth rate of the manufacturing sector as a whole (including both registered and unregistered). It is also observed that the liberalization measures which were undertaken in 1991 also had significant positive impact on the growth of the economy, GDP growth of the manufacturing as a whole and registered and unregistered in particular. Many researchers have shown that the growth rate of the economy could not be sustained for a long period of time followed by an exchange rate crisis in 1991. Thus the liberalization initiatives adopted in late 1980s cannot be considered as fruitful. The implications of the New Economic Reforms were stronger and the positive effect of the 1991 reforms could also be sustained. So the economic reform measures undertaken in 1991 were considered to be more effective as compared to those measures initiated in 1980s. Based on the analysis carried out in Table 1, it can be inferred that the liberalization initiatives undertaken at different points of time made a significant contribution towards boosting the Indian economy as a whole as well as in particular the manufacturing sector (both registered and unregistered).

Table 2
Growth rate of Gross Fixed Capital Formation of Manufacturing Sector in pre and post reforms period

Period	Manufacturing		
	Total	Registered	Unregistered
Pre-liberalization period (1972-73 to 1986-87)	8.05*	7.26*	10.46*
Post-liberalization period (1987-88 to 2001-02)	8.20*	8.85*	6.51*
Pre-liberalization period (1971-72 to 1991-92)	7.73*	7.36*	8.69*
Post-liberalization period (1992-93 to 2012-13)	8.25*	8.61*	6.29*
*Significant at 1% level			

Source: Author's calculation based on National Accounts Statistics.

Capital stock comprises all durable, reproducible, tangible, fixed goods that are used in the production of other goods and services and that last for more than one year (Hooley, 1967). The formation of the fixed capital in an economy is very important because the optimum utilization of fixed capital will generate income in future for the economy. In Table 2 an effort was made to ascertain the impact of economic reforms on the GFCF. The analysis of the effect of liberalization during 1980s and early 1990s suggests that the economic reforms had a significant favourable impact on the GFCF. However, the growth rate of the capital formation in the unregistered manufacturing sector declined significantly in the post-liberalization periods. It implies that the unregistered manufacturing sector failed to obtain any benefit from the economic reform measures associated with the GFCF.

Concluding Remarks

Considerable amount of conflicting findings are present in the context of impact of reform measures on the emerging economies. The economic reform measures were initiated in India during late 1980s and later on broader pro-market and more comprehensive liberalization policies were taken up during 1991. The analysis of the macroeconomic fundamentals and the manufacturing sector clearly suggests that liberalization was very much positive for our economy. The registered and unregistered manufacturing grew more in the post-liberalization period as compared to that in the pre-reform regime. Similarly the GFCF was also positively affected by the liberalization measures as indicated by the higher growth rate of GFCF in the post-reform regime as compared to that in the pre-liberalization era. Considering the intense problem of unemployment in India, the manufacturing sector has to be strengthened because the growth of this sector not only generates huge number of employment opportunities but also improves the Balance of Payment. MA

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2009sumitbu@gmail.com
debasishsur@yahoo.co.in

Reform in Post Liberalization Period - Corporate Income Tax

Dr. Anirban Ghosh
Associate Professor of Commerce
Netaji Subhas Open University
Kolkata

The basic objectives of fiscal reforms particularly after 1991 have been to reduce the fiscal deficits to sustainable levels by expenditure management and resource mobilization through rationalization of taxes and duties, widening tax base, modernizing tax administration etc. Therefore in any economic reform process tax reform is essential to make the business environment investment friendly. Since 1991, tax reforms have been an integral part of the economic reform in India. The overall objectives of tax reforms were to increase the revenue generating capacity facilitating economic growth by rendering the system more efficient, promoting the savings and investments and making taxation more equitable.

Income tax being an integral part of fiscal policy is a unique instrument in the hands of the government to raise resources. It is also an important tool to promote social welfare. Liberalization and Globalization has opened the doors for foreign investment, transfer of goods, mobility of capital and human resources from one country to another country. Any change in the income tax law of a country affects not only the investment decisions of its citizens but also the decisions of the rest of world whether to invest or not in that country. The success of any tax system depends not only upon its structure and rates but it also depends on how the tax is administered.

Economic growth relies heavily on raising the rate of savings and the level of investment. Taxation reforms in low income and developing economies like India may yield beneficial results in terms of reductions in the marginal rates of personal income tax and corporate income tax. In 1991, the then Central Government introduced economic reforms to meet the economic crisis prevailing in the country. The transition from a public sector based, heavy industry dominated economy to market led economy has necessitated systematic changes in the tax system. In the open economy under LPG model the tax system should not only raise the necessary revenues to provide the social and physical infrastructure but also minimize the distortions which implies reducing the marginal rates of both direct and indirect taxes so, the tax system has to adjust to the requirements of a market economy to ensure international competitiveness. The tax system should be comprehensive, simple and transparent. So the reforms have been to broaden the tax base, reduce the tax rates and lower the rate differentiation both in direct and indirect taxes. The broadening of the tax base helps ensure horizontal equity. Horizontal equity implies strengthening of the tax administration with reduction in the administrative costs.

Phases of Tax Reforms in India

In 1958 Government of India formed the Direct Taxes Administration Enquiry Commission' under the Chairmanship of Sri Mahavir Tyagi. The task of the commission was to find out the means of prevention of tax evasion and to remove difficulties of tax payers. On the basis of their recommendations, the Government of India appointed Nicholas Kaldor to suggest reform on Indian Taxation Policy. Professor Kaldor recommended the introduction of expenditure tax. This tax was levied but it was not cost effective and there were also difficulties in determination and collection of tax. So it was abolished w.e.f. 1st April,1962.

Keeping in mind the operational problems of the Income Tax Act,1922 and on the recommendation and suggestions of several

Since 1991, the tax reforms have been an integral part of economic reforms in India. Following the recommendations of Tax Reform Committee (headed by Dr. Raja J. Chelliah), the central taxes have been streamlined with the rates having been reduced and rationalized with an objective of widening the tax base. The overall objectives of the reforms have been to increase the revenue from tax while at the same time facilitating the economic growth by rendering system more efficient, providing fewer but effective incentives for savings and investments and making taxation more equitable. Since 1991, the central government has taken various steps in respect of taxation policy to make India investment friendly for MNCs also. Over the years, the company form of organization is increasing its importance in India. This is evident from the fact that the contribution of corporate tax both in absolute terms and as a percentage of total direct tax revenue of the centre is increasing. The corporate income tax contributes major part in the total direct taxes of the revenue collected by the central government. Tax reforms of 1991 were necessary because in the absence of these reforms the Indian economy would have been isolated in world economy.

committees, members of the public, chamber of commerce and industries and other interested persons a new bill namely Income Tax Bill,1961 was introduced in the Lok Sabha on 24th April,1961. The Income Tax Act, 1961 was passed in Parliament in September,1961. It came into effect on 1st April,1962. Till now this Act is in force. This Act has been subjected to amendments every year by annual Finance Act. The Income Tax Act, 1961 is an exhaustive tax law. More over the Central Board of Direct Taxes (CBDT) is empowered to amend rules to clarify instructions as and when it becomes necessary. The Income Tax Act, 1961 was amended in 1967 following the recommendations of 'Boothalingam Committee'. The recommendation of this committee for simplification of tax system was adopted. The Direct Taxes Enquiry Committee under the Chairmanship of Mr. K. N. Wanchoo, former Chief Justice of Supreme Court in 1970 was constituted to study the problem of black money, tax evasion, tax avoidance and tax arrears. The committee submitted its report on 31st December,1971. The committee was of the opinion that the high rates of tax was the major cause of tax evasion and made several recommendations to remove the anomalies in the tax system which gave berth to tax evasion, black money etc. Again another committee namely the Direct Tax Law Committee headed by Mr. C.C. Chokshi was constituted. The committee was entrusted to make recommendations on tax evasion and better tax compliance. The committee in its report in 1978, recommended the enactment of single direct taxation law substituting various direct tax laws viz. Income Tax Act, gift Tax Act etc. The Government did not implement the recommendations of the committee.

To meet the new challenges of liberalization as initiated in 1991-92, the Government of India appointed a Tax Reform Committee (TRC) headed by Dr. Raja J. Chelliah. The committee recommended changes in the Income Tax Law to remove the anomalies in the taxation system and to bring about rationality and stability in the tax structure. The committee also recommended the modernization of present method of tax administration. The government accepted most of its recommendations to cope with the changed socio-economic condition in the context of globalization. The Task Force headed by Dr. Vijay Kelkar submitted its report in 2002 and recommended to reduce the exemptions, deductions, relief and rebate etc. The reform process began with the Boothalingam Committee Report of 1967 but it gained impetus during 1991-92. The report published by the Tax Reforms Committee headed by Raja J. Cheliah is widely acclaimed as the most comprehensive and analytical treatment of Indian tax policy and reform since independence. This was followed by Shome Committee report which largely updated the Chelliah Committee's recommendations. The reduction in the direct tax rates has not only increased revenue collection but also accelerated economic growth.

The reform process began with the Wanchoo's Direct Taxes Enquiry Committee Report of 1971 and gained impetus during 1989-90. Since then the central government has taken necessary policy to reform the tax system of the country. The mandate of all these reports was to simplify the tax system with an object to improve tax administration and reduce tax exemptions. All the measures of tax reforms focused on i) expanding the tax base, ii) reducing rates of taxes, iii) rationalizing the taxes by removing unnecessary exemptions, iv) providing for tax incentives for infrastructure and export oriented sectors, v) simplification of tax administration through computerization.

Every government in its taxation policy specifies certain part of the income of the assessee to remain out of tax net. This is done to mobilize savings, to encourage various types of economic activities to meet its socio-economic objectives. These concessions generally take the form of exemptions, deductions and tax rebate. The government is however to draw a balance between revenue earnings and concessions. Otherwise this will narrow the tax base and reduce its tax revenues.

Revenue from Corporate tax during the reform period

The most important direct taxes of the central government is the corporate tax. In absolute terms, revenue from the corporate tax has increased from Rs.78.50billion in 1991-92 to Rs.4289.25billion in 2014-15. But during the systematic reform period since 1991, the revenue productivity of the tax system has not shown any remarkable growth. The tax-GDP ratio indicates the percentage of national income that is transferred from private pockets to the public exchequers and hence the relative share of government in disposition of national income. The study of Tax-GDP ratio is important because it signifies the economic ole of the government in the national economy.

The CIT-GDP ratio during 1991-92 to 1995-96 remained virtually stagnant through out the period even the ratio of CIT-direct taxes has declined from 49.12% in 1995-96 to 41.46% in 1997-98. In 1998-99 the contribution of CIT in total direct taxes has increased to 52.64%, as the tax rate reduced from 40% to 35% and the surcharge increased to10% abolishing the provision of applicability surcharge for the companies having total income exceeding of Rs.75,000.00. It increases the CIT-Direct Tax ratio considerably. Again from the year 2006-07, the CIT-Direct Tax increased significantly though the tax rate reduced to 30% but the surcharge increased from 2.5% to 10%.

Table-1 exhibits the contribution of CIT to total direct taxes and GDP during the reform period.

Table-1: Share of corporate tax during the last 25years

Financial Year	Corporate Income Tax (CIT) (in billion Rs.)	CIT as a percentage of total Direct Tax	CIT – GDP Ratio	Direct Tax-GDP Ratio
1991-92	78.50	53.11	1.3	2.71
1992-93	89.00	52.66	1.3	2.75
1993-94	100.60	52.15	1.2	2.75
1994-95	138.20	53.25	1.4	3.60
1995-96	164.87	49.12	1.4	2.80
1996-97	185.67	47.74	1.5	2.70
1997-98	200.16	41.46	1.5	2.40
1998-99	245.29	52.64	1.6	2.60
1999-2000	306.92	52.95	1.6	2.90
2000-01	356.96	52.26	1.7	3.30
2001-02	366.09	52.90	1.6	3.00
2002-03	461.72	55.57	1.9	3.40
2003-04	635.62	60.48	2.3	3.81
2004-05	826.80	62.27	2.7	4.22
2005-06	1012.77	61.23	3.1	4.61
2006-07	1443.18	62.69	3.9	5.55
2007-08	1929.11	61.79	3.8	6.67
2008-09	2133.95	63.93	4.4	5.93
2009-10	2447.25	64.73	3.7	5.84
2010-11	2986.88	66.83	2.99	5.73
2011-12	3232.24	65.32	3.23	5.51
2012-13	3563.26	64.35	3.56	5.48
2013-14	3946.78	62.30	3.95	5.56
2014-15	4289.25	62.31	4.51(BE)	5.67

Source: Data compiled from Annual Reports RBI, different years

As the CIT-Direct Tax ratio increased from the financial year 1998-99, the CIT-GDP ratio has also increased because the CIT contributes more than 60% of total direct taxes during the later part of the period under consideration.

Reforms in Corporate Income Tax

The tax reform initiated in post liberalization period attempted to simplify the tax rate considerably with the objective of widening the tax base and better tax compliance. As the present paper deals with the corporate sectors, the reforms in the area of direct tax initiated by the government with their impact on the corporate performances will be highlighted. The government recognized the importance of the corporate sector in the task of industrialization of the country. The company forms of organization represents the major economic activities of the country and their incomes have been brought under the tax net along with industries and other assessees. It is through Income Tax Act, company's income is assessed to tax and through various incentives they are induced to invest in specific projects, industries and regions.

The improvement in the CIT collection which has been experienced in the latter part despite the scaling down of income tax rate during the post-reform period could be attributed to expansion in the tax base through introduction of innovative schemes, extension of the tax bases for calculation of tax deduction at sources and improvement in the tax administration and its restructure. The rate of corporate tax was around 50-65 percent in the pre-liberalization period but in the post-liberalization period from assessment year 1991-92 to 2006-07, the corporation tax rates were reduced in phases to bring them at par with international standard. Earlier, there was a distinction between the widely held companies and different closely held companies in the income tax provision and accordingly, the tax rates also varied. The tax rate varied from 40% to 50% for such companies. The existing distinction between the domestic companies in which the public are substantially interested (widely held company) and those in which the public are not substantially interested (closely held company) has been abolished by the Finance Act 1995 and the unified rate of tax for the companies has been reduced to 40%. Abolition of distinction between two types of domestic companies (widely held and closely held) and reduction in the tax rates on companies was a welcome move because this initiative helps increase the profitability of companies and thus boost the capital market through increased return for the investors and plough back of profits for future expansion. This move also helped increase the competitiveness of Indian companies with their counterparts in foreign countries and also with foreign companies which wanted to set up their business in India under the new economic policy initiated in the year 1991-92. The basic tax rate was again reduced to 35% in the financial year 1998-99 and was effective up to the financial year 2005-06. Again from the financial year 2006-07, the tax rate was reduced from 35% to 30% (Table 2). But due to large number of tax concessions, incentives, the effective rate of tax usually becomes much lower than that of normal tax rate.

Table 2: Rate of corporate income tax during the last 25years

Financial Year	Corporate income Tax (%)	Surcharge
1990-91	50, 60*	8% applicable if the total income exceeds Rs.50,000.
1991-92	40, 50*	15% applicable if the total income exceeds Rs.75,000
1992-93	45, 50*	15% applicable if the total income exceeds Rs.75,000
1993-94	45, 50*	15% applicable if the total income exceeds Rs.75,000
1994-95	40, 50*	15% applicable if the total income exceeds Rs.75,000
1995-96	40	15% applicable if the total income exceeds Rs.75,000
1996-97	40	15% applicable if the total income exceeds Rs.75,000
1997-98	40	7.5% applicable if the total income exceeds Rs.75,000
1998-99	35	NIL
1999-2000	35	NIL
2000-01	35	10%
2001-02	35	13%
2002-03	35	2%
2003-04	35	5%
2004-05	35	2.5%
2005-06	35	2.5%
2006-07	30	10%
2007-08	30	10%
2008-09	30	10% for the companies having total income more than Rs.1crore

Financial Year	Corporate income Tax (%)	Surcharge
2009-10	30	-do-
2010-11	30	-do-
2011-12	30	7.5% for the companies having total income more than Rs.1crore
2012-13	30	5% for the companies having total income more than Rs.1crore
2013-14	30	5% for the companies having total income more than Rs.1crore
2014-15	30	5% for those companies having total income exceeding Rs1crore but below Rs.10crore 10% for the those companies having total income exceeding Rs.10crore
2015-16	30	7% for those companies having total income exceeding Rs1crore but below Rs.10crore 12% for the those companies having total income exceeding Rs.10crore

*Tax rate applicable for Closely held companies

Source: Finance Act of different years.

The surcharge on corporation income tax in domestic companies was continuously changed. So there was complete ad-hocism in case of surcharge on company taxes. During the initial phases of the liberalization period (1991-92 to 1997-98), the surcharge was imposed on companies having total income exceeding Rs.75,000. From the financial year 1998-99 to 2007-08 there was no such limit of total income for charging the surcharge, though the rate varied between 2% to 13%. Without changing the basic tax rate, the surcharge has been changed for some years which results in change of tax liability of the companies. From the financial year 2008-09, there was an important change in providing the surcharge. The surcharge @10% was made applicable for those companies whose total income exceeds Rs1crore. This was a welcome step for the small and medium enterprises for investment. With effect from 2014-15, the benefit of marginal relief was extended to the companies whose total income is more than Rs.1crore but less than Rs10crore. The marginal relief was provided to ensure that the additional amount of income tax payable including surcharge, on the excess income over Rs.1crore is limited to the amount by which the income is more than the prescribed limit. The revenue from corporate tax has been increased after the reforms were initiated in spite of the fact that the rates of tax have been reduced significantly (Table 1).

Although the nominal rates were high, the effective rates were substantially lower due to generous tax incentives like depreciation allowance, tax preferences etc. Tax incentives were first introduced in the form of initial depreciation through the Income Tax Act,1922 and since then they have remained as an integral part of tax law, though they have been changed and modified to meet the needs of rapid industrialization of the country from year to year.

Minimum Alternate Tax

It came to the notice of the government that there were companies having huge profits and paying dividend to shareholders but were not required to pay any tax as per Income Tax Act because of a large number of deductions/ incentives allowed under the Act. To eliminate this form of tax avoidance by zero tax companies, provision of minimum alternate tax (MAT) was introduced w.e.f. the financial year 1997-98. It was amended by inserting section 115JAA allowing those companies paying MAT to take a partial credit against income tax liability in following years. Over the years, the rate of MAT has been changed. To overcome the complication in the calculation of MAT under section 115JA, a new section was introduced namely section 115JB for the MAT provision w.e.f. 2001-02. Presently, the companies registered under the Companies Act are required to compute the tax liability (a) as per normal provision of the Income tax Act and (b)as per provision of MAT. The company will be liable to pay tax which ever is higher of (a) & (b). However, the company will be entitled for the tax credit if it pays the MAT. The strongest argument in favour of MAT rests on equity. The existence of zero-tax companies is contrary to the concept of horizontal equity. With the imposition of MAT, the corporate tax burden would be distributed more equitably. The Task Force (Government of India, 2002) observed that provisions of MAT were a sore point with industry and trade and recommended its abolition under both alternative packages of recommendations along with elimination of almost all deductions except the donations to charitable institution and scientific research / rural development. The elimination of these exemptions will bring most of the present 'zero-tax companies' under the tax net even without MAT.

Incentives for infrastructure development and industrialization

Availability of adequate infrastructure facilities is vital for accelerating the economic development of the country. Long-term finances is required for the development of infrastructure. For the development infrastructural facility in the country, since 1991, tax incentives in the form of tax holidays are being granted to various sectors. Tax incentive programmes provide an opportunity to the tax payer to have more after tax income at their disposal so that they can invest more in such economic activities as the government chooses their growth for overall growth of the country. In a country like ours characterized by low rate of savings and investments the government allows concessions and benefits to the companies as a part of its fiscal policy. Tax incentives as an instrument of fiscal policy if applied judiciously helps mobilize savings and investments by reducing their tax liability.

Each incentive is designed to achieve a specific purpose and the government has to check whether the purpose is being fulfilled. It may be given to build infrastructure, to promote scientific research, to enhance export, to develop industrially backward regions to rehabilitate the loss making units etc. Thus these incentives are designed to encourage investments in a particular industry or a specified geographical area.

The corporate income taxation in India provides for a large number of tax concessions to encourage investment in selected sectors of the economy. The various fiscal/ tax incentives provided by the Income Tax Act are summarized below.

Table 3: Specific incentives available to certain industries

Industries	Nature of expenses/Income	Incentives with Sections
Tea	✷ Growing & manufacturing tea in India ✷ Contribution to Tea Development A/C	Section 33A Section 33AB (w.e.f AY 1990-91)
Shipping business	✷ To acquire new ships	Section 33AC (w.e.f AY 1996-97)
New Industrial undertaking	✷ Employment of new workmen	Section 80JJAA (w.e.f AY 1999-00)
Newly established Industrial units or hotel business in backward areas	✷ New units for hotel or industry	Section 80HH (w.e.f AY 1974-75 to 2000-01)
Project outside India	✷ Foreign Project Reserve A/C	Section 80HHB (w.e.f AY 1983-84 to2005-06)
Exporters, Supporting manufacturers	✷ Foreign exchange	Section 80HHC (w.e.f AY 1983-84 and revised from 1986-87 to 2005-06)
Hotel business/ travel agent	✷ Expenses for foreign tourists & Foreign exchange earned.	Section 80HHD (w.e.f AY 1988-89 to 2005-06)
Computer software	✷ Export of Computer software & Foreign exchange earned.	Section 80HHE (w.e.f AY 1991-92 to2005-06)
Film software	✷ Export of film software	Section 80HHF(w.e.f AY 2000-01 to 2005-06)
New Industrial undertaking in Free Trade Zones (FTZ)	✷ New industrial undertaking with certain conditions	Section 10A (w.e.f AY 1994-95 to 2009-10)
New Industrial undertaking in Special Economic Zones	✷ New industrial undertaking with certain conditions	Section 10AA (w.e.f AY 2000-01)
New Industrial undertaking in 100% export oriented	✷ New industrial undertaking with certain conditions	Section 10B (w.e.f AY 1994-95)
Newly established Industrial units	✷ hand made articles with artistic value	Section 10BA (w.e.f AY 1994-95 to 2009-10)
Newly established Industrial units	✷ Integrated Infrastructure Development Centre or Industrial Growth Centre in North Eastern region	Section 10C (w.e.f AY 1998-99 to 2003-04)
Infrastructure Development undertaking	✷ New industrial undertaking with certain conditions	Section 80-IA (w.e.f AY 1991-92)
Industrial Undertakings	✷ New industrial undertaking with certain conditions	Section 80-IB (w.e.f AY 2000-01)
Undertakings /Enterprises in special category States	✷ New industrial undertaking with certain conditions	Section 80-IC (w.e.f AY2004-05)

All the above concessions/ incentives have been provided during the post liberalization period. The rate of concession/ exemptions varied to cope up with the socio-economic condition of the country through the Finance Acts.

Section 80HHB, Section 80HHC, Section 80HHE, Section 80HHF were provided by the Income Tax Act to encourage the export houses to earn foreign exchange. Tax incentives under these sections have been provided with the objective of export of various goods and services like hotel business, computer software, film software etc. From the assessment year 2001-02, section 80HHB, Section 80HHC, Section 80HHD, Section 80HHE, Section 80HHF have been amended to phase out the deductions, allowable under these sections over a period of five years. These sections have been deleted from the assessment year 2005-06 without showing any reason and assessing their effectiveness in the corporate sector. Section 80-IA, 80-IB, 80-IC were inserted to provide the tax holidays for development of infrastructural facilities in different regions as well as to promote different sectors. Tax holiday plays a vital role in encouraging the companies to enter into new projects which have a direct bearing on the development of an economy and /or infrastructure development. It also helps to a great extent to provide fund for new capital equipments by way of substantially reducing the tax. It is beneficial to capital intensive projects as it would reduce the cost of capital equipment wherever it is allowed on capital investment. On the other hand, in case of labour intensive projects, it is equally more conductive to foster growth when tax holiday is allowed in terms of number of people employed.

Effect of tax incentives

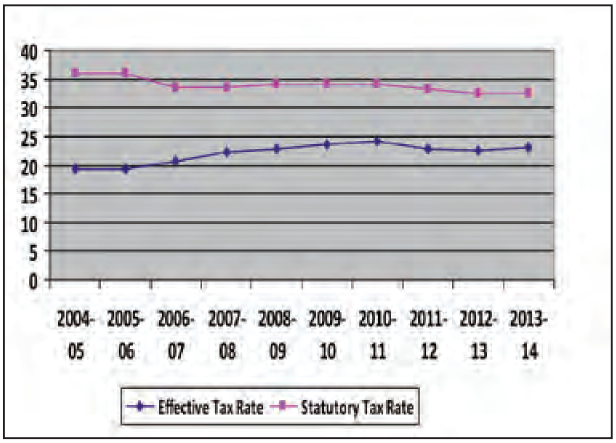
The primary objective of any tax system and its administration is to raise revenue for the purpose of funding government expenditure. The amount of revenue raised is dependent upon the tax base and the effective tax rates. The tax base and the effective tax rates depend on the exemptions, deductions, rebates, tax holidays etc. provided by the Act. Though, these tax preferences are popular means to attract industries, they are very often criticized for reduction in the tax base and loss of revenue. The tax preferences may also be termed as "tax expenditure" or "revenue foregone". The revenue foregone statement was first placed before the parliament during the budget 2006-07.

Table-4:Average Effective Tax Rate and Statutory Tax Rate

Financial Year	Average Effective Tax Rate (%)	Statutory Tax rate (%) including SC & Cess
2004-05	19.37	35.87
2005-06	19.26	35.87
2006-07	20.60	33.66
2007-08	22.24	33.66
2008-09	22.78	33.99
2009-10	23.53	33.99
2010-11	24.10	33.99
2011-12	22.85	33.22
2012-13	22.44	32.44
2013-14	23.22	32.44

Source: Budget documents of different years

For the purpose of estimating the tax expenditure, the Income Tax Department conducts a survey on a specific sample of companies both public and private on the basis of electronically submitted return. As per Finance Act 2014, the survey was conducted on 618806 companies. The survey shows that the effective tax rate was 20.97% for the companies having the profit before tax (PBT) of Rs.500Crore or more while the effective tax rate for companies having the PBT not more than Rs1crore was 26.73%. Thus, the effective tax rate of 26.73% for the smaller companies was close to the statuary tax rate. The survey reports of earlier years also show that the gap between the effective tax rate and statutory tax rate for smaller companies is less than that of big companies. According to the survey reports, this gap is being narrowed down over the years due to phasing out the profit linked deduction/ tax preferences and MAT. Table 4 exhibits the average effective tax rate corresponding to the statutory tax rate. It is clear from the above table and the below figure, during the reform period, systematic tax reform process has been able to minimize the gap between the two tax rates.



Reform in Tax Administration

The most important ongoing reform in recent years is in tax administration. Expansion of the scope of tax deduction at source is one of the significant measures to bring more people under the tax net. On the basis of recommendations of Kelkar Committee, computerized information system has been developed in direct taxes. While the issue of Permanent Account Number (PAN) has been simplified by outsourcing it to the UTI Investors' Ltd., the work of Tax Information Networking (TIN) has been outsourced to the National Securities Depository Ltd. (NSDL). The Online Tax Accounting System (OLTAS) was also introduced in July, 2004. The web based utilities like e-filing of return, e-payment of taxes, online facility for application of PAN, TIN, Tax deduction account number are some of the initiatives taken by the department as part of the administrative reforms. In addition to the IT initiatives, the Income Tax Department is continuously making aware the assesses about the timely payment of taxes through newspaper, television and poster in the public places etc. These provide valuable assistance to public in general.

Conclusion

No economic reforms can succeed without ensuring adequate growth of exports of goods and services to long term viability of the economy of the country. Any reform is a continuous process. The tax reform is also a continuous process. The tax system in India is also being changed to encourage the export business, to set up new industry in specific areas and also to attract foreign investment in India like FDI, FII etc. The direct tax regime that is transparent, clear and simple to understand is very good for the economy as a whole. As tax payers, we need to encourage any sincere attempts by the Government to amend the tax laws keeping the ever changing economic and social environment in mind. The amendments in procedures of administering the taxing statutes are also a continuous process. Provisions of TDS, PCS, advance tax etc. get change following the need of the economy. In recent years, there has been a sea change so far as the procedure of filing return, deposit of tax etc. The government tries to utilize the latest available technologies to simplify the process. All these initiatives have been taken to broaden the tax net and to minimize the tax avoidance. It is thus clear that during the post liberalization period, the government of India has tried to make the tax system integrated, broad based and have less tax preferences. MA

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anirban1972@gmail.com

Insolvency Resolution Process, Liquidation and Opportunities for CMAs under IBC, 2016

CMA J K Budhiraja
Senior Director (Technical)
The Institute of Cost Accountants of India
New Delhi

In continuance to my Article: *"Opportunities for CMAs in Insolvency and Bankruptcy Code 2016"* published in Management Accountant- October 2016 issue, wherein I gave snapshot of provisions of *"Insolvency and Bankruptcy Code, 2016"* (IBC2016 or Code), reasons why the Government brought IBC 2016, some statistics relating to Bankruptcy in India, roles of Insolvency Professionals (IPs), Insolvency Professional Agencies (IPAs), Information Utilities (IUs) etc.

IBC, 2016 was notified by the Government of India on 28th May 2016. The Act consolidates and amends the laws relating to reorganisation and insolvency resolution of corporate persons, partnership firms and individuals in a time bound manner for maximisation of value of assets of these persons, to promote entrepreneurship, availability of credit and balance the interests of all the stakeholders. IBC 2016 also altered the order of priority various payment dues; and put the payments of workmen's dues in foremost priority over Government dues. The payments of Government dues are kept after payment of financial debts owed to unsecured creditors. IBC 2016 provides the complementary ecosystem for the insolvency law, and aims to ensure smoother settlement of insolvency cases, enable faster turnaround of businesses and provide for creating a database of creditors.

Before this Code, there was no single law dealing with insolvency and bankruptcy in India. Liquidation of Companies is handled by the *High Courts*; individual cases are dealt with under the *Presidency Towns Insolvency Act, 1909 and Provincial Insolvency Act, 1920. The other laws which deal with issues include Sick Industrial Companies (Special Provisions) Act (SICA), 1985; Recovery of Debt Due to Banks and Financial Institution Acts, 1993, the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 and Companies Act, 2013*. The Code consolidates these insolvency laws to bring them under one umbrella.

Is meaning of Insolvency and Bankruptcy same?

The meaning of Insolvency and Bankruptcy is not same. ***"Insolvency"*** means the situation where an entity (debtor) cannot raise enough cash to meet its obligations or to pay debts as they become due for payment. Symptom of Insolvency may include: poor cash management, increase in cash expenses, or decrease in cash flow etc. ***"Bankruptcy"*** occurs when a court has determined insolvency, and has given legal orders for resolution. On declaring the person as bankrupt, the court is responsible to liquidate the personal property of the insolvent and distribute the property amongst the creditors of the insolvent debtors.

Thus Insolvency is a situation where a debtor is unable to meet his obligations and the Bankruptcy is a legal process by which an insolvent debtor seeks relief.

Under IBC 2016, a bankrupt entity is a debtor who has been adjudged as bankrupt by an adjudicating authority that has passed a bankruptcy order. The adjudicating authority under the IBC is ***"National Company Law Tribunal (NCLT)"*** for Corporate Debtors (Companies & LLPs) and the ***"Debt Recovery Tribunal (DRT)"*** for individuals and partnership firms.

Snapshot of Insolvency and Bankruptcy Code 2016

1. The Code provides time bound insolvency resolution process– 180 days after the process is initiated, plus a 90-day extension – for resolving insolvency.

2. The Code also provides for FAST TRACK INSOLVENCY RESOLUTION PROCESS– 90 days after the process is initiated, plus a 45-day extension – for resolving insolvency in fast track mode.

3. The following are authorities through which the Insolvency and Bankruptcy Process would be implemented under the Code:
   (i) Insolvency and Bankruptcy Board of India (IBBI)
   (ii) Insolvency Professional Agencies (IPAs)
   (iii) Insolvency Professionals (IPs)
   (iv) Information Utilities (IUs)
   (v) Adjudicating Authorities:
   - **(a) For Corporate Persons (Companies & LLPs)-** National Company Law Tribunal (NCLT) having territorial jurisdiction over the place where the registered office of the corporate person is located.
   - **(b) For Individuals and Partnership Firms-** Debt Recovery Tribunal (DRT) having territorial jurisdiction over the place where the individual debtor actually and voluntarily resides or carries on business or personally works for gain and can entertain an application under IBC 2016 regarding such person.

   (vi) Appellate Authorities:
   - **(a) For Corporate Persons (Companies & LLPs)-** National Company Law Appellate Tribunal (NCLAT), any person aggrieved by order of NCLT may file appeal to NCLAT within 30 days of such order.
   - **(b) For Individuals and Partnership Firms-** Debt Recovery Appellate Tribunal (DRAT), any person aggrieved by order of DRT may file appeal to DRAT within 30 days of such order.

4. **Civil court not to have jurisdiction:** No civil court or authority shall have jurisdiction to entertain any suit or proceedings in respect of any matter on which NCLT, NCLAT, DRT and DRAT has jurisdiction under this Code.

5. **Appeal to Supreme Court:** Any person aggrieved by an order of the National Company Law Appellate Tribunal or Debt Recovery Appellate Tribunal as the case may be, may file an appeal to the Supreme Court on a question of law arising out of such order under this Code within forty-five days from the date of receipt of such order.

6. **IBC 2016 provides for two categories of Creditors:** financial creditors and operational creditors. The Code provides different process for recovery of debts by these creditors from the debtors;

7. The IBC 2016 deals separately for Corporate Insolvency (Part II of the Code) and Individual and Partnership Bankruptcy (Part III of the Code);

8. Some of the persons as per section 11 of the IBC 2016 are not entitled to initiate insolvency resolution process;

9. When Insolvency Resolution Process (IRP) starts, Adjudicating Authority (NCLT) declares "Moratorium". Then no suit or other legal proceeding shall be instituted by or against the corporate debtor, restricts transferring the assets of corporate debtors and recovery of any property by an owner or lessor where such property is occupied or in possession of the corporate debtor. Similar process is given for Adjudicating Authority (DRT).

10 Where insolvency process fails, the Adjudicating Authority (NCLT) will pass an order under section 33 of the Code. Subject to section 52 (Secured Creditors in Liquidation Proceedings), when a liquidation order has been passed, no suit or other legal proceeding shall be instituted by or against the corporate debtor;

11. Section 52 (Secured Creditors in Liquidation Proceedings) is unique provision in the IBC 2016 that allows the secured creditor to relinquish its security interest to the liquidation estate and receive proceeds from the sale of assets by the liquidator in the manner specified in section 53; or realise its security interest in the manner specified in this section.

12. The order for liquidation under this section shall be deemed to be a notice of discharge to the officers, employees and workmen of the corporate debtor, except when the business of the corporate debtor is continued during the liquidation process by the liquidator.

Who can be Insolvency Professionals under IBC 2016?

Vide Regulation 5 of the Insolvency and Bankruptcy Board of India (Insolvency Professionals) Regulations 2016issued vide Gazette Notification IBBI/2016-17/GN/REG003dated 23rd November 2016, to become "Insolvency professional" the following qualifications and experience have been provided:

5.Subject to the other provisions of these Regulations, an individual shall be eligible for registration, if he-

(a) has passed the National Insolvency Examination;

(b) has passed the Limited Insolvency Examination, and has fifteen years of experience in management, after he received a Bachelor's degree from a university established or recognized by law; **or**

(c) has passed the Limited Insolvency Examination and has t**en years of experience as** -

(i) a chartered accountant enrolled as a member of the Institute of Chartered Accountants of India,

(ii) a company secretary enrolled as a member of the Institute of Company Secretaries of India,

(iii) a cost accountant enrolled as a member of the Institute of Cost Accountants of India, or

(iv) an advocate enrolled with a Bar Council.

How I can become Insolvency Professional under IBC 2016?

Regulation 4 of the Insolvency and Bankruptcy Board of India (Insolvency Professionals) Regulations 2016 issued vide Gazette Notification IBBI/2016-17/GN/REG003 dated 23rd November 2016 provides the following eligibility criteria:

4. No individual shall be eligible to be registered as an insolvency professional if he-

(a) is a minor;

(b) is not a person resident in India;

(c) does not have the qualification and experience specified in Regulation 5 or Regulation 9, as the case may be;

(d) has been convicted by any competent court for an offence punishable with imprisonment for a term exceeding six months or for an offence involving moral turpitude, and a period of five years has not elapsed from the date of expiry of the sentence:

Provided that if a person has been convicted of any offence and sentenced in respect thereof to imprisonment for a period of seven years or more, he shall not be eligible to be registered;

(e) he is an undischarged insolvent, or has applied to be adjudicated as an insolvent;

(f) he has been declared to be of unsound mind; or

(g) he is not a fit and proper person;

Explanation: For determining whether an individual is fit and proper under these Regulations, the Board may take account of any consideration as it deems fit, including but not limited to the following criteria-

(i) integrity, reputation and character,

(ii) absence of convictions and restraint orders, and

(iii) competence, including financial solvency and net worth.

To become an Insolvency Professional, the **Regulation 6** of the said Regulations inter-alia states that an individual enrolled with an insolvency professional agency as a professional member may make an application to the Board in Form A of the Second Schedule to the said Regulations, along with a non-refundable application fee of ten thousand rupees to the Board. **Regulation 7** of the said Regulations states that if the Board is satisfied, after such inspection or inquiry as it deems necessary that the applicant is eligible under these Regulations, it may grant a certificate of registration to the applicant to carry on the activities of an insolvency professional in Form B of the Second Schedule to these Regulations, within sixty days of receipt of the application, excluding the time given by the Board for presenting additional documents, information or clarification, or appearing in person, as the case may be.

Is there any transitional period during which I as a Cost Accountant can become Insolvency Professional?

Yes. **Regulation 9** of the Insolvency and Bankruptcy Board of India (Insolvency Professionals) Regulations 2016 provide for registration of some of the professionals including Cost Accountants. **Regulation 9** inter-alia provides the following:

9(1): Notwithstanding any of the provisions of Regulation 5, an individual shall be eligible to be registered for a limited period as an insolvency professional if he-

(a) has been 'in practice' for fifteen years as-

(i) a chartered accountant enrolled as a member of the Institute of Chartered Accountants of India,

(ii) a company secretary enrolled as a member of the Institute of Company Secretaries of India,

(iii) ***a cost accountant enrolled as a member of the Institute of Cost Accountants of India,*** or

(iv) an advocate enrolled with a Bar Council; and

(b) submits an application for registration in Form A of the Second Schedule to these Regulations to the insolvency professional agency with which ***he is enrolled on or before 31st December, 2016 along with a non-refundable application fee of five thousand rupees*** which shall be collected by such insolvency professional agency on behalf of the Board.

9(2): The insolvency professional agency shall submit to the Board the fee collected and the details of the applications received under sub-regulation (1)(b).

9(3): An individual referred to sub-regulation (1) ***shall be registered for a limited period*** upon submission of the details and fee to the Board under sub-regulation (2), ***which shall be valid for a period of six months*** from the date of such submission.

We have Partnership Firm of Practicing Cost Accountants; can a Firm become Insolvency Professional under IBC 2016?

Yes. **Regulation 12** recognizes some the entities who can become Insolvency Professionals. Provisions of Regulation 12 (1) are as follows:

12(1): A limited liability partnership, a registered partnership firm or a company may be recognised as an insolvency professional entity if-

(a) a majority of the partners of the limited liability partnership or registered partnership firm are registered as insolvency professionals; or
(b) a majority of the whole-time directors of the company are registered as insolvency professionals, as the case may be.

Regulation 13(3) provides: An insolvency professional entity shall be jointly and severally liable for all acts or omissions of its partners or directors as insolvency professionals committed during such partnership or directorship.

Shall I as a Professional Member of IPA, liable to Code and Conduct prescribed by the Institute of Cost Accountants of India for its members OR any other Code and Conduct?

As the Institute of Cost Accountants of India is incorporating its separate section 8 company under the Companies Act, 2013 to function as "Insolvency Professional Agency (IPA)" under the provisions of the Insolvency and Bankruptcy Code 2016, accordingly role and responsibilities of IPA under the IBC 2016 shall be different from the Cost and Works Accountants Act, 1959 and Regulations thereof. Thus the Code and Conduct applicable to Professional Members of IPA shall be those as prescribed under FIRST SCHEDULE of the Insolvency and Bankruptcy Board of India (Insolvency Professionals)Regulations, 2016.

What are functions and duties of Insolvency Professionals under IBC 2016?

As per the provisions of Section 208: (1) Where any insolvency resolution, fresh start, liquidation or bankruptcy process has been initiated, ***it shall be the function of an insolvency professional*** to take such actions as may be necessary, in the following matters, namely:—

(a) a fresh start order process under Chapter II of Part III;
(b) individual insolvency resolution process under Chapter III of Part III;
(c) corporate insolvency resolution process under Chapter II of Part II;
(d) individual bankruptcy process under Chapter IV of Part III; and
(e) liquidation of a corporate debtor firm under Chapter III of Part II.

(2) Every insolvency professional shall abide by the following code of conduct:—

(a) to take reasonable care and diligence while performing his duties;
(b) to comply with all requirements and terms and conditions specified in the bye-laws of the insolvency professional agency of which he is a member;
(c) to allow the insolvency professional agency to inspect his records;
(d) to submit a copy of the records of every proceeding before the Adjudicating Authority to the Board as well as to the insolvency professional agency of which he is a member; and
(e) to perform his functions in such manner and subject to such conditions as may be specified.

Duties of Members (Insolvency Professionals):

Under Clause VII of Schedule- Regulation 13 of the Model Bye-Laws, the following duties of members (Insolvency Professionals) are mentioned:

13(1): In the performance of his functions, a professional member shall-

(a) act in good faith in discharge of his duties as an insolvency professional;

(b) endeavour to maximize the value of assets of the debtor;

(c) discharge his functions with utmost integrity and objectivity;

(d) be independent and impartial;

(e) discharge his functions with the highest standards of professional competence and professional ethics;

(f) continuously upgrade his professional expertise;

(g) perform duties as quickly and efficiently as reasonable, subject to the timelines under the Code;

(h) comply with applicable laws in the performance of his functions; and

(i) maintain confidentiality of information obtained in the course of his professional activities unless required to disclose such information by law.

Who can be appointed as Resolution Professional, Interim ResolutionProfessional, Liquidator and Bankruptcy Trustee under IBC 2016?

Insolvency Professionals can be appointed as Interim Resolution Professional; Resolution Professional; Liquidator; or Bankruptcy Trustee. *"Interim Resolution Professional"* is appointed by Adjudicating Authority under Section 16 of Code based on the proposal of creditors under Section 9(4) of the Code. *The term (Time period) of "interim resolution professional" shall not exceed thirty days from the date of his appointment.*

As provided in section 22 of the code, the first meeting of the committee of creditors shall be held within *seven days* of the constitution of the committee of creditors. The committee of creditors may in its first meeting either resolve to appoint the *"interim resolution professional"* as a *"resolution professional"* or to replace the interim resolution professional by another resolution professional.

As provided in section 34, where the Adjudicating Authority passes an order for liquidation of the corporate debtor under section 33, the *"resolution professional"* appointed for the corporate insolvency resolution process under Chapter II of the Code shall act as the *"liquidator"* for the purposes of liquidation unless replaced by the Adjudicating Authority under sub-section *(4)*.

As provided in section 125 of the Code, on the directions of the Adjudicating Authority, the Board shall appoint the bankruptcy trustee based on the recommendation of debtor or creditors under section 122 or section 123. Where a bankruptcy trustee is not proposed by the debtor or creditor under section 122 or 123, the Adjudicating Authority shall direct the Board to nominate a bankruptcy trustee for the bankruptcy process. Accordingly, the Board shall nominate a bankruptcy trustee.

What are the duties and powers of the interim resolution professional?

The interim resolution professional, may, from the insolvency commencement date, require the following persons to report to, take instructions from and extend all cooperation to him, in all matters arising from and in connection with the terms of their engagement with the corporate debtor:

(a) the board of directors, promoters and the members and partners of the corporate debtor, the personnel, the officers and managers, and any other person associated with the management of the business and operations of the corporate debtor;

(b) the auditors and other professional advisors, if any, of the corporate debtor; and

(c) the financial institutions maintaining the accounts of the corporate debtor.

In addition to above, the interim resolution professional shall have the authority to access the books of account, records and other relevant documents and information of the corporate debtor held with:

(a) any depositories of securities;

(b) professional advisors of the corporate debtor;

(c) information utilities;

(d) any other registry that records the ownership of assets;

(e) members, promoters, partners, board of directors and joint venture partners of the corporate debtor; and

(f) contractual counterparties of the corporate debtor.

The Interim Insolvency Professional shall also appoint two registered valuers to calculate the liquidation value of the corporate debtor in accordance with Regulations.

What are the powers and duties of the resolution professional?

Section 25(1): It shall be the duty of the resolution professional to preserve and protect the assets of the corporate debtor, including the continued business operations of the corporate debtor.

(2) For the purposes of sub-section (1), the resolution professional shall undertake the following actions, namely:—

(a) take immediate custody and control of all the assets of the corporate debtor, including the business records of the corporate debtor;
(b) represent and act on behalf of the corporate debtor with third parties, exercise rights for the benefit of the corporate debtor in judicial, quasi-judicial or arbitration proceedings;
(c) raise interim finances subject to the approval of the committee of creditors under section 28;
(d) appoint accountants, legal or other professionals in the manner as specified by Board;
(e) maintain an updated list of claims;
(f) convene and attend all meetings of the committee of creditors;
(g) prepare the information memorandum in accordance with section 29;
(h) invite prospective lenders, investors, and any other persons to put forward resolution plans;
(i) present all resolution plans at the meetings of the committee of creditors;
(j) file application for avoidance of transactions in accordance with Chapter III, if any; and
(k) such other actions as may be specified by the Board.

In furtherance to the duties to be performed by the resolution professional under section 25, the resolution professional shall also undertake the following:

(1) manage the operations of the corporate debtor as a going concern;

(2) without prejudice have the authority to enter into contracts on behalf of the corporate debtor or to amend or modify the contracts or transactions which were entered into before the insolvency commencement date;

(3) have the authority to do all acts and to execute, in the name and on behalf of the corporate debtor, all deeds, receipts, and other documents, and for that purpose to use, when necessary, the seal of the corporate debtor, if any; and

(3) to draw, accept, make and endorse any bill of exchange, hundi or promissory note in the name and on behalf of the company, with the same effect with respect to the liability of the corporate debtor as if the bill, hundi, or note had been drawn, accepted, made or endorsed by or on behalf of the corporate debtor in the normal course of its business.

Who can form Insolvency Professional Agency (IPA) under IBC 2016?

Any person can establish Insolvency Professional Agency (IPA) under the IBC 2016subject to fulfilment of eligibility conditions prescribed under Regulation 3 of the Insolvency and Bankruptcy Board of India (Insolvency Professional Agencies) Regulations, 2016 notified by MCA vide Gazette Notification no. IBBI/2016-17/GN/REG001 dated 21st November 2016. The main conditions for establishing IPA is that it shall have bye-laws and governance structure in accordance with the Insolvency and Bankruptcy Board of India(Model Bye-Laws and Governing Board of Insolvency Professional Agencies), 2016; have minimum net worth of Rs. 10 crore and have requisite infrastructure.

As per the provisions of Section 204 of the Code: An insolvency professional agency ***shall perform the following functions,*** *namely:—*

(i) grant membership to persons who fulfil all requirements set out in its byelaws on payment of membership fee;
(ii) lay down standards of professional conduct for its members;
(iii) monitor the performance of its members;
(iv) safeguard the rights, privileges and interests of insolvency professionals who are its members;
(v) suspend or cancel the membership of insolvency professionals who are its members on the grounds set out in its bye-laws;
(vi) redress the grievances of consumers against insolvency professionals who are its members; and
(vii) publish information about its functions, list of its members, performance of its members and such other information as may be specified by regulations.

Duties of the Agency (Insolvency Professional Agency):

Under Clause IV of **Schedule-** Regulation 6 of the Model Bye-Laws, the following duties of Insolvency Professional Agency are mentioned:

6. (1) The Agency shall maintain high ethical and professional standards in the regulation of its professional members.

(2) The Agency shall -

(a) ensure compliance with the Code and rules, regulations and guidelines issued there under governing the conduct of insolvency professional agencies and insolvency professionals;

(b) employ fair, reasonable, just, and non-discriminatory practices for the enrolment and regulation of its professional members;
(c) be accountable to the Board in relation to all bye-laws and directions issued to its professional members;
(d) develop the profession of insolvency professionals;
(e) promote continuous professional development of its professional members;
(f) continuously improve upon its internal regulations and guidelines to ensure that high standards of professional and ethical conduct are maintained by its professional members; and
(g) provide information about its activities to the Board.

To regulate the Professional Members and perform the duties by Agency, what other committees are to be formed by Insolvency Professional Agency (Agency)?

The Insolvency Professional Agency is required to form/ constitute the following committees:

1. **Advisory Committee of Professional Members** to advise the Agency in (a) the development of the profession; (b) standards of professional and ethical conduct; and best practices in respect of insolvency resolution, liquidation and bankruptcy.

2. **Membership Committee** for examining the applications for enrolment of professional members and granting the membership on being satisfied that the professional member meets the criteria of enrolment and matters connected with the professional members.

3. **Monitoring Committee** to monitor the professional activities and conduct of professional members for their adherence to the provisions of the Code, rules, regulations, guidelines and directions issued under IBC 2016.

4. **Grievance Redressal Committee** providing for the procedure for receiving, processing, redressing and disclosing grievances against the Agency or any professional member of the Agency.

5. **Disciplinary Committee** providing for disciplinary mechanism, issuing show-cause notices against professional members, disposal of cases, issuing necessary orders for expulsion, suspension, admonishment of the professional members, imposition of penalty. The Agency may issue show cause notice: (a) based on a reference made by the Grievances Redressal Committee; (b) based on monitoring of professional members; (c) following the directions given by the Board or any court of law; or (d) suo moto, based on any information received by the Agency.

6. **Appellate Panel** to provide for preferring an appeal by an aggrieved person before the Appellate Panel within thirty days from the receipt of copy of the final order from the Disciplinary Committee. Appellate Panel shall dispose of appeal within thirty days of receipt of appeal.

What are the meanings of corporate debtor, corporate person, creditors, financial creditors, operational creditors and operational debt under IBC 2016?

Section 3(8) defines "corporate debtor" means a corporate person who owes a debt to any person.

Section 3(7) defines "corporate person" means a company as defined in clause (20) of section 2of the Companies Act, 2013, a limited liability partnership, as defined in clause (n) of sub-section (1) of section 2 of the Limited Liability Partnership Act, 2008, or any other person incorporated with limited liability under any law for the time being in force but shall not include any financial service provider.

Section 3(10) defines "creditor" means any person to whom a debt is owed and includes a financial creditor, an operational creditor, a secured creditor, an unsecured creditor and a decree holder.

Section 5(7) defines "financial creditor" means any person to whom a financial debt is owed and includes a person to whom such debt has been legally assigned or transferred to.

Section 5(20) defines "operational creditor" means a person to whom an operational debt is owed and includes any person to whom such debt has been legally assigned or transferred.

Section (21) defines "operational debt" means a claim in respect of the provision of goods or services including employment or a debt in respect of the repayment of dues arising under any law for the time being in force and payable to the Central Government, any State Government or any local authority.

Who can initiate corporate insolvency resolution process?

Where any corporate debtor commits a default, a financial creditor, an operational creditor or the corporate debtor itself may initiate corporate insolvency resolution process in respect of such corporate debtor in the manner as provided under this Chapter.

What is Resolution Plan?

As per Section 30, the Insolvency Resolution Professional (IRP) within the prescribed time i.e. 180 days or in case of extension 270 days, where Fast Track Resolution within 90 days or in case of extension 135 days, is required to submit his Resolution Plan to Adjudicating Authority (NCLT) prepared by him on the basis of information memorandum. The Resolution Plan should provide for: (i) payment of insolvency resolution costs; (ii) repayment of the debts to operational creditors; (iii) management of affairs of the Company after approval of the resolution plan; (iv) implementation and supervision of the resolution plan; (v) does not contravene provisions of the law for the time being in force; and (vi) conforms to such other requirement as may be specified by the Board.

What is process of submission of claims and who shall bear thecost of proving claim of debt?

The process of acceptance of claims for debts of financial creditors, operational creditors and other debts has been given in the "Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016". Where an order for commencement of a corporate insolvency resolution process is passed by the Adjudicating Authority against the corporate debtor, a person claiming to be financial creditors, operational creditors and creditors for other debt of such corporate debtor shall, by the last date mentioned for submitting a proof of claim in the public announcement, submit his proof of claim to the interim resolution professional or the resolution professional, as the case may be, in the prescribed Form.

Every creditor shall bear the cost of proving his own debt including any cost that may be incurred in providing documents or evidence in this regard.

What is Insolvency Resolution Process (IRP)Costs?

Section 5(13) defines "insolvency resolution process costs" means–

(a) the amount of any interim finance and the costs incurred in raising such finance;
(b) the fees payable to any person acting as a resolution professional;
(c) any costs incurred by the resolution professional in running the business of the corporate debtor as a going concern;
(d) any costs incurred at the expense of the Government to facilitate the insolvency resolution process; and
(e) any other costs as may be specified by the Board;

In addition to the matters listed in section 5(13) as above, the following shall be included in calculating the amount of "insolvency resolution process costs" under the Code:

(1) all amounts owed to suppliers which are deemed to be part of insolvency resolution process costs;
(2) all expenses incurred by or on behalf of the corporate debtor, in running its business and operations as a going concern during the insolvency resolution process period;
(3) all amounts due to any person whose rights are prejudicially affected on account of the moratorium imposed under section 14(1)(d) of the Code;
(4) all amounts accruing to the interim resolution professional which are deemed to be part of insolvency resolution process costs; and
(5) all amounts accruing to the resolution professional.

Who shall pay costs of the Interim Resolution Professional (IRP)?

The person filing an application for initiating the corporate insolvency resolution process shall pay the expenses incurred by the interim resolution professional including the costs of engaging any professional advisors and any other costs arising out of and in connection with discharging his functions under the Code, the Rules and the Regulations. The committee of creditors at its first meeting may ratify the expenses incurred by the applicant. The amount of expenses ratified by the committee of creditors shall be reimbursed to the applicant from the assets of the corporate debtor and shall be treated as insolvency resolution process costs.

However, where the assets of the corporate debtor are insufficient to reimburse the amount so ratified, each financial creditor which is a part of the committee of creditors shall reimburse the applicant to the extent of such shortfall on a pro rata basis.

Further, if expenses incurred by the applicant are not ratified by the committee of creditors in full, the applicant shall not have the right to be reimbursed for such expenses from the assets of the corporate debtor or by the committee of creditors. However, the applicant who engaged the IRP shall be responsible to reimburse the balance amount, if could not be paid/ reimbursed to him as per the above process.

Who shall fix the remuneration of resolution professional and what shall be basis for such fixation?

The remuneration of the resolution professional shall be fixed by the committee of creditors. In determining the basis of remuneration to be charged, the committee of creditors shall have regard to the following matters:

(a) the complexity of the case;
(b) any matters in connection with the business and operations of the corporate debtor with respect to which any responsibility of an exceptional nature falls on the resolution professional;
(c) the effectiveness with which the resolution professional is carrying out his duties; and
(d) the value and nature of the assets of the corporate debtor.

Any revision of the basis of remuneration fixed shall be made by the committee of creditors. The remuneration to be paid to the resolution professional shall constitute insolvency resolution process costs.

When does Liquidation Process start under IBC 2016?

Section 33 of the Code provides: (1) Where the Adjudicating Authority, –

(a) before the expiry of the insolvency resolution process period or the maximum period permitted for completion of the corporate insolvency resolution process does not receive a resolution plan; or

(b) rejects the resolution plan for the non-compliance of the requirements specified therein, it shall–

(i) pass an order requiring the corporate debtor to be liquidated in the manner as laid down in Code;

(ii) issue a public announcement stating that the corporate debtor is in liquidation; and

(iii) require such order to be sent to the authority with which the corporate debtor is registered.

(2) Where the resolution professional, at any time during the corporate insolvency resolution process but before confirmation of resolution plan, intimates the Adjudicating Authority of the decision of the committee of creditors to liquidate the corporate debtor, the Adjudicating Authority shall pass a liquidation order.

(3) Where the resolution plan approved by the Adjudicating Authority is contravened by the concerned corporate debtor, any person other than the corporate debtor, whose interests are prejudicially affected by such contravention, may make an application to the Adjudicating Authority for a liquidation order.

(4) On receipt of an application under sub-section (3), if the Adjudicating Authority determines that the corporate debtor has contravened the provisions of the resolution plan, its hall pass a liquidation order.

(5) When a liquidation order has been passed, no suit or other legal proceeding shall be instituted by or against the corporate debtor.

What shall be Remuneration/Fee for conduct of Liquidation Proceedings?

An insolvency professional appointed as a liquidator for the conduct of the liquidation proceedings shall charge remuneration or fee in proportion to the value of assets distributed and realized by the liquidator in the manner laid out inRegulations.

If liquidation order has been passed under sections 33(1)(a) or 33(2) of the Code, the liquidator's remuneration shall be as determined by the committee of creditors.

If liquidation order has been passed under sections 33(1)(b) or 33(3) of the Code, or the committee of creditors under sub-regulation (2) is unable to, or does not determine the remuneration of the liquidator, the Adjudicating Authority shall determine the remuneration of the Liquidator, which shall at the maximum, as specified in the Schedule to the Regulations.

It is clarified that the scale of remuneration as specified in said Schedule shall not be applicable when the creditors determine the remuneration of the liquidator.

What is liquidation estate and property memorandum under IBC 2016?

For the purposes of liquidation, the liquidator shall form an estate of assets mentioned in section 36(3), which shall be called "Liquidation Estate". The liquidator shall prepare a property memorandum in respect of each property that forms the liquidation estate.

The property memorandum shall include:

(a) the valuation of the property;
(b) the price the liquidator estimates will be recovered for that property;
(c) choice of manner of sale (with reasons);
(d) choice of mode of sale (with reasons);
(e) terms and conditions for sale;
(f) any other information that may be relevant for the sale of the properties.

The property memorandum shall be submitted to the Adjudicating Authority, but shall not be available for inspection by stakeholders.

What is procedure of valuation of property under IBC 2016?

The liquidator is required to obtain the valuation of the property of the corporate debtor done as(a) a going concern value of the corporate debtor or its parts; and (b) individual value of assets, from at least two registered valuers appointed in accordance with the Companies Act, 2013 or Rules made there under. The registered valuers so employed shall determine the valuation as per internationally accepted methodology that is fair, realistic, and calculated on an arm's length basis. The liquidator should take the average of the two values submitted to arrive at the liquidation value.

What are the modes of selling the properties by liquidator?

The manner of selling the properties of the corporate debtor and modes thereof has been provided in the Regulations, 2016. Subject to the provisions of the Regulations, the liquidator may sell the assets of the corporate debtor by means of private sale or auction, in a transparent manner as provided in the Regulations, on arm's length basis, and at prices determined by market factors.

The liquidator may not sell the assets of the corporate debtor by means of private sale except with the prior permission of the Adjudicating Authority. Such permission should also be required for conducting a physical or closed auction (the general norm being an open e-auction).

However no permission of the Adjudicating Authority is required if the property proposed to be sold by means of private sale is:(a) perishable; or (b) likely to deteriorate in value significantly, such that there will be a loss if the property is not sold immediately.

Is it possible that a secured creditor in liquidation proceedings relinquish his security interest?

Yes. The secured creditor may relinquish his security interest to the liquidation estate and receive proceeds from the sale of assets by the liquidator in the manner specified in section 53 of the code. The value of the secured debt is equivalent to the value of the security. When the valuation of properties is commissioned by the Liquidator, the exact value of securities would be fixed, and the classification of claims as secured and unsecured would be made in accordance with such determination.

In which order of priority, the proceeds from sale of liquidation assets distributed amongst stakeholders?

Section 53 provides:

53(1) Notwithstanding anything to the contrary contained in any law enacted by the Parliament or any State Legislature for the time being in force, the proceeds from the sale of the liquidation assets shall be distributed in the following order of priority and within such period and in such manner as may be specified, namely :—

(a) the insolvency resolution process costs and the liquidation costs paid in full;

(b) the following debts which shall rank equally between and among the following :—

(i) workmen's dues for the period of twenty-four months preceding the liquidation commencement date; and

(ii) debts owed to a secured creditor in the event such secured creditor has relinquished security in the manner set out in section 52;

(c) wages and any unpaid dues owed to employees other than workmen for the period of twelve months preceding the liquidation commencement date;

(d) financial debts owed to unsecured creditors;

(e) the following dues shall rank equally between and among the following:—

(i) any amount due to the Central Government and the State Government including the amount to be received on account of the Consolidated Fund of India and the Consolidated Fund of a State, if any, in respect of the whole or any part of the period of two years preceding the liquidation commencement date;

(ii) debts owed to a secured creditor for any amount unpaid following the enforcement of security interest;

(f) any remaining debts and dues;

(g) preference shareholders, if any; and

(h) equity shareholders or partners, as the case may be.

What shall be cost of liquidator?

The cost of liquidation includes the remuneration of the liquidator, and reasonable costs incurred in carrying out the liquidation. This should not include the personal expenses of the liquidator such as cost of premium of any insurance taken by the liquidator.

When liquidation process shall be deemed to be completed and corporate debtor is said to be dissolved?

Section 54(1): Where the assets of the corporate debtor have been completely liquidated, the liquidator shall make an application to the Adjudicating Authority for the dissolution of such corporate debtor.

(2) The Adjudicating Authority shall on application filed by the liquidator under sub-section (1) order that the corporate debtor shall be dissolved from the date of that order and the corporate debtor shall be dissolved accordingly.

Opportunities for CMAs under Insolvency and Bankruptcy Code

As mentioned above also, the following are opportunities available for the Cost Accountants under the Insolvency and Bankruptcy Code 2016:

(1) CMAs can act as **Insolvency professionals:**

(a) As Interim Resolution Professionals (Section 16) and manage the affairs of the Corporate Debtors as "going concern" during the insolvency resolution process in interim period of 30 days;

(b) As Resolution Professional (Section 22), the creditors committee may either appoint the same "interim resolution professional" for preparing the "Resolution Plan" and managing the affairs of the Corporate Debtor as "going concern" during the insolvency resolution process or may appoint other Professional (CMA) in his place;

(c) As Liquidator (Section 33) to be appointed by Adjudicating Authority (NCLT) on the grounds explained in this article under "Liquidation Process";

(d) As Voluntary Liquidator (Section 59) to be appointed by Corporate Debtors;

(e) Insolvency Resolution Professional (Section 82) by Adjudicating Authority in case of "Insolvency and Bankruptcy for individuals and Partnership Firms";

(f) As Insolvency Resolution Professional (Section 97) by Adjudicating Authority for initiating the insolvency resolution process by debtor in case of "Insolvency and Bankruptcy for individuals and Partnership Firms"

(g) As insolvency professional as bankruptcy trustee (Section 125) by Adjudicating Authority in case of "Insolvency and Bankruptcy for individuals and Partnership Firms"

(h) As valuer of properties and assets of liquidation estate under the Code and Regulations being framed under the Insolvency and Bankruptcy Code 2016; MA

Sources:

1. *The Insolvency and Bankruptcy Code 2016;*
2. *Insolvency and Bankruptcy Board of India (Registration of Insolvency Professional Agencies) Regulations, 2016*
3. *Insolvency and Bankruptcy Board of India (Registration of Insolvency Professionals) Regulations, 2016*
4. *Insolvency and Bankruptcy Board of India (Model Bye-Laws and Governing Board of Insolvency Professional Agencies) Regulations, 2016*

technical.budhiraja@icmai.in


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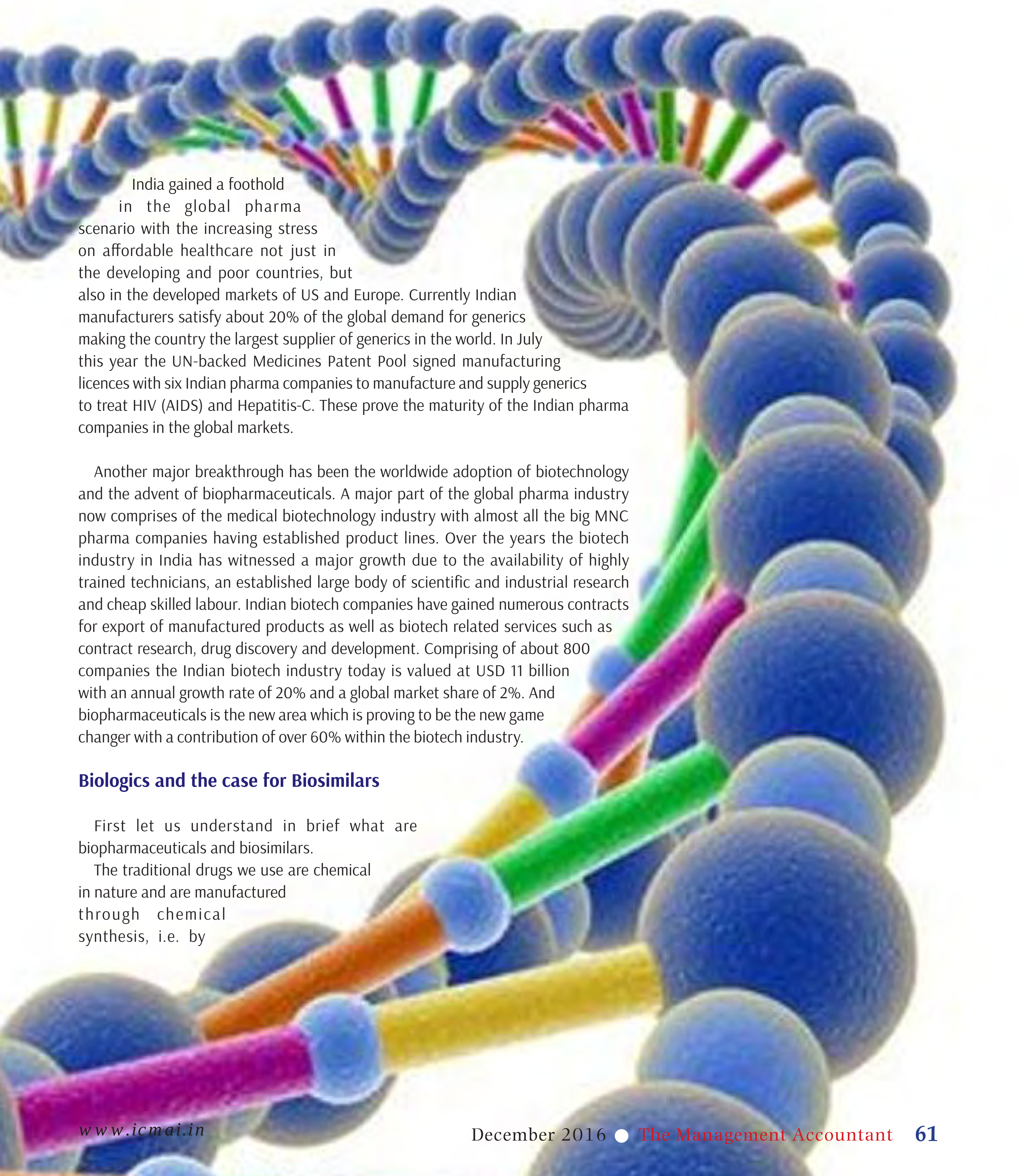
EMERGING OPPORTUNITIES IN PHARMACEUTICALS: BIOSIMILARS

CMA Arnab Chatterjee
Ex-Principal Consultant
Oracle Consulting (EMEA)
Kolkata

The Indian pharmaceutical industry today is characterised by large companies with major global presence, large R&D budgets and world class manufacturing facilities. Today Indian pharma companies have a majority market share in the domestic market and have significant exports. Partly due to the economic liberalisation of the 90s and partly due to the changes in the Patents Act, Indian pharma companies have a domestic market share of about 70%, up from a measly 30% in the 80s. Exports of pharma products from India are up from USD 6 billion in 2006-07 to about USD 12 billion in 2014 with an annual growth rate of above 20%. The industry is also very sensitive to global trends and is agile enough to adopt new innovations and breakthroughs introduced in the world markets.

In recent times one of the major breakthroughs for Indian pharma came with the introduction of generic drugs.



India gained a foothold in the global pharma scenario with the increasing stress on affordable healthcare not just in the developing and poor countries, but also in the developed markets of US and Europe. Currently Indian manufacturers satisfy about 20% of the global demand for generics making the country the largest supplier of generics in the world. In July this year the UN-backed Medicines Patent Pool signed manufacturing licences with six Indian pharma companies to manufacture and supply generics to treat HIV (AIDS) and Hepatitis-C. These prove the maturity of the Indian pharma companies in the global markets.

Another major breakthrough has been the worldwide adoption of biotechnology and the advent of biopharmaceuticals. A major part of the global pharma industry now comprises of the medical biotechnology industry with almost all the big MNC pharma companies having established product lines. Over the years the biotech industry in India has witnessed a major growth due to the availability of highly trained technicians, an established large body of scientific and industrial research and cheap skilled labour. Indian biotech companies have gained numerous contracts for export of manufactured products as well as biotech related services such as contract research, drug discovery and development. Comprising of about 800 companies the Indian biotech industry today is valued at USD 11 billion with an annual growth rate of 20% and a global market share of 2%. And biopharmaceuticals is the new area which is proving to be the new game changer with a contribution of over 60% within the biotech industry.

Biologics and the case for Biosimilars

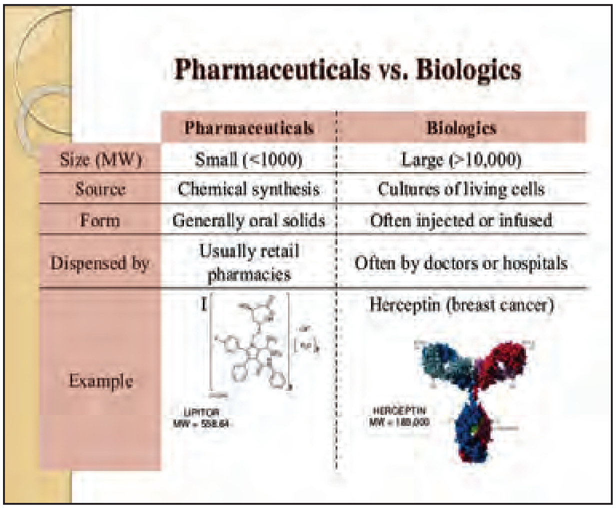
First let us understand in brief what are biopharmaceuticals and biosimilars.

The traditional drugs we use are chemical in nature and are manufactured through chemical synthesis, i.e. by combining various chemicals in a specific process. These are relatively simple molecules with small molecular weights. Once the patent on a particular drug expires, manufacturers other than the innovator (the company holding the patent) can easily copy the chemical composition as well as the manufacturing process and sell it under their own brand name or as a **generic** drug. The chemical composition of the generic drug is exactly identical to the original composition.

A biopharmaceutical, also known as **biologic**, on the other hand, is a pharmaceutical product which is manufactured, derived or extracted from biological sources, i.e. from living organisms, using various techniques of genetic engineering. The biological source may be a micro organism or plant or animal cells. The molecules produced are complex in nature with large molecular weights and are usually composed of various types of proteins, enzymes, nucleic acids etc. The initial biologics were used for illnesses like diabetes, anaemia and kidney diseases. With more R&D in this area more complex and extremely costly biologic options are now available for major diseases like cancers and auto-immune diseases (for example rheumatoid arthritis).

The following figure summarizes the differences between traditional drugs and biologics.

Figure 1: Comparison of Traditional and Biologic drugs


Pharmaceuticals vs. Biologics

	Pharmaceuticals	Biologics
Size (MW)	Small (<1000)	Large (>10,000)
Source	Chemical synthesis	Cultures of living cells
Form	Generally oral solids	Often injected or infused
Dispensed by	Usually retail pharmacies	Often by doctors or hospitals
Example	LIPITOR MW = 558.64	Herceptin (breast cancer) HERCEPTIN MW = 185,000

Source: National Library of Medicine (USA)

Finally, a biosimilar is a biologic product which is a near copy of an original biologic molecule. The World Health Organization (WHO) defines a biosimilar as 'A biotherapeutic product which is similar in terms of quality, safety and efficacy to an already licensed reference biotherapeutic product.'

Once the patent on a biologic expires other manufacturers can market their own versions of it. However, the process to copy and manufacture a biologic is not as simple as a traditional chemical drug.

As biologics are produced within living cells, the outputs from two sources are almost never the same. Even minute differences in the manufacturing or extraction process or environmental factors like temperature and moisture can lead to major differences in the final output.

The following example will give an idea of the savings in costs for end-users (patients) of a biologic and a biosimilar.

Adalimumab is a biologic given for certain types of arthritis. This is sold under the brand name **'Humira'** by **AbbVie**, a subsidiary of the multinational Abbott Laboratories. This is currently the world's top selling drug by value, accounting for about USD 13 billion in annual global sales. In the US each vial of this biologic costs about USD 1000 (approx. Rs. 66,000) and the annual treatment cost pegged at about USD 24,000 or about Rs. 16 Lakhs at current exchange rates. At this cost this is out of reach for most patients not just in the developing countries but across the world.

In the USA most of the biologics are covered by medical insurance making them affordable. In the UK and some European countries there are government or company sponsored programs which provide such treatments at very low costs to the patients. But in the developing world these are neither covered by insurance nor by any government sponsored programs. For example in India about 80% of pharma spend is out-of-pocket as medical insurance is not very common. Even those insured do not get coverage for such expensive therapies as biologics. So the burden is on the people most of who cannot afford them.

This is where biosimilars come into the picture. For **'Adalimumab'**, the same biologic mentioned above, the biosimilar version manufactured by an Indian pharma company is available at a retail price of about Rs. 20,000 or an annual cost of Rs. 5 Lakhs.

Opportunities for Biosimilars

In the last decade the market for biologics has grown at a rapid pace. In 2000, only 1 in the top 10 drugs was a biologic. In 2008 this increased to 5 in the top 10 drugs. Globally biologics accounted for 29% or about USD 159 billion of pharma sales in 2014 and are expected to reach USD 181 billion by the end of 2016.

The following table gives the annual sales of the top ten biologics within US for the year 2013.

Table 1: Top 10 biologics in the US

Top 10 Biologics in the US (as of 2013)		
Biologic Name	**Patent Expiration**	**Sales(millions USD)**
Humira	2016	5240
Remicade	2018	4400
Enbrel	2028	4260
Neulasta	2015	3450
Rituxan	2016	3410
Avastin	2019	2640
Epogen	2013	2630
Avonex	2026	1900
Herceptin	2019	1830
Lucentis	2020	1730

Source: American Action Forum (https://www.americanactionforum.org/research)

The global market for biosimilars is huge and has been increasing over the years. As per research done by Frost & Sullivan the biosimilar market is expected to grow from USD 1.7 billion in 2014 to USD 30 billion by 2020 with a CAGR of 62%. With support from various governments, clear regulatory pathways in the developed economies and upcoming patent expiries on a number of major biologic blockbusters, the market for biosimilars is going to get bigger and more lucrative.

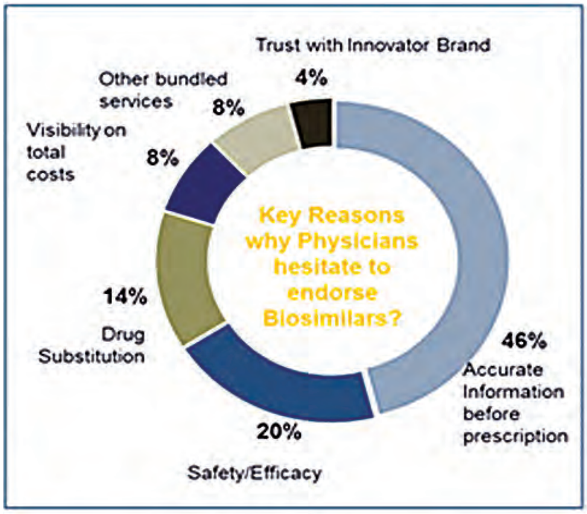
With a strong government support, Europe is the largest market for biosimilars contributing about 80% of biosimilar revenues. Nineteen biosimilar products have been authorized and almost thirty are in the pipeline. The US is the largest market for biologics accounting for about 50% of global sales and represents the largest potential market for biosimilars. As per a report published by IMS Health (a provider of information, services and technology for the healthcare industry) the current US market for biologics which stands at USD 50 billion in annual sales will see major competition from biosimilars by 2020. Around thirty companies are actively developing distinct biosimilar molecules that will greatly contribute to the increased competition. As per their estimates, there are fifty six new biosimilar products in the pipeline within US and EU which will together contribute to a savings of USD 110 billion by 2020. By opening these markets to competition among the biosimilars healthcare systems could realize about thirty percent reduction in price per treatment day as compared to the original biologics.

The following factors will drive the growth of the biosimilar market in the coming years.

Patent expiries for major blockbuster biologics- The patents on a number of major biologics like Humira, Remicade and Lantus are going to expire over the next few years. As per Credit Suisse, biologics worth USD 68 billion in annual sales will lose patent protection till 2018. Out of this about USD 43 billion worth of biologics will open to competition from biosimilars. This provides immense opportunities to enter the biologics/biosimilars market and increase competition in the industry. The key growth therapies are for cancer, diabetes and auto immune diseases such as rheumatoid arthritis.

Changes in perception by doctors and patients- Doctors and patients are the major influencers in selecting biosimilars over biologics and the major areas of concern among them are efficacy, safety and interchangeability of the biosimilars. Once these are addressed adequately the adoption is bound to increase. This is already visible in Europe where consumers have adopted a variety of approaches to encourage doctors to prescribe biosimilars. Few countries have done this by educating doctors, revising treatment guidelines and taking measures to stimulate prescribing biosimilars.

Figure 2: Attributes delaying adoption of biosimilars by doctors



Source: Frost & Sullivan

High cost of original biologics- The high prices of original molecules is leading many governments to promote biosimilars. A number of European governments have introduced incentive programs for discounting the prices of biosimilars. Biosimilar of

Remicade, one of the major biologics, is now available in Europe for almost 70% discount which has led to the biosimilar grabbing a market share of 50% within two years of its introduction. In countries like UK where all medical costs are borne by the government the savings due to biosimilars are enormous and have paved the way for greater acceptance. In 2010, the US Congress passed the Biologics Price and Innovation Act (BPCIA) as a part of the Affordable Care Act (ACA) to provide the FDA with new authority to approve biosimilars.

Competition among major pharma companies- In India, Japan and Latin America a number of biosimilars have been approved in the last few years. There are a number of large pharma companies with great financial and technological strength in these economies with well established R&D, manufacturing and marketing systems. A number of Indian companies such as Biocon, Zydus-Cadila, DRL, Intas etc. have already started manufacturing and marketing biosimilars either directly or by entering into international partnerships with overseas pharma companies.

Improvements in drug delivery and support methods- One of the differentiating characteristics being promoted by the biosimilar manufacturers are newer and improved methods of drug delivery (methods to administer the drug). Including a drug delivery device with the drug has become a key differentiator for the biosimilars. These devices come pre-filled with the drug and in fixed dose combinations which makes it easier for the consumer to use it. These companies also provide dedicated sales personnel and teams to handle all issues and concerns from the prospective and existing customers.

Challenges for the Industry

Regulatory Requirements: The approval process of a traditional chemical drug is relatively simple and does not require human clinical trials. On the other hand there are numerous complexities involved in getting approval of a biosimilar of the original molecule. A manufacturer has to provide analytical studies of the biosimilar to prove the similarity with the original molecule. It also has to provide data on animal studies, toxicity studies and clinical trials. Subsequently, the drug regulators determine if the product being tested as a biosimilar is similar enough with the referenced biologic and if it will be approved for sale within that territory. So even after extensive research, development and testing of the biosimilar candidate there is no guarantee that it will be approved by a drug regulator.

US, UK, Australia and Europe represent the developed markets where the cost saving potential of biosimilars has been showcased extensively. In 2015, the US FDA for the first time allowed biosimilars to be sold on US soil. Europe represents a mature market with numerous biosimilars authorised by the EMA (European Medical Agency) and better market penetration. But numerous other countries lack any specific regulatory mechanism to determine the eligible candidates for biosimilars.

The following figure shows some of the key markets that have comparable legislations and guidelines for biosimilars.

Figure 3: Key Markets with legislations and guidelines

Source: Sandoz-Novartis

Complexity in Production Process: Details of the processes and living cells used to produce the biologic products are closely guarded secrets by the innovator company and are not available to other manufacturers. So a biosimilar manufacturer will have to develop and fine-tune its own process specific to that molecule. This escalates the development costs of biosimilars. The investment needed to develop and market a biosimilar is about USD 100-200 million with a development timeline of around 8 years. In comparison generics require about USD 1-5 million in development costs and a development time of about 3 years.

Substitution Issues with original molecule: Switching a patient from a biologic to a biosimilar is not as simple as switching between branded chemical drugs and its generic offerings. In most developing countries there are no clear guidelines about substituting the original biologic molecule with their biosimilar counterparts. Consequently biosimilar producers face uncertainty about the ultimate fate of the product being developed. In the developed economies the drug regulators have extremely strict protocols to determine the suitability for substitution. But even with such protocols being followed by the manufacturers there is no guarantee for automatic approvals for substituting the original molecules. Doctors and patients remain apprehensive about the efficacy of the substitute molecules and consequently the acceptability remains lower than the generic counterparts of traditional drugs.

Competition: Another high risk for a biosimilar manufacturer is the competition with other biologic and biosimilar manufacturers. As the investment costs of developing and marketing biosimilars are very high, established original biologic manufacturers are better placed, both financially and technologically, to create a biosimilar of an existing biologic created by a different manufacturer and release it in the market than new manufacturers with lesser expertise. Some of the innovator companies are developing improved versions of the existing molecules which will add to the competition with biosimilars. Moreover, with high revenues and profits there are numerous companies trying to create biosimilars of the same biologic. A new biosimilar may therefore enjoy high revenues only for a short time due to the entry of other biosimilars.

Present Scenario in India

The Indian biosimilars market is dominated by a few companies such as Biocon, DRL, Zydus Cadila, Wockhardt, Intas etc. DRL was the first Indian company to release a biosimilar for a molecule called 'Rituximab'. DRL now has four biosimilar products and these are currently being sold in India, US, South Asia, North Africa, Russia & CIS, Latin America and the Middle East. A few other biosimilars are in various stages of early and clinical development. By 2020 it expects to have more than fifteen products in its biosimilars portfolio.

Similarly, Biocon expects its business to be driven by biosimilars henceforth. It has already a number of biosimilar candidates in different stages of development. A few days back it received approval for one of the molecules in Japan which is one of the most stringently regulated markets. The company is working on four biosimilars for Europe and US and expects to get the approval for European markets by 2018. These four biosimilars together have a market size of USD 30 billion. It is also pushing its products in emerging markets of Latin America, Middle East, Eastern Europe and South East Asia.

Cadila, which already has a nine biosimilars in its portfolio, has entered into a strategic collaboration agreement with a Turkish company to market biotech products in Turkey.

India's biotech sector has attracted significant amount of attention over the past two decades. Several global companies have joined hands with Indian companies. The Department of Biotechnology (DBT) along with other government funded institutions such as National Biotechnology Board (NBTB) and many other autonomous bodies representing the biotechnology sector, are working together in order to project India as a global hub for biotech research and business excellence.

Conclusion

Biologics have made a huge impact on the treatment of numerous diseases and disorders. A number of diseases for which the existing treatment options have either been inadequate or not available at all are now treatable due to this new class of medicines. However, the prohibitive cost of these therapies has kept these out of the reach of most people, especially in third world countries where these are not covered by medical insurance or government programs. Biosimilars provide an opportunity to increase competition within the industry and drive down costs to the end users.

With the country offering numerous comparative advantages in terms of R&D facilities, knowledge, skills, and cost effectiveness, the biotechnology industry in India has immense potential to emerge as a global key player. As per projections by the India Brand Equity Foundation India has all the ingredients to become a global leader in affordable healthcare. If there is an annual investment of USD 4.01 billion to USD 5.02 billion in the next five years, the biotech industry can grow to USD 100 billion by 2025, with a 25 per cent return on investment, and a growth rate of 30 per cent year-on-year.

The actual extent of the benefits to both consumers and industry will finally depend on the policy and implementation approaches. MA

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c_arnabus@yahoo.com

HIGHLIGHTS OF THE DRAFT GST RULES

(Registration, Invoicing, Payment, Return & Refund)

CMA A. B. Nawal
Chairman
Taxation Committee
Institute of Cost Accountants of India

Following Draft GST Rules & formats were put on the public domain inviting suggestions upto 28th Sept 2016 giving only 1-2 days.

- Draft Goods &Services Tax -Invoice Rules, 20–
- Draft Goods &Services Tax – Payment Rules, 20–
- Draft Goods &Services Tax – Refund Rules, 20–
- Draft Goods &Services Tax – Registration Rules, 20–
- Draft Goods &Services Tax – Return Rules, 20–

DRAFT GST FORMATS:

- Draft Formats under Goods & Services Tax -Invoice Rules, 20– :1 Form
- Draft Goods & Services Tax Rules, 20– Payment Formats :7 Forms
- Refund Forms for Centre &State :10 Forms
- Draft Goods & Services Tax Rules, 20–Registration Formats :26 Forms
- Draft Goods & Services Tax Rules, 20– Return Formats :11 Forms

  - GSTR – 9b
  - ITC Mismatch Report
  - Tax Return Preparer :7 Forms

Business Process Reports on registrations, payment, return and refund were put on the public domain in the month of October 2015 and number of suggestions were invited. Model GST Law was put on the public domain on 14th June 2016 and around 40,000 suggestions were received. Stake Holders Meeting was arranged by Department of Revenue, CBEC and Empowered Committee of Finance Ministers independently and jointly and thereafter these rules were put on the public domain which may be perhaps approved and recommended by GST Council on 30th Sept, 16th& 17th October 2016. However, there is hardly any change in the provisions as mentioned in the Business Process Reports. Most of the provisions without any changesare appearing in the Draft GST Rules.

Salient features of the same are given below:

- Registration

1. Existing registered unit under Central Excise, Service Tax, VAT will be automatically registered and they will be granted Provisional Registration Certificate in Form GST REG-21andeach person will have to file the application in Form GST REG 20 within 6months from obtaining the provisional registration certificate.

2. Each person will have to obtain separate registration in each State online. However,the said registration is valid for CGST, IGST, SGST.

3. Registration Certificate would be granted in Form GST REG-06

4. GST Number will be 15 digit. State wise PAN-based 15-digit GSTIN

1st & 2nd Digit - State Code as defined under the Indian Census 2011 - unique two digit code
3rd to 12th Digit – PAN
13th Digit - alpha-numeric – 1 to 9 and then A to Z
14th Digit – Blank for future use
15th Digit – Check Digit

5. Registration will be granted to the person as defined under Income Tax Act 1961, i.e. "person" includes—

(i) an individual,
(ii) a Hindu undivided family,
(iii) a company,
(iv) a firm,
(v) an association of persons or a body of individuals, whether incorporated or not,
(vi) a local authority, and
(vii) every artificial juridical person, not falling within any of the preceding sub-clauses.

Explanation.—For the purposes of this clause, an association of persons or a body of individuals or a local authority or an artificial juridical person shall be deemed to be a person, whether or not such person or body or authority or juridical person was formed or established or incorporated with the object of deriving income, profits or gains;

6. Registration will be granted to the following categories :

i. Normal Tax payer/ Regular: Any person can obtain the registration who had crossed the turnover of threshold limit or opted for such registration even though the turnover is less than threshold limit. Though the limit has not been specified in the business process report, it is expected to be Rs. 20 Lacs, however it will be substantially lower for North Eastern States.

If any person wish to off for multiple registrations in one state that will also would be allowed at its option subject to having two different business verticals however no ITC credit / refund can be adjusted between such business verticals even though it is of same legal entity.

ii. Compounding Dealer Registration: The person whose turnover is below certain specified limit but above the threshold limit can opt for compounding registration. However once such specified limit crossed such registration will be automatically considered as normal tax payer. Though the limit has not been specified in the business process report, it is expected to be up to Rs. 50 Lacs.

iii. Casual Dealer Registration: Any person who do not have registration in particular State wish to obtain temporary registration for limited period, registration will be granted till the time it is require and it will be cancelled after 7 days of such validity of the period is over. This facility will be beneficial to the participants in any exhibition/ event.

iv. Unique identification number (ID) for specified organization like UN, Government authorities / PSUs : Where it is expected to not have the incidence of tax like UN or when there are B2B transactions between any dealer and Government Authorities/ PSUs unique identification number will be granted.

v. Input Service Distributor for Services: When any person have got multiple units but availing services at one unit/corporate office in such case such amount of GST will be distributed to other units and hence separate registration will have to be obtained by such unit.

vi. Suo-moto registration for enforcement cases by Tax Authorities: Whenever any enforcement Department visits to the non-registered dealer and certain amount is getting deposited, then suo-moto registration will be given and such dealer will be considered as registered dealer.

vii. Non-resident Supplier: Any non-resident person if recipient of supplier of the goods in India/ state and do not have permanent establishment in India/State Such person can be granted the registration under the said category and such person needs to fulfil the requirement as required by casual tax payer.

7. Registration application will have following details :

i. Name of the Applicant
ii. Trade Name
iii. Address of Principal place of Business
iv. Address for Correspondence (Email, Mobile, Landline, Etc.)
v. Constitution of Business
vi. PAN
vii. State Code
viii. Option for Composition
ix. Date of Commencement of business
x. Date on which liability to tax pay arises
xi. Reason for liability to obtain registration (Drop down list will be provided)
xii. Details of existing registration if any

xiii. Nature of Business
xiv. Details pf Bank Account
xv. Details of Goods/ Commodities supplied by the business
xvi. Details of services supplied by the business
xvii. Details of additional place of Business
xviii. Details of Proprietor/ all partners/ karta/ M*anaging Director and whole time director/member of Managing committee of associations / Board of trustees - Name, PAN, Passport No. , UID No., DIN No, Contact Details and residential Address
xix. Details of authorized signatories - Name, PAN, Passport No. UID No., DIN No, Contact Details and residential Address
xx. Details of authorized representative (TRP / CA / Advocate etc)
xxi. State specific information
xxii. Photograph

8. Application has to done within 30 days of the liability however registration will be granted from the date of application It means any transaction prior to the date of application liability will be payable but ITC credit may not be allowed.

9. Online Application on GST Portal digitally signed – Manual submission required if not signed digitally and scanned copies will be submitted online.

10. Application will be processed within 3 common working days by both CGST and SGST authority and queries to be raised within 7 common working days. if no such queries are sent then registration will be deemed to be granted. If query is received it has to be replied within 7 common working days. Confirmatory mail will be send on SMS and Email. Further GSTN No. will be informing on email or SMS.Once any authority issue s the registration it will deemed to be issue by another authority also. If registration is cancelled it will be cancelled only after issuing speaking order which is appealable.

11. After getting GSTN Login Id and temporary password will be provided to the authorized signatory.

12. GST Registration certificate to be displayed at the principal place of business of the taxpayer

13. Perhaps definition of Gross turn over will be provided in forthcoming GST Act and it may include
    - ✔ Intra state branch transfer
    - ✔ Transfers between multiple business verticals registered separately within the state
    - ✔ Intrastate Captive consumption
    - ✔ Intrastate job work
    - ✔ Temporary Removal - Goods sent for repairs, calibration, testing
    - ✔ Goods supplied on returnable basis
    - ✔ Free supply of goods and services

14. Rejection of registration by either Centre / State deems to be the rejection by the other Authority

15. Rating of Tax payer

This is the bold and perhaps first step in the Indian Taxation history. Risk profiling will be done by taxes authorities

- ✔ Promptness in e-return filing
- ✔ Discrepancies detected where the dealer has had to make corrections
- ✔ Making prompt payment in lieu of reversed ITC

The tax payer will be black listed and such trigger will be forwarded to all customers to whom supplies are made by such person and black listing would be done on the following events.

Continuous default for 3 months in paying ITC that has been reversed.

- ✔ Continuous default of 3 months or any 3 month-period over duration of 12 months in uploading sales details leading to reversal of ITC for others.
- ✔ Defaulters of even a single event should also be flagged and put in public domain as being a potential black listed dealer so as to alert the buyers.
- ✔ Continuous short reporting of sales beyond a prescribed limit of 5% (of total sales) for a period of 6 months.

There are 26 formats prescribed under the registration rules mainly to have the uniformity from the stage of application till cancellation.

INVOICING:

Details to be mentioned on Tax invoice

- Name, address and GSTIN of the supplier;
- serial number containing only alphabets and / or numerals, unique for a financial year;
- date of issue;
- For Registered recipient
    - Name, address and GSTIN / Unique ID Number of the recipient
    - the address of delivery,
- For Un-registered recipient
    - name of State and its code, only where the taxable value of supply is fifty thousand rupees or more;
- HSN code of goods or Accounting Code of services;
- description of goods or services;

- place of delivery where it is different from the place of supply;
- whether the tax is payable on reverse charge;
- For Revised/supplementary Invoice
- the word "Revised Invoice" or "Supplementary Invoice", to be, indicated prominently,
- the date and invoice number of the original invoice;
- Signature or digital signature of the supplier or his authorized representative.
- Quantity in case of goods and unit or Unique Quantity Code thereof;
- Taxable value of goods or services taking into account discount or abatement, if any;
- Rate of tax (CGST, SGST or IGST);
- Amount of tax charged in respect of taxable goods or services (CGST, SGST or IGST);
- Place of supply along with the name of State, in case of a supply in the course of inter-State trade or commerce;
- For exports, an endorsement "SUPPLY MEANT FOR EXPORT ON PAYMENT OF IGST" or "SUPPLY MEANT FOR EXPORT UNDER BOND WITHOUT PAYMENT OF IGST"

Details to be mentioned on ISD invoice :

- name, address and GSTIN of the Input Service Distributor;
- serial number containing only alphabets and / or numerals, unique for a financial year;
- date of its issue;
- name, address and GSTIN of the supplier of services,
- the credit as passed on by supplier
- serial number and date of invoice issued by such supplier;
- name, address and GSTIN of the recipient to whom the credit is distributed;
- amount of the credit distributed;
- signature or digital signature of the supplier or his authorized representative:

Details to be mentioned Goods transport agency

- The gross weight of the consignment,
- Name of the consignor and the consignee,
- Registration number of goods carriage in which the goods are transported,
- Details of goods transported,
- Details of place of origin and destination,
- GSTIN of the person liable for paying tax whether as consignor, consignee or goods transport agency,
- Other information as prescribed for tax invoice

Time limit for issue of Tax invoice

Supply of Goods	At the time of supply
Supply of service	30 days from the date of supply of service
Continuous supply of services	30 days from the date when each event specified in the contract
Banking company & or a financial institution & non-banking financial	45 days from the date of supply of service

Manner of issue of Tax invoice

- Invoice shall be issued in triplicate for supply of goods and duplicate for supply of services
- Serial number of invoices issued during a tax period shall be furnished electronically through the Common Portal
- Supplementary tax invoice can be issued containing consecutive serial number
- Number of digits of HSN code for goods or, the Accounting Code for services & class of taxable persons that would not be required to mention the HSN code & Accounting Code for services
- Registered taxable person who has been granted registration with effect from a date earlier than the date of issuance of certificate of registration to him, may issue revised tax invoices in respect of taxable supplies effected during the period starting from the effective date of registration till the date of issuance of certificate of registration
- Registered taxable person may issue a consolidated revised tax invoice in respect of all taxable supplies made to a recipient who is not registered under the Act
- Consolidated bill of supply shall be prepared by the registered taxable person at the close of each day if he opts to not raise bill of supply for supplies less than one hundred rupees

Supplier	Type of document
Supplier of goods and/ or services	Tax invoice
Banking company & or a financial institution & non-banking financial	a tax invoice or any other document
A goods transport agency	a tax invoice or any other document
Input Service Distributor	ISD Tax invoice
Non-taxable goods	Bill of supply
Composition levy	Bill of supply
Passenger transportation service	Ticket

PAYMENT

Payment will be made through following made:

1. Cash through challan at departmental counteruptoRs. 10,000/- only
2. Internet banking
3. Credit card/debit card
4. NEFT/ RTGS

Payment will be made by each tax payer and cash ledger and ITC ledger will be maintained by GSTN. Payment through cash/ internet banking will be from the date on which it is credited with bank portal to the Govt. account. Any payment of through credit/debit card will be considered only from the date of credit of such amount to Govt. account. Interest will be charged on delayed payment.

In case of NEFT and RTGS if there are any disputes it will be responsibility of the tax payer and he needs to take up the issue with the banker, Govt./GSTN will not be responsible. It has been recommended 26 banks and such bankers are authorized to collect separate processing charges from tax payer in addition to tax. As a matter of fact tax payer is the agent to collect the Govt. revenue from purchaser and at present no bank charges are levied on tax collection and hence there will be additional cost burden for payment of tax.

Business process report provide detailed role to be played by each stake holder and also given the mechanism of reconciliation and accounting system including penalty mechanism on bankers.

RETURNS:

Return	Purpose	Coverage	Due Date	Rule
GSTR - 1	Details of outward supplies of taxable goods and/or services effected	* Provision for mentioning place of supply when different from the location of recipient	10 of subsequent month	1
GSTR - 1		* Provision for mentioning tax payable under reverse charge		
GSTR - 1		* provision for mentioning provisional assesment		
GSTR - 1		* Provision for corrections of previous month in outward supplies -B2B Supply - Intra state and inter state		
GSTR - 1		* Provision for B2C Supply - Intra state and inter state		
GSTR - 1		* Details for mentioning debit note and credit note and impact on tax including amendment in previous month's debit note and credit note		
GSTR - 1		* Details of outward supplies which are exempted, non-taxable and having Nil rate		
GSTR - 1		* Details of Exports and Deemed Exports including amendment of previous month's supplies		
GSTR - 1		* Details of tax already paid on advances and subsequently corresponding invoice issued		
GSTR - 1		* Documents reference to be generated for advance received and tax paid		
GSTR - 1		* Provision for supply made to E-Commerce operator and amendment in subsequent month		
GSTR - 1		* Invoice cut off and invoice control		
GSTR - 1		* Auto correction after 1A acceptance		

Return	Purpose	Coverage	Due Date	Rule
GSTR - 1A	* Autopopulated for corrections * Details of outward supplies as added, corrected or deleted by the recipient	Aceptance / rejection option is with supplier on receipt of GSTR-2		1
GSTR - 2	* Inward supplies after acceptance (2-2A) * Details of inward supplies of taxable goods and/or services claiming input tax credit	Auto populated based on suppliers GSTR-1 and GSTR-2A	15	2
GSTR - 2		* Provision for mentioning place of supply when different from the location of recipient		
GSTR - 2		* Eligibility of ITC Credit on inputs, capital goods & input services, partial or full or ineligibility to be mentioned against each transcations of inward supplies		
GSTR - 2		* Provision to include any inward supplies which has not been auto populated		
GSTR - 2		* Provision to include the inward supplies for which tax is required to be paid on reverse charge basis and which has not been auto populated		
GSTR - 2		* Provision of amending inward supplies received in previous months		
GSTR - 2		* Provision to include details of imported inward supplies of goods & services and amendment of inward supplies of goods & services received in previous months		
GSTR - 2		* Provision to include debit note & credit note which are not auto populated and also amendment for such debit notes credit notes received pervious months		
GSTR - 2		* Provision to include Supplies received from composition taxable person/unregistered person & other exempt/nil/non GST supplies - Inter State & Intra State		
GSTR - 2		* Details of credit received on account of TDS, TCS and ISD and details of partial credit availed in previous month (capital goods)		
GSTR - 2		* Provision to give the details of advances on which reverse charge is requird to be paid and amendment thereto for previous month		
		* Details of ITC reversal on account of mismatch and any other reason & amendment thereto in subsequent month		
GSTR - 2A	* Autopopulated Inward Supplies statement to recipient * Details of inward supplies made available to the recipient on the basis of FORM GSTR-1 furnished by the supplier	To be confirmed by the receipient		2

Return	Purpose	Coverage	Due Date	Rule
GSTR - 3	* Monthly Final Return on the basis of finalization of details of outward supplies and inward supplies along with the payment of amount of tax	* Provision to give total turnover seperately for Taxable Turnover, Export Turnover, Nil rated and Exempted Turnover, Non GST Turnover	20	3
GSTR - 3		* Most of the information of outward supplies and inward supplies are auto populated based on GSTR -1 & GSTR -2		
GSTR - 3		* provision for Output tax added/reduced on account of non-rectification/rectification of communicated mismatches		
GSTR - 3		* provision for Total tax liability for the month for goods & Services separately		
GSTR - 3		* provision for ITC received during the month, mainly from electronic ITC ledger		
GSTR - 3		* Auto populated Tax, interest, late fee and penalty paid from Electronic cash ledger and ITC ledger		
GSTR - 3		* provision for Refunds claimed from cash ledger		
GSTR - 3A	Notice to a registered taxable person who fails to furnish return under section 27 and section 31			9
GSTR - 4	* Quarterly Return for compounding Taxable persons	* Provision for Inward supplies including supplies received from unregistered persons other than auto populated and amendment thereto in the subsequent month	18th day of subseuent quarter	4
GSTR - 4		* Provision to include details of imported inward supplies of capital goods, input & services and amendment of inward supplies of capital goods, input & services received in previous months		
GSTR - 4		* Provision for outward supplies made intra state &inter state and amendment thereto		
GSTR - 4		* Provision to include debit note & credit note which are not auto populated and also amendment for such debit notes credit notes received pervious months		
GSTR - 4		* Details of credit received on account of TDS, TCS and ISD and details of partial credit availed in previous month (capital goods)		
GSTR - 4		* Provision to include the inward supplies for which tax is required to be paid on reverse charge basis and which has not been auto populated		
GSTR - 4		* Provision to give the details of advances on which reverse charge is requird to be paid and amendment thereto for previous month		

Return	Purpose	Coverage	Due Date	Rule
GSTR - 4		* Documents reference to be generated for advance received and tax paid		
GSTR - 4		* Provision for Liability payable, Tax payable and refund claim		
GSTR - 4A	Autopopulated Inward supplies of taxable person under composite scheme to be add / amended * Details of inward supplies made available to the recipient registered under composition scheme on the basis of FORM GSTR-1 furnished by the supplier	To be confirmed by the receipient		4
GSTR - 5	Return for Non-Resident foreign taxable person	* Provision for goods & Services imported and amendment thereto	20th of the month succeeding tax period & within 7 days after expiry of registration	5
GSTR - 5		* Provision for outwards supplies and amendment thereto		
GSTR - 5		* Details of debit note and credit note and amendment thereto		
GSTR - 5		* Provision for Tax paid		
GSTR - 5		* Provision for closing stock of goods		
GSTR - 5		* Provision for refund claim from cash ledger		
GSTR - 6	Input Service Distributor Return	* From Registered Taxable Persons (to be auto-populated from counter party GSTR-1 and GSTR-5) and provision for non- autopopulated and amendment thereto	13	6
GSTR - 6		* Details of debit note and credit note and amendment thereto	13	6
GSTR - 6		* Provisions for details of Input Service Distribution and amendment thereto	13	6
GSTR - 6		Provision for ISD Ledger giving details of Opening Balance ITCs received, ITC Reversal, ITC Distributed, Distributed as IGST, Distributed as CGST, Distributed as SGST, Closing balance	13	6

Return	Purpose	Coverage	Due Date	Rule
GSTR - 6A	* Auto Populated from 6 inward * Details of inward supplies made available to the ISD recipient on the basis of FORM GSTR-1 furnished by the supplier	To be confirmed by the receipient		6
GSTR - 7	* TDS Return for authorities deducting tax at source	* Provision for details of TDS & amendment thereto	10	7
		* Details of liability payable, paid & refund claim		
GSTR - 7A	Auto Populated from 7 - TDS Certificate			7
GSTR - 8	* Details of supplies effected through e-commerce operator and the amount of tax collected as required under sub-section (1) of section 43C		10	8
GSTR - 9	Annual Return for normal dealer	Details of expenditure giving for goods & services rceived quantity, value & HSN code/ accounting code (inter-state & intra state, import) including other expenditure.	31st December	21
GSTR - 9		Details of income giving for goods & services rceived quantity, value & HSN code/ accounting code (inter-state & intra state, export, deemed export, purchase return) including other income		
GSTR - 9		* Return reconciliation Statement giving details of IGST, CSGT, SGST, arrears, & refund		
GSTR - 9		* Provision for Profit as Per the Profit and Loss Statement, Gross Profit, Profit after Tax, Net Profit and		
GSTR - 9A	Annual Return for compounded dealer	* Gross Turnover details	31st December	21
GSTR - 9A		* Details of expenditure giving for goods & services rceived quantity, value & HSN code/ accounting code (inter-state & intra state, import) including other expenditure.		
GSTR - 9A		* Details of goods & services attracting reverse charge		

Return	Purpose	Coverage	Due Date	Rule
GSTR - 9A		Details of income giving for goods & services received quantity, value & HSN code/ accounting code (inter-state & intra state, Exempted supplies ,Nill rate & non-GST supplies, export, deemed export, purchase return) including other income		
GSTR - 9A		Return reconciliation statement for tax payable and tax paid		
GSTR - 9A		* Return reconciliation Statement giving details of IGST, CSGT, SGST, arrears, & refund with Annual return vis-à-vis profit and loss account and balance sheet giving details of reasons of reconciliation as illustration		
GSTR - 9A		* Provision for Profit as Per the Profit and Loss Statement, Gross Profit, Profit after Tax, Net Profit and		
GSTR - 9B	* Annual Return where Turnover is more than Rs. 1 Cr for Audit * Reconciliation Statement	Details of expenditure giving for goods & services rceived quantity, value & HSN code/ accounting code (inter-state & intra state, import) including other expenditure.	31st December	21
GSTR - 9B		Details of income giving for goods & services rceived quantity, value & HSN code/ accounting code (inter-state & intra state, export, deemed export, purchase return) including other income		
GSTR - 9B		* Return reconciliation Statement giving details of IGST, CSGT, SGST, arrears, & refund with Annual return vis-à-vis profit and loss account and balance sheet giving details of reasons of reconciliation as illustration		
GSTR - 9B		* Provision for Profit as Per the Profit and Loss Statement, Gross Profit, Profit after Tax, Net Profit and		
GSTR - 9B		* Return to be certified by Cost Accountant or Chartered Accountant alongwith audit report		
GSTR - 10	Final Return	* Provision for date of surrender and details of cancellation order	within 3 months	22
GSTR - 10		* Details of closing stock held on the date of cancellation		
GSTR - 10		* Details of amount of tax payable on closing stock		
GSTR - 11	Details of inward supplies to be furnished by a person having UIN			23

Return	Purpose	Coverage	Due Date	Rule
GST ITC - 1	* Auto populated credit * Communication of acceptance, discrepancy or duplication of input tax credit claim	Final ITC matched credit and duplicate entries, otherwise mismatch amount will be addedd in output tax liability	End of every month	11
GST PMT - 3	Refund of interest on reclaim of reversal			18

MISMATCH

Rule 11: GST ITC – 1 Return

Due Date: End of Every month

Purpose

- Auto populated credit
- Communication of acceptance, discrepancy or duplication of input tax credit claim

Coverage

- Final ITC matched credit and duplicate entries, otherwise mismatch amount will be added in output tax liability
- Final ITC matched credit and duplicate entries, otherwise mismatch amount will be added in output tax liability
- Summary of ITC Claimed in current tax period, Matched ITC claim for current tax period, Mismatched ITC of earlier tax period matched in current tax period, ITC Mismatched - Current Period, Mismatched ITC of earlier tax period- Added as Output tax liability, Output Tax added due to Duplicate ITC Claim for CGST, SGST & IGST will be provided
- ITC mismatch report will be provided in 2 parts
  a. Where Both supplier and recipient has filed valid relevant returns
  b. Where Supplier has not filed valid return
- Additional invoices added by recipient will remain under mismatch category till these are accepted by pairing supplier.
- All invoices will remain under mismatch pertaining to those suppliers who have not filed the valid returns till date
- Difference between ITC claimed by receiver taxpayer and output tax paid by supplier taxpayer will be highlighted
- Report for duplicate claims also will be provided
- ITC Mismatch Report due to credit notes will be provided
- Details of month wise reversal, reclaim of reversed ITC & reduction in output tax, Summary of mismatches and list for tax authorities, Difference between output tax reduced by supplier taxpayer and ITC reduced by receiver taxpayer will be highlighted
- Report on credit notes issued by supplier but recipient is yet to reduce ITC giving summary of Output tax reduced by Supplier in current tax period, Corresponding ITC reduced by receiver in current tax period, Mismatched reduction in output tax of earlier tax period matched in current tax period , Reduction in output tax not matched by corresponding decrease in ITC, Mismatched reduction in output tax of earlier tax period - Added as Output Tax liability in current tax period
- Mismatch report- Outward supplies made through e-commerce operator (For Supplies to Registered Dealers & unregistered persons separately)
- Separate Mismatch Reports for E-commerce Operators

REFUNDS

"Refund" includes

1. refund of tax on goods and / or services exported out of India or

2. refund of tax on inputs or input services used in the goods and / or services which are exported out of India, or

3. refund of tax on the supply of goods regarded as deemed exports, or

4. refund of unutilized input tax credit as provided under sub-section (2).

Sec 2(37):"deemed exports", as notified by the Central Government/State Government on the recommendation of the Council, refer to those transactions in which the goods supplied do not leave India, and payment for such supplies is received either in Indian Rupees or in convertible foreign exchange;

Rebate/Refund on account of	Relevant date
Export of Goods by sea or air	Let export date
Export of Goods by land	the date on which such goods pass the frontier
Export of Goods by Post	the date of dispatch of goods by Post Office
Export of Services	Date of Receipt of payment / date of issue invoice for receipt of advance
Deemed Export	Date of filing of return
Provisional Assessment	The date of adjustment of tax after the final assessment
Duty / Tax during Investigation / Adjudication	the date of communication of such judgment, decree, order or direction
Credit Accumulation due to Inverted Duty Structure	the end of the financial year
Unutilized tax credit due to exports of goods and / or services	the end of the financial year
Form Number	Particulars
FORM GST RFD-1	Application for refund of any tax, interest, penalty, fees
FORM GSTR-3, FORM GSTR-4 or FORM GSTR-7(return for the relevant tax period)	Refund relating to balance in the electronic cash ledger
FORM GST RFD-2	Acknowledgement w.r.t. filing of refund
FORM GST RFD-3	Communicating the deficiencies to the applicant
FORM GST RFD-4	Order sanctioning the amount of refund on provisional basis
FORM GST RFD-8	Payment advice for provisional refund payment
FORM GST RFD-5	Order sanctioning refund
FORM GST RFD-6	Order for adjustment of outstanding liability against refund
FORM GST RFD-7	Notice that amount claimed as refund is not admissible
FORM GST RFD-8	Payment advice for final payment
FORM GST RFD-9	Order for interest payment
FORM GST RFD-10	Application for refund on inward supplies
FORM GSTR-11	Statement of inward supplies of goods and / or services by specified persons

- Application to be filed electronically through common portal
- Documents or other evidence (as specified) to establish the amount of tax and interest, if any, paid on such tax or any other amount paid in relation to which such refund is claimed and that the incidence of such tax and interest had not been passed on by him to any other person.
- No documentary evidence required for refund claim below Rs.5 lacs, except for declaration.
- If taxable goods or services are exported without payment of tax, under bond or letter of undertaking, then refund will be allowed as under:

Refund Amount=(Export turnover of goods + Export turnover of services) x Net ITC / Adjusted Total Turnover

- Refund of tax paid in advance by casual / non-resident taxable person shall be claimed in last return or after last return is filed
- Application for refund other than for refund from electronic cash ledger shall be scrutinized within 15 days by the officer and acknowledgement issued if the application is complete
- After scrutiny amount of refund may be sanctioned / notice issued for non-admissibility of refund
- If the claim is rejected then the amount paid on provisional basis needs to be credited to Consumer welfare fund
- Order of refund will also be accompanied by order for interest

Documents Specified:

a. the reference number of the order and a copy of the order passed by the proper officer or an appellate authority or any competent court resulting in such refund including refund of pre-deposit under chapter XVIII along with the reference number of the payment of the amount claimed as refund;

b. a statement containing the number and date of shipping bills or bills of export and the number and date of relevant export invoices, in a case where the refund is on account of export of goods;

c. a statement containing the number and date of invoices as prescribed in rule Invoice._in case of supply of goods made to an SEZ unit or a developer;

d. a statement containing the number and date of invoices, in a case where the refund is on account of deemed exports;

e. a statement containing the number and date of invoices and the relevant Bank Realization Certificates or Foreign Inward Remittance Certificates, as the case may be, in a case where the refund is on account of export of services;

f. a statement containing the number and date of invoices and the details of payment, along with proof thereof, made by the claimant to the supplier for authorized operations as defined under the SEZ Act, 2005, in a case where the refund is on account of supply of services made to an SEZ unit or a developer;

g. a statement in Annex 1 of FORM GST RFD-1 containing the number and date of invoices received and issued during a tax period in a case where the claim pertains to refund of any unutilized input tax credit under sub-section (2) of section 38 where the credit has accumulated on account of rate of input tax being higher than the rate of output tax

h. the reference number of the final assessment order and a copy of the said order in a case where the refund arises on account of finalisation of provisional assessment;

i. a declaration to the effect that the incidence of tax and interest claimed as refund has not been passed on to any other person, in a case where the amount of refund claimed is less than five lakh rupees:

Provided that a declaration is not required to be furnished in respect of cases covered under clause (a), (b) or (d) of sub-section (6) of section 38;

j. Certificate in Annex 2 of FORM GST RFD-1 issued by a Chartered Accountant or a Cost Accountant to the effect that the incidence of tax and interest claimed as refund has not been passed on to any other person, in a case where the amount of refund claimed is five lakh rupees or more

Time limit for sanction of claim:

- Refund on account of export of goods and / or services (for specified category of exports)
  1. registered taxable persons, refund eighty percent of the total amount so claimed to be sanctioned on provisional basis within a period of 7 days of issue of acknowledgement.
  2. The remaining twenty percent may be refunded after due verification of documents furnished by the applicant.
  3. Provisional refund will be allowed if (a) the person claiming refund has, during any period of five years immediately preceding the tax period to which the claim for refund relates, not been prosecuted for any offence under the Act or under an earlier law where the amount of tax evaded exceeds two hundred and fifty lakh rupees; (b) the GST compliance rating of the applicant is not less than five on a scale of ten; (c) no proceeding of any appeal, review or revision is pending on any of the issues which form the basis of the refund and if pending, the same has not been stayed by the appropriate authority or court. MA

Other

1. The refund order to be issued within ninety days from the date of receipt of application.
2. No refund shall be paid to an applicant if the amount is less than rupees one thousand.

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nawal@bizsolindia.com

'EPC' project for Power Plants in India

Procedure, Accounting and Taxation Aspects

CMA Subhasish Paul
Senior Manager (A & F)
Reliance Infrastructure Limited
Mumbai

The previous article in the last issue of this subject matter discussed the EPC project structure and the High Sea sale Procedure. This Second part discusses the Procedure for 'Interstate and Intrastate sales', Accounting and Taxation aspect of High Sea sale and Sale in transit. Accounting aspects and taxation of Service portion will be discussed in the next issue.

Interstate Transaction: Procedure, Accounting Entries and Taxation.

Concept and Procedure :_ The discussion on HSS has been over. Now we will discuss about the procedure for Interstate Sale. It is very obvious that all the Materials, Equipment and Machineries required for the project will not be available in the State where power plant is being built. We need to order these materials from the vendors located outside the state. It is to be noted that the Equipment and machinery and any other materials to be purchased only from the reputed vendor as has been listed down and agreed upon between Contractor and the Customer. Sometimes, as a matter of Tax planning also goods is purchased from the other state to avail the tax benefit of 'Sale in Transit' as has been given in the Central sales tax Act, 1956.

What is 'Interstate Sale' and 'Sale in Transit'(SIT)

As per Sec 3 of CST Act,1956 ' A sale or purchase of Goods shall be deemed to take place in the course of interstate trade or commerce if the sale or purchase –

a. Occasions the movement of goods from one State to another or

b. Is effected by a transfer of documents of title to the goods during their movement from one state to another.

From the point 'b' above it is clear that when the goods are in transit, a second (even third, fourth etc) sale can be done simply by transfer of document of titles during their movement.

A sale in transit is the sale affected by the transfer of the documents during the movement of the goods. Documents of titles may be Lorry receipt (LR) for road transport, Railway Receipt (RR) for rail transport or Bill of Lading for Sea transport

Sec 6(2) of CST Act, gives exemption to the subsequent interstate sale by transfer of documents of title of the goods when the goods are in movement from one state to another. This exemption is subject to production of some specified forms and fulfilling some specified conditions.

Conditions for claiming exemption under CST Act

Condition 1: The first sale must be a interstate sale under Section 3(a) or 3(b) as mentioned above.

Condition 2: Subsequent sale must be under Section 3(b) only i.e. by transfer of document of title during the movement of the goods from one state to another.

Condition 3: The subsequent sale is exempted only if it is made to a register dealer.

Condition 4: The goods should be specified in the registration certificate of purchasing dealer.

Condition 5: Dealer selling the goods has to issue a certificate in prescribed form to the purchasing dealer (E-I forms if it is first sale and E- II forms for subsequent sales). The subsequent purchaser has to issue form 'C' to his seller.

What is 'C' Form and 'E- I' Form

'C' form: It is issued by the VAT department to the registered dealer who makes interstate purchase of goods which are mentioned in its RC. While doing this transaction, purchasing dealer furnish this forms to selling dealer in the course of interstate purchase to get exemption/reduction of sale Tax rate. Purchasing dealer will furnish form C to selling dealer to claim tax exemption/ reduced tax rates which will be submitted by the selling dealer with the department. One C form is issued for all the transaction in a Quarter.

Form 'C' Contains the Purchasing dealer's Sale Tax Registration No and Validity, Details of the goods obtained, whether goods requires for resale or consumed in any process, whether the dealer is registered in the state in which goods are delivered, name and address of the seller with the name of the state and the declaration of truth.

'E-I' form: First Interstate Sale is Taxable but subsequent sale during the movement of the goods by way of transfer of document of title is exempted from tax. For making subsequent sale exempted form E-I and E-II are used. A single Certificate in E-I/E-II can only cover transactions which takes place in one quarter of a financial year between the same two dealers. **Please note if the last purchaser in SIT transaction does not sale the goods in the same form and use it for own consumption, then the last seller will not required to issue E-I/E-II form.**

How System Works: Consider the following example to understand the procedure.

R Infrastructure of West Bengal places Order on A of Gujarat for Transformer to be dispatched at Asansol, WB through Trailer. Here A is Consigner and R Infrastructure is Consignee. The goods are delivered through Trailer by A. A will obtain Lorry Receipt (LR Consignee Copy) and dispatched to R. If R Infrastructure wants to sale this good during the transit to D Corporation, R needs to endorse the LR in favor of D when the goods are in transit. This subsequent sale is exempted as per section 6(2) of CST Act, 1956. D Corporation will consume the goods and will not sale the goods in same form

Second and subsequent sales are exempted from sale tax on production of Forms. In this case, A will issue 'E-I' to R Infrastructure and obtain 'C' form from R Infrastructure. Then R Infrastructure will issue no form to D Corporation as D Corporation is not a selling dealer. But R Infrastructure will obtain 'C' form from D Corporation which needs to be deposited with VAT department for exemption.

After the general discussions are over, now we are moving to the Accounting and Taxation aspects of the projects

A. Advance received from Customer: Accounting Treatment and Taxation

Advance received for supply: On signing the contract and fulfilling the conditions as mentioned above, Customer will remit 10% on contract value (supply portion) as advance. Suppose, the customer paid Rs 300 Crores as advance (150 crores in INR for on shore and 2.3622 Crores in USD for off shore).

Accounting Entry:

Bank A/C................Dr	Rs 150,00,00,000
To D Corporation A/C	Rs 150,00,00,000
(Advance for Onshore Supply)	
To D Corporation A/C	Rs 150,00,00,000
(Advance for Off shore supply 1$ = INR 63.5)	

Advance received for Service : 10% advance received on Rs 1000 Crs received. i.e Rs 100 crores received as advance as on 14.12.2013.

1. On receiving advance, the following entries have to be passed. Service tax amount has been considered at 12.36% inclusive and computed by back calculation.

Bank A/C..Dr	Rs	98,00,00,000
TDS A/C..Dr	Rs	2,00,00,000
To D Corporation	Rs	88 99 96 440
To ST payable A/C (100,00,00,000/112.36*12)	Rs	10,67,99,572
To ST Edu Cess Payable	Rs	21,35,992
To ST SAHE Cess payable	Rs	10,67,996

2. Discharge of ST liability within 06.01.2014

ST payable A/C ....Dr	Rs	10,67,99,572
ST Edu Cess Payable..........................Dr	Rs	21,35,992
ST SAHE Cess payable ....Dr	Rs	10,67,996

To Bank A/c Rs 11,00,03,560

This amount of advance to be shown in Service Tax return (ST- 3) to be filed within 25th April,2014. 10% advance received as advance to be recovered in all subsequent invoices raised on Customer and corresponding Service Tax liability to be adjusted. i.e. in all subsequent invoices, Service Tax Liability to the extent of 90% on Basic Value of service to be discharged either through cash or through 'CENVAT'.

B . Advance given to Vendor / Contractor: Accounting Treatment and Taxation

As we have received the advance from our customer, we also give the advance (say 10% of Purchase Order / Work Order Value) to our various Vendors and subcontractor for mobilization of resource at site. Normally conditions for giving advance is almost same for receiving the advance for customer.(Examples, Signing of Contract, Submission of LOA, Furnishing equivalent amount of ABG and PBG etc). Normally 80% is paid against RA bill, 10% advance adjustment and 10% kept as Retention to be released after completion of supply/service and fulfillment of specified conditions.

Advance given for supply: Suppose Purchase Order value of one PO is Rs 100 Crores for supplying 10 Transformer and other Electrical Items. R Infrastructure will give 10% as advance i.e. Rs 10 Crores

Vendor A/C...Dr Rs.10,00,00,000

To Bank A/C Rs 10,00,00,000

Advance given for Service : Order Value Rs 60 Crores plus Service Tax. Advance Given 10% i.e 6 Crores plus Service Tax

1. Journal entry for giving advance

Contractor A/C............Dr	Rs 6, 00,00,000	
Service Tax A/C............Dr	Rs 72,00,000	
Education Cess A/c... .Dr	Rs 1,44,000	
SAHE Cess A/C......... .Dr	Rs 72,000	
To Bank A/C		Rs 6, 60,67,680
To TDS A/C		Rs 13,48,320

2. For Depositing TDS

TDS A/C.......................Dr	Rs 13,48,320	
To Bank A/C		Rs 13,48,320

3. For availing CENVAT at the end of the Month

ST CENVAT Credit A/C..................Dr	Rs 72,00,000	
Edu Cess CENVAT Credit A/C.........Dr	Rs 1,44,000	
SAHE Cess CENVAT Credit A/C......Dr	Rs 72,000	
To Service Tax A/C		Rs 72, 00,000
To Education Cess A/c		Rs 1, 44,000
To SAHE Cess A/C		Rs 72,000

High Sea Sales : Accounting Treatment and Service Tax

The procedure for HSS has already been discussed in my previous discussion. Now I will discuss the Accounting and Taxation aspects of the same.

The order was placed by R Corporation on SEC. So the goods have been delivered by SEC in the name of R Infrastructure and invoice has been raised. The goods have been sold on high sea sale basis to D Corporation. So when the material reached at site, the ownership of the goods lies with the D Corporation. D Corporation will issue these materials on 'Free issue of material' (FIM) to R Infrastructure for installation for Power Plant.

Take a Simple Example for Illustration of Journal Entries. Suppose some BTG Material valuing $ 80000 has been ordered to SEC by R Infrastructure. R Infrastructure has given the Custom clearance work and transportation up to project site from Haldia Port Lee & Muirhead. Total Custom Clearance charge is Rs 2, 00,000 was quoted by Lee and Muirhead. Total Transportation Charge is Rs 15, 00,000. As per BBU, Invoice Value of this item is $ 1,60,000

Exchange Rate on the various days are as follows

a. On the date of issuing PO 1$ = Rs 63. 5

b. On the date of dispatch by SEC (Invoice date of Sec) 1$ = Rs 63.7

c. On the date of High sea sale agreement 1$ = Rs 64.2

d. On the date of Opening LC 1$ = Rs 63.8

e. On the date of Receiving Goods at Site 1$ = Rs 63.95

f. On the date of Payment (if not paid through LC) 1$ = Rs 64.05

g. On the date of receiving from Customer (60%) 1$ = Rs 64.3

i. On the date of receiving from customer (20%)
1$ = Rs 64.0

j. On closing date of the year 1$ = Rs 64.4

Journal Entries in the books of R Infrastructure

1. Entry for making payment on LC

SEC A/C........................Dr (80000 x 80% x 63.8) 40,83,200
(80% now payable as per payment terms at the rate prevailing on the date of LC payment)

To Bank A/C 40,83,200

2. For Booking expenses in the book of R Infrastructure

Expense A/C......Dr (80000 x 63.95) Rs 61,16,000
(Expenses will be booked at the rate on the date of making GRN at site)

To SEC A/C.........Dr(80000x 80% x 63.95) Rs 40,92,800
(80% now payable as per terms of payment

To SEC A/C......... Dr(80000 x 10% x 63.95) Rs 5,11,600
(10% advance adjustment already paid early)

To SEC A/C.........Dr.(80000 x 10% x 63.95) Rs 5,11,600
(10% retention will be paid in future)

(Please Note, practical entry for booking expenses and creating Liability will be a bit modified and will be discussed in subsequent paragraph)

3. Entry for exchange difference for 80% payment under LC and on the date of booking of expenses

We have made the payment of 80% under LC terms @ 63.8. whereas on the date of booking expenses and creating actual Liability, the exchange rate become 63.95 i.e. fluctuated by Re 0.15 for each $ and in totality it is Rs 9,600 [(80000 x 80% x 0.15) or (40,92,800 – 40,83,200). Virtually it is the exchange gain for the company. If the exchange rate would have been 63.7 on the date of GRN, there would have been exchange loss. As per Accounting Standard AS-11, any exchange loss or gain to be charged or recognize in Profit and Loss statement immediately. The entry for the same will be

SEC A/C...........................DR Rs 9,600

To Profit and Loss A/C Rs 9,600 (Exchange gain.)

Generally separate General Ledger A/C (GL A/C) is created for exchange Loss and exchange gains and at the year end the net balance is transferred to P & L A/C.

4. Custom Clearance by Lee and raising bill by them on R Infrastructure

Statutory Expenses A/C..............Dr Rs 2,00,000
To Lee and Muirhead A/C Rs 2,00,000

(Applicability of service Tax will depend upon the nature of expenses. For exempted expenses, No Service Tax will be charged .Only Profit margin to add by the subcontractor and raise bill on us)

5. Transport charges bill raised by Lee and Muirhead

Service Tax on GTA is to be borne by the receiver of service. Lee will raise the bill on basic value and give a declaration on the face of invoice is that the ST on transport of goods by road service is to be borne by receiver of service under Reverse Charge. There is abatement in the value for for charging Service Tax. Till 31/03/2015, the abetment was 75% of basic value. From 01/04/2015 the abetment is 70% on basic value

Transport expense A/C......... Dr Rs 15,00,000
ServiceTax A/C.. (15,00,000x30%x14%)... Dr Rs. 63,000

To Lee and Muirhead A/C Rs 15,00,000
To Service Tax Payable under RC A/C Rs 63,000

6. Discharge of ST Liability under RC : within 6th of the next month (this amount has to be discharged in Cash only. Could not be adjusted against CENVAT)

Service Tax payable under RC A/C ......Dr Rs 63,000
To Bank A/C Rs 63,000

7. Payment to Lee and Muirhead as per terms (Custom and transport charges)

Lee & Muirhead A/C..............................Dr Rs 17,00,000
TO Bank A/C Rs 17,00,000

(Generally Statutory charges are paid in full. But a certain portion say 5 % is kept for reconciliation from Transpiration bill . In that case 95 % is paid and 5% is kept as retention which will be released after Reconciliation being finished and if any recovery arises in reconciliation, then to that extent, amount will not be paid to vendor and will be adjusted in respective expenses head)

8. Suppose, Rs 1,00,000 kept as retention and later on Rs 50,000 was recovered for loss of material and Rs 50,000 was paid as retention release

Entry for the same will be

Lee & Muirhead A/C......Dr Rs 1,00,000

To Bank A/C Rs 50,000

(final Payment upon completion of some documentary formalities)

To Transportation Expenses Rs 50,000

Virtually total transportation expenses becomes 14,50,000 which will be debited to Profit and Loss statement. Alternatively, some Organization, instead of crediting transportation expenses by 50,000, gives credit to some income GL. Then 15,00,000 expenses would have been debited in P &L statement and 50,000 would have been credit to P&L Statement. Net effect if P &L Statement is debit 14,50,000.

9. CENVAT on Service Tax Paid on GTA

CENVAT availability on ST on GTA will be depending upon the terms of agreement. If, as per the terms, this transportation charges are not separately billed from customer and it is being included with in the Third Contract (Service Contract), then there is no confusion in availing CENVAT. We will have discharged ST liability on the bills raised on customer and we will avail CENVAT on the same. But if it is separately reimbursed by the customer without adding any margin (Cost to cost basis as a pure agent), then CENVAT could not be availed as we have discharged no Service tax Liability. Accounting entries will be as follows

If CENVAT Credit is availed

CENVAT Credit A/C................Dr Rs 63,000

To Service Tax A/C Rs 63,000

I f CENVAT Credit is not availed, It has to be treat as expenses and transferred to P&L A/C

P & L A/C................................ Dr Rs 63,000

To Service Tax A/C Rs 63,000

10. Raising of Customer Bill for $ 1,60,000 as per Payment Terms on the basis of HSS documentation.

Though the payment terms as per HSS document is 60%, R Infrastructure will raise bill for 100% as follows

D Corporation A/......Dr (1,60,000 x60% x64.2) Rs 61,63,200

(60% on the basis on HSS documents at the rate 1$ = Rs 64.2)

D Corporation A/C.....Dr (160000 x 20% x 64.2) Rs 20,54,400

(20% when the goods will reach at site)

D Corporation A/C..Dr (160000 x 10% x 64.2) Rs 10,27,200

(10% advance adjustments for the money already received)

D Corporation A/C..Dr (160000 x 5% x 64.2) Rs 5,13,600

(5% RTN payable after PTO)

D Corporation A/C..Dr (160000 x 5% x 64.2) Rs 5,13,600

(5% RTN payable after FTO)

To Income from HSS Sale Rs 1,02,72,000

(1,60,000 @ 64.2)

11. For Payment received in various stage on fulfilling the required conditions

A. On the date of receiving 60 % @ 64.3

Bank A/C.......Dr (1,60,000 x60% x64.3) Rs 61,72,800

(at the rate on the date of receiving money)

To D Corporation A/C (1,60,000 x60% x64.2) Rs 61,63,200

(at rate at which it has booked)

To exchange gain A/C (160,000x60%x 0.1) Rs 9,600

(Exchange Gain recognized as per AS 11)

B. On the date of receiving 20% @ 64.0

Bank A/C .....Dr (1,60,000 x 20% x 64) Rs 20,48,000

(at the rate on the date of receiving money)

Exchange Loss A/C...Dr (1,60,000 x 20% x0.2) Rs 6,400

(Exchange Loss recognized as per AS 11)

To D Corporation A/C (1,60,000 x60% x64.2) Rs 20,54,400

(at the rate at which it has booked)

12. Accounting for Exchange Rate Difference on the Closing Date

We need to account for the exchange rate difference of the closing balances in the books of Accounts for both Customer and Subcontractor.

Exchange Gain or Loss should be recognized in P&L statement of that year and the closing balance of Customer and Contractor will be adjusted to that extent.

From the above example it is suppose that 60% and 20% payment have been cleared before the closing date. Only 10% payment is still Unpaid. It means, the Closing balance of Customer is $ 16000 which has been booked at $ 64.2. (Journal Entry no 10). On the closing date the exchange rate is 1$ = Rs 64.4. It means rate of $ has increased by Re 0.2 and customer account to be adjusted accordingly by passing the following entry

D Corporation ....Dr (16000 x 0.2) Rs 3,200

To Exchange Gain A/C Rs 3,200

This way Contractor balance needs to be adjusted which may cause Gain or Loss and may cause additional Liability. Refer Journal entry No 2 where the closing Balance of SEC A/C is $ 8000 @ Rs 63.95. Closing exchange rate is 1$ = 64.4. The adjustment entry at the yearend will be passed as follows

Exchange Loss A/C......Dr (8000 x Re 0.45) 3,600
To SEC A/C 3,600

It causes the addition Liability of Rs 3,600 at the ear End.

Interstate Sale : Accounting Entries and Taxation

It has already been discussed in the early paragraphs that in case of Sale in Transit, Only First interstate sale is taxable and any subsequent sale by transferring the documents of title during their movement from one state to another is exempted.

Let us illustrate this with an example. R Infrastructure of Kolkata Orders 1 Generator transformer to A of Gujarat. The PO value of the transformer is Rs 5,00,00,000. The concessional CST Rate is 2%. Transpiration Charges is Rs 20,00,000 . During Transit, R Infrastructure will sale the goods to D Corporation by transferring the document of Tile of the goods. Sale Value as per BBU between D Corporation and R Infrastructure is Rs Rs 10, 00,00,000.

In this case, Only A will charge 2% ST on 5,00,00,000 i.e. Rs 10,00,000. On the face of Invoice, A will declare that 'Sale under SIT against C form'. R Infrastructure will provide 'C' form to A and will obtain E-I from A. As the subsequent sale is exempted, the sale invoice raised by R Infrastructure on D Corporation does not attract any sale tax. For claiming exemption, R Infrastructure will obtain 'C' form from D Corporation but will not issue 'E-II' and D Corporation will not sale it further.

A. Accounting Entries and Taxation

For Booking Expenses in the Books of R Infrastructure
Expenses A/C ....Dr Rs 5,00,00,000 (Cost of Transformer)
Sales Tax A/C.........Dr Rs 10,00,000 (CST charged by A)
To A A/C Rs 4,10,00,000
(80% Amount + Total sale Tax payable to A)
To A A/C Rs 50,00,000
(10% advance Adjustment)
To A A/C Rs 50,00,000
(10% Retention amount)

(Please Note, practical entry for booking expenses and creating Liability will be a bit modified and will be discussed in subsequent paragraph)

B. Treatment of Sale Tax: Concessional CST has been charged by A. This is our Input Tax. As the subsequent sale by endorsing the document of title during the movement of goods from one State to other State is exempted, there will be no 'Output Tax Liability'. It means while R Infrastructure will be raising the bills on D Corporation, there will be no Sale tax payable i.e. there will be no 'Output Liability'. So there is no scope for availing 'Input credit' for the CST paid to A. So Sales Tax Paid to A will be charged to P & L Statement immediately.

P & L A/C.....................Dr Rs 10,00,000
To Sales Tax A/C Rs 10,00,000
(CST to be charged to Profit and Loss A/C immediately)

C. For making Payment to A

A A/C ....Dr Rs 4,10,00,000
To Bank Rs 4,10,00,000
(payment of 80% as per terms of payment)

D. Entry For Transportation: It will same as has already been discussed in HSS segment.

E. Entry for Customer Billing:

D Corporation A/C.............Dr Rs 6,00,00,000
(60% of sale value payable on the basis on documents)

D Corporation A/C.............Dr Rs 2,00,00,000
(20% on receiving of goods at site)
D Corporation A/C.............Dr Rs 1,00,00,000
(10% Advance adjustment)
D Corporation A/C.............Dr Rs 50,00,000
(5% on FTO)
D Corporation A/C.............Dr Rs 50,00,000
(5% on PTO)
To Income from sale of goods A/C Rs 10,00,00,000
(income Recognition)

F. Payment received form Customer

Bank A/C...............Dr (Entry for respective payment received in future)
To D Corporation

Intra State Transaction: Procedure, Accounting Entries and Taxation.

1. Concept and Procedure : In this Situation Materials will be purchased from the vendors within the state. It is also termed as 'local purchase'.

In such purchases, Local 'Vat' will be applicable as per VAT rates for the respective items purchases. In all States, there will be schedule containing the VAT rate for each items in there VAT Rule. Similarly, when there will be billing on customer, VAT will be charged on Customer. The VAT charged by the vendor is called 'Input VAT' and accounted in books of accounts as 'VAT Recoverable A/C' . The VAT charged on Customer Bill is called termed as 'Output Vat' and accounted in the books on Accounts as 'VAT Payable Account'. Net difference between Output Vat and Input Vat to be discharged by Cash.

Let Us understand the concept with an Example

Suppose R Infrastructure Purchases goods of Rs 10,00,000 form X of Kolkata. Applicable Vat rate is 12.5%. The Sale value of the Goods as per BBU is Rs 18,00,000 (including VAT).

2. Accounting and Taxation

A. Entry for Booking Expenses
Expenses A/C........Dr Rs 10,00,000 (Cost of Material)
Vat Recoverable A/C...Dr Rs 1,25,000 (Input VAT)

To X A/C Rs 9,25,000 (80% mat value + Vat)
To X A/C Rs 1,00,000 (10% Advance Adjustment)

To X A/C Rs 1,00,000 (10 % Retention amount)

(Please Note, practical entry for booking expenses and creating Liability will be a bit modified and will be discussed in subsequent paragraph)

For payment to Vendor : Already Discussed in previous sections

C. For Customer Billing

D Corporation A/C..................Dr Rs 10,80,000
D Corporation A/C..................Dr Rs 3,60,000
D Corporation A/C..................Dr Rs 1,80,000
D Corporation A/C..................Dr Rs 90,000
D Corporation A/C..................Dr Rs 90,000

To Income from Sale of Goods Rs 16,00,000
(18,00,000/112.5*100) (Income = Sale value – Vat payable)
To Vat Payable A/C Rs 2,00,000
(18,00,000/112.5*12.5) (Output Liability)

D. Payment receipt from Customer: Already discussed in previous section.

E. Discharge of VAT liability: From the above entries, it is clear that the Output Liability is Rs 2,00,000 where as Input credit is Rs 1,25,000. So, it is clear that after adjustment of Rs 1,25,000, remaining Rs 75,000 needs to be paid in cash. Let us explain the process with the Following GL A/C.

Let, for adjustment of net VAT payable, a separate GL A/C in the name of 'VAT Adjustment A/C' is being opened. At the period end (Period means the VAT return period .It may be monthly or Quarterly). Both VAT Recoverable and Payable are Transfer to VAT adjustment A/C and net amount should be paid.

Dr (Rs)	VAT Adjustment A/C	CR (Rs)
To Vat Recoverable A/C	1,25,000	
By Vat payable A/C		2,00,000
To Bank A/C (Net liability discharged through Cash)	75,000	
	2,00,000	
		2,00,000

But in practice life is not so simple, it will always not be possible to ascertain the net amount payable on the due date as both input liability and output Liability figure may not be ascertained with certainty. In that case generally an adhoc amount is paid on the basis on computation and the balance amount is paid once computation is finalized. The there may a balance in Vat adjustment account. In the above example, suppose Rs 1,00,000 is paid as adhoc. In that case, there will be Dr balance of Rs 25,000 in Vat adjustment account. It means there will be a favorable balance which could be utilized for discharging future liabilities. Changes in any of the above account balance will leads to changes in closing balance positions. Credit balance in VAT adjustment account means there is un discharged liability which should be taken care off for discharging in due course to avoid interest and Penalties during assessment.

It has to be kept in mind that, there can be certain items which are purchased locally for own consumption (use) and will not be sold to customer. In that Cases, the amount of Vat paid on purchase of those items could not be available as 'Input Credit' for discharging the 'output Liabilities'. So the Vat Amount to be charged to Profit and Loss statement immediately. The journal entry for the same will be

Expenses A/C........................ Dr 10,000
P/L A/C (Vat on Material).......... Dr 1,250
To Vendor A/C 11,250.

Goods Receipts Note (GRN) and Transit Stock Transfer (TST) Register

We have discussed so far about the procedure and accounting of all the types of supply (HSS, Inter State and Intrastate Purchase). All materials are sold to D Corporation before reaching at site and all these items are issued free to R Infrastructure for installation of the same. So when the goods/equipments are at site, the ownership lies with the D Corporation. But as a EPC contractor, R Infrastructure has to take custody of all the Materials/ Equipments and used them judicially for the purpose they are brought in. Now at this junction two questions needs to be addressed: A) Who will records the receipts of the goods and B) How the Materials/Equipments will be handed over to R Infrastructure as free issue of Materials

Logically, as the ownership of Goods are with D Corporation when they reaches at sites, GRN should be prepared by them. But as it is an EPC contract, practically all GRNs are prepared by R Infrastructure to record the receipts of the Goods a Site. As GRN is prepared by R Infrastructure, the Expenses booking and creation on Liability in the name of Vendor will be modified as follows.

1. Booking of expenses through GRN

Expenses A/C.........Dr Rs 1000 (Expenses is booked)
To Provisional Liability for Stores A/C Rs 1000 (A general Liability is created at the time of GRN)

2. Creation of Firm Liability

Provisional Liability for Stores A/C..............Dr Rs 1000 (Reversal of general Liability
To Vendor A/C Rs 800 (Creation of firm liability to the extent of 80% now payable)
To Vendor A/C Rs 100 (Advance adjustment to the extend to 10% paid earlier)
To Vendor A/C Rs 100 (Creation of Liability to be paid latter –Retention 10%)

After passing the above two entries, Provisional Liability for stores A/C is eliminated and both expenses and Liabilities in the name of vendor is created. Now there should be written procedure through which D Corporation will officially hand over the Materials in their ownership in the name of R Infrastructure. For this Purpose, A 'Transit Stock Transfer Register' is being maintained mainly in Hard Copy form to record all the materials received at Site including their quantitative details and name of the vendor. This copy is maintained by R Infrastructure on behalf of D Corporation and Authorized Persons from D Corporation issues these materials with duly stamped and signature to R Infrastructure to be used for the purpose of erection and commissioning. This procedure is done on regular basis as soon as Materials/Equipments reaches at site and GRN is prepared. After this free issue by signature and stamping by D Corporation on behalf of R Infrastructure, responsibility of all the materials lies with R Infrastructure.

Material Dispatch Clearance Certificate (MDCC)

The MDCC is the certificate issued by the ultimate owner of the equipment which authorizes the manufacturer of equipments to dispatch equipments from manufacturing site to construction site. The certificate is of huge importance as any material that is received at the project site - if not accompanies by the MDCC, is not accepted. In our cases, a joint inspection is done by the representatives of R Infrastructure and D Corporation. On satisfying the quality of the products, Owner issues the MDCC to be accompanied with the Goods dispatched for site. This document has to be accompanied with the Bills raised on customer without which accounts departments will not accept and process the invoices pertaining to the material supply.

Conclusion

Considering two articles together, we have discussed so far the Procedure of EPC, Contract Structure; Procedure, Accounting and Taxation aspects of High Sea Sale, Sale in transit and Intrastate sale. It means Procedure, Accounting and Taxation aspect of first two contracts have been covered. In my last and Final Article, I will cover the third contract i.e. Accounting and Taxation of 'Service Contract. Hope discussion so far was effective and fruitful. MA

subhasish.n.paul@relianceada.com

Retirement Planning- A simple guide for individuals
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About the Author

Sri Rabindra Kumar Mahapatra (R.K. Mahapatra), MBA/ Finance, FCMA has more than twenty four years of experiences in the field of finance in India and abroad. He describes the topic of financial planning for an individual along with future growth for financial product in India which reflects an investor's perspective on handling his or her hard-earned money carefully through proper investment planning. He has authored another book entitled "Investment-Risk & Growth- A Guide for Investors about investment vehicles" in the year 2013.

About the Book

Retirement is the point where a person stops employment completely. People often do not make any retirement planning in comparison to other life stage goals such as buying a house or child's higher education/ marriage. They believe that their children will look after them after the retirement. So, the awakening about retirement suddenly starts when one have reached middle age. It may be too late for many individuals. The growing financial pressure on retirement system worldwide is forcing individuals to change the way he think about and plan for retirement. With increasing level of financial literacy, individuals are more accepting the responsibility for retirement planning.

The question arises when shall one start saving for retirement? The age at which one retires is not known to anybody because the meaning of old age on today may vary from 60 to 70 years or 80 years. Conversely one may also stop working in between 50 to 60 years. However, retirement planning is not that simple. Small mistake can force to delay retirement planning by many years. Each one is unique and there can be no one solution which can fit all. It is dependent on so many factors. So, evaluation of different options available for building corpus and working one's plan is very crucial for a planner.

The main objective of this book is to help retirees as well as prospective investors especially individuals who eagerly start investment for their future betterment by using their own strategies, principles and methodologies.

This book is organised into eight chapters. Budgeting and Planning involve setting definite goals and objectives to be accomplished within a certain period. These objectives may be long-term or short-term and can vary from individual to individual. Chapter 1 of the book described individual planning and budgeting from different perspectives. Why you need retirement planning? The question arises and one can get answer from the Chapter-2 of the book.

Retirement planning generally includes two stages such as: accumulation stage and distribution stage. Accumulation stage is that stage when you create corpus over the period generally upto retirement and thereafter distribution stage starts where you spend your created money upto lifelong. Some of the investment instruments that can form part of a retirement plan during accumulation and distribution stage such pension plans, mutual funds, bonds etc. are analysed in Chapter-3.

Analytical study of mutual funds and importance of standard deviation, beta, alpha, Sharp Ratio, Treynor Ratio and Concentration Ratio are important for selection of right mutual fund products. An individual before making and investment must know its application and importance in selecting a fund for setting an objective. Chapter 4 and 5 thoroughly analysed Value of Mutual Fund in Retirement Planning and as well as Evaluation of Mutual Fund including their portfolio.

A small premium on insurance will protect one's family from any unforeseen ill-fated events in future. Insurance plays an important role in financial planning for an individual life. A variety of insurance coverage is available in the market from nationalized insurance companies and private insurance companies. One can find out according to his/her needs how much to be insured. A snapshot of insurance policies is highlighted in Chapter 6.

Unit Linked Insurance Plan (ULIP) is a product that gives investors the benefits of both insurance and investment under a single integrated plan. It's a combination of insurance and investment. Different aspects of ULIP are discussed in Chapter 7. Succession plan helps to distribute one's created corpus to desired persons, in case sudden demise and unfortunate incident. It is required proper estate/succession planning when you are alive and also one common factor for all to protect assets by establish a proper will. Chapter 8 highlighted different types of Will and other issues related to nominations of financial instruments. The book is supported by three annexure and three appendices which will help to an individual such as PPF calculation, monthly SIP and PPF calculation etc.

This book would be very much useful to those who are thinking about their retirement planning, who are going to retire and are already retired.

It is very difficult to an author to incorporate and analyse various instruments available for retirement planning in a single book. However, the author has tried to analyse most of the popular instruments available for retirement planning.

Reviewer
Dr. Ashish Kumar Sana
Professor
Department of Commerce, University of Calcutta
Email: cu.ashis@gmail.com

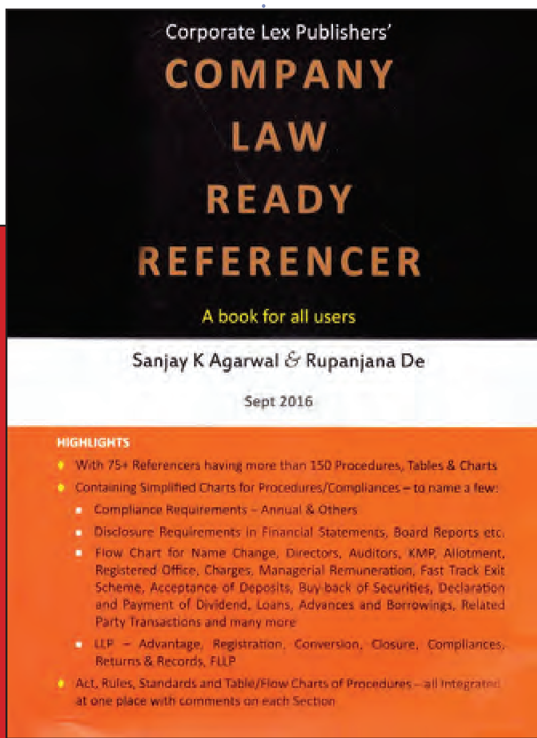
BOOK REVIEW

After the coming into force of the new Companies Act 2013 (the new Act) and various Rules framed thereunder, there has been a large number of literature , published articles and books from many learned authors who have brilliantly articulated their views / opinions on the subject and discussed many issues with extreme professionalism so as to enlighten the professionals both in employment and practice about changes brought in by the new Act and help them interpret with ease various intricate issues involved.

In the above context , the present book portrays a brilliant work done by the learned authors. The subject coverage , its analytical approach , procedural focus and mention of various applicable Rules / Regulations and Forms at the appropriate places deserves appreciation.

In the beginning , a three page list of 'Key Word Search ' has been prepared meticulously for easy reference of important topics in the Act. In the list of 'Index of Sections' date of enforcement against each Section has been given as well as the reference to relevant Rules so as to easily identify the date of commencement of each section of the new Act . This has been prepared painstakingly and deserves appreciation. Similarly, a detailed list has been prepared of the various Rules, Circulars and Notifications issued under the new Act with their effective date of coming into force along with a brief description in respect of each such Circular / Notification.

Further, the write-up in tabular form of the topic : ' Compliance Requirement under the Companies Act 2013 – Part A & Part B' and 'Annual Compliance Chart – All Companies' deserve merit as it has collated so many cross- referred information in one place in an extremely intelligent manner. Again the tabular exhibit on the topic : ' Signing of Documents , Pre-certification of Forms , Documents which can be filed by a defaulting Company ' , etc. has been brilliantly done.



Corporate Lex Publishers
' Company Law Ready Referencer '
by Sanjay K Agarwal
&
Rupanjana De

The tabular exhibit on items : Disclosure requirements in respect of 'Financial Statements' , 'Board Report ' ,' Company's Website' and ' Other disclosures' have been made with painstaking efforts marshalling so many information scattered across the Act in one place for easy reference and understanding of the reader and professionals engaged in Company Law practice. The other Chart in respect of ' Filing Fees ' , ' Register , Return , Books & Other Records – Place , Period & Custodian' and the tabular exhibit of 'Right to Inspection' of various Registers , Returns, Records, etc. have been excellently prepared. Similarly , the presentation in tabular manner on : 'Requirement of Internal Financial Control ' , 'Power of Board', 'Matters for which Ordinary and Special Resolution are required ' and 'Resolutions requiring Postal Ballot ' has been prepared very well.

Further , the tabular presentation on : Liberty available to Private Companies , Section 8 Companies , Govt. Companies , and the list on News Paper Advertisement as required under various provisions of the Act has been prepared with extreme care and diligence.

The chapter on LLP has been prepared very well with help of Flow Chart , concise narratives in tabular manner explaining all applicable Sections and Forms to be filed so as to furnish to the reader with wholesome information in one place.

The write –up on 'Deposits, Loan and Advances – Comparative Study' also deserves appreciation for its style and material content .The exposition is detailed and informative.

Chapter II of the book on' Incorporation of Company and matters incidental thereto' has been very well drafted and all applicable Rules / Forms / Notifications have been mentioned at the right places, duly explained in a manner that deserves appreciation.

Chapter III on' Prospectus & Allotment of Securities ' has been drafted expertly and the complex issues have been explained well in a systematic manner with authors' comments at the appropriate places.

Chapter IV is also no exception to the authors' capabilities to lucidly discuss many controversial issues regarding Share Capital and Debentures and make the reader comfortable in the process of his/ her understanding the complexities involved in this topic.

Chapter V on 'Acceptance of Deposits by Companies' is also drafted well with extreme care and professionalism and deserves appreciation for lucidly explaining many complexl issues involved in this topic.

Chapter VI on 'Registration of Charges has been drafted very well with Flow Charts , detailed narrative , applicable Forms / Rules and the authors' comments.

Chapter VII on ' Management & Administration' has been handled exceedingly well . This is an elaborate chapter and plethora of legal issues , conflicting views / opinions exist .However , the authors have expertly articulated all possible explanations and referred all applicable Sections , Rules and Forms , Secretarial Standards , etc. Thus, the procedural aspects involved with various topics in this Chapter have become easily intelligible , besides being informative.

Chapter VIII dealing with 'Declaration & Payment of Dividend' is also well drafted with relevant provisions of Companies (Declaration & Payment of Dividend) Rules , 2014.

Chapter IX related to Accounts of Companies has been extremely well drafted along with the provisions of Companies (Accounts) Rules 2014 with the authors' comments at appropriate places.

Chapter X related to 'Audit & Auditors 'read with The Companies (Audit & Auditors) Rules 2014 deserves appreciation for the painstaking drafting along with flow charts , Notes and authors' comments. Examples illustrating rotation of individual auditor / audit firm deserves attention for easy understanding of the subject by the reader.

Chapter XI on 'Appointment and Qualification of Directors' is also extremely well drafted. The flow charts and tabular narratives presented in the Chapter make understanding of the procedural aspects involved in the topics easy and convenient. The provisions of the Companies (Appointment & Qualification of Directors) Rules 2014 have been placed at appropriate places with intelligent comments of the authors to give right insight into the subject.

Chapter XII on 'Meetings of Board and its Powers' is also very ell drafted. Particularly the flow charts / tabular exhibits related to ' Related Party Transactions' and ' Borrowings , Loan and Investments' deserves appreciation for depicting the intent of the applicable Sections / Rules. The provisions of Secretarial Standards (SS-1) have also found its place and discussed elaborately for understanding of the readers.

Chapter XIII on' Appointment and Remuneration of Managerial Personnel ' is a reader's delight with flow charts , tabular exhibits , detailed narratives with Notes explaining lucidly the provisions of applicable Sections and Rules which govern this topic.

Chapter XIV on 'Inspection , Inquiry & Investigation' ; Chapter XV on 'Compromise , Arrangement & Amalgamation' ; Chapter XVI on 'Prevention of Oppression and Mismanagement' ; Chapter XVII on 'Registered Valuers ' ; Chapter XVIII on ' Removal of Names of Companies from the Register of Companies' ; Chapter XIX on 'Revival and Rehabilitation of Sick Companies' and the Chapter XX on 'Winding up of Companies' have been prepared with extreme care and diligence . Especially , the Chapter on winding up of companies deserves special mention for its exhaustive and detailed narrative content along with authors' comments at appropriate places.

Chapter XXI on 'Companies Authorized to Register under this Act and Companies (Authorized to Register) Rules 204 ' ; Chapter XXII on 'Companies Incorporated outside India and Companies (Registration of Foreign Companies) Rules 2014 ' have been very elaborately drafted explaining all pertinent Sections / Rules along with authors ' comments at appropriate places.

However , the Chapter XXIII on 'Govt. Companies' has been concisely drawn up and could have been elaborated further in line with presentation pattern of the other Chapters. The Chapter XXIV on ' Registration Offices and Fees' has also been drafted well and the information content under this Chapter are immensely valuable for professionals both in employment and in practice.

Chapter XXVII on 'National Company Law Tribunal and Appellate Tribunal' is also very well drafted with authors' comments / explanations at appropriate places. Chapter XXVIII on 'Special Courts' is also well written.

Chapter XXIX on 'Miscellaneous & Companies (Miscellaneous) Rules, 2014' contain topics of contemporary interest for the profession and drafted intelligently covering all applicable Sections and Rules pertaining to each topic with authors' comments at appropriate places.

Part C of the book relates to Appendix containing specimen Memorandum and Articles of Association of various classes of Companies under Schedule 1; Determination of useful lives of assets to compute depreciation under Schedule II ; General Instructions for preparing Balance Sheet and statement of Profit & Loss Account under Schedule III ; Code for Independent Directors under Schedule IV ; Exhaustive narrative on condition to be fulfilled for appointment & remuneration of Whole time / Managing Director / Manager without Central Govt. Approval under Schedule V. Finally, the book also lists separately the various e- forms and physical forms under the Act and the documents required to be attached with each e-forms with suitable explanation in a tabular form. In essence , there is no hesitation to state that this book will be a commendable addition to the professional's library and will serve an excellent reference to all the professionals , especially , those who are in Company Law practice and deals with Company Law matter on a day to day basis.

However , in the next edition , the authors may add a few important case laws with brief narratives pertaining to each Chapter and correct the term ' CWA ' (Cost & Works Accountant) appearing in some places and substitute them by the term ' CMA ' (Cost & Management Accountant) as The Institute of Cost & Works Accountants of India is now styled as The Institute of Cost Accountants of India and members of the Institute are styled as CMAs.

Reviewed by : CMA P.K. Chakravarty
(Former CFO & Company Secretary of Jost India Auto Component Ltd.)

Eastern India Regional Council

The Institute of Cost Accountants of India-Howrah Chapter

The Chapter organized workshop on 'GST – Transition Provision and Formation of Companies & Annual Compliances' on October 22, 2016. Speaker for the first session was CMA Chiranjib Das, who delivered on the issues of transition provision laid down in the Model GST Law, its implication and the role of the Cost Accountants in Industry and the Department. He also briefed the current status of the GST Law, new GST rules etc. CS Hansraj Jadia , Former Chairman of Hooghly Chapter of Company Secretaries briefed on the issues of formation of companies and also annual compliances including the Annual Report , the role of the auditor, cost auditor, director and also the company secretary for preparation of Annual Report and its compliances. CMA Pranab Chakrabarty, Vice Chairman, EIRC explained about the benefits & importance of the workshop for the members in the chapters.

The Institute of Cost Accountants of India-Bhubaneswar Chapter

The Chapter organized a seminar on 'GST-Recent Developments and Transitional Provisions' on October 23,

2016 at its premises. Shri Sahadev Sahoo, Joint Commissioner of Commercial Tax (Policy), Govt. of Odisha, Cuttack, the

Chief Guest inaugurated the seminar in the presence of CMA Niranjan Swain, Sr. General Manager (Finance), OPGC Ltd and past chairman, EIRC, CMA Siba Prasad Kar, Chairman of the chapter, CMA Bibhuti Bhusan Nayak, chairman, professional development committee, CMA Damodar Mishra, secretary & members of the managing committee of the chapter. Shri Sahadev Sahoo, Joint Commissioner of Commercial Tax (Policy), Govt of Odisha, Cuttack delivered on 'overviewed on GST and its State Prospective' and CMA Niranjan Swain, Sr. General Manager (Finance), OPGC Ltd. and past chairman, EIRC delivered in detail about 'Goods and Services Tax and its recent developments & transitional provisions'. The chapter organized students' seminar on the theme 'How to Excel in CMA Examination' on November 3, 2016. CMA Ramesh Chandra Giri,

President, Priyadarshini Sahakari Soot Girni Ltd, Maharastra & motivational speaker guided the students on how to excel in their ensuing examination and to excel in their professional career. On November 12, 2016 a press meet had been organized at chapter's premises to highlight the cost and management accountancy profession and brand building of CMA profession and also to highlight the Kalinga Commerce Olympiad-KCO grand finale, which is also one of the means of conducting career awareness programme by the chapter. Representatives from different press medias and electronic medias attended

the same and provided wide coverage in their respective news papers and TV Channels. The Chapter organized grand finale of 'Kalinga Commerce Olympiad (KCO)' on November 13, 2016 to create awareness about the career prospectus of commerce students in the State of Odisha. CMA Manas Kumar Thakur, President of the Institute, the Chief Guest said it is a good initiative of the chapter for brand building of cost and management accountancy profession and the chapter received 19th times Best Chapter Award due to its innovative thought and commendable performances in various fields. Shri Dilip Satapathy, Resident Editor, Business Standard, CMA Pravakar Mohanty, Director (Fin), OHPC Ltd. & Past President of the Institute, CMA Bibhu Prasad Mahapatra, Director (Finance), OPTCL& GRIDCO Ltd. & Past Chairman, EIRC as 'Guest of Honours', CMA Siba Prasad Kar, Chairman, Bhubaneswar Chapter were among the eminent dignitaries present in the programme. Shri Amit Tripathy, one of the best soft skill trainers at Odisha organized the entire programme nicely. In the prize distribution ceremony CMA Niranjan Mishra, Council Member & Chairman Regional Councils & Chapter Coordination Committee of the Institute, CMA Shiba Prasad Padhi, Past Chairman, EIRC, CMA C. Venkata Ramana, Treasurer, EIRC, CMA Debasish Saha, Past Chairman, EIRC, CMA Siba Prasad Kar, Chairman of the chapter and CMA Damodar Mishra, secretary of the Chapter also addressed, congratulated the winners and champion teams and highlighted in details about the career prospective in Cost and Management Accountancy Course.

The Institute of Cost Accountants of India-Guwahati Chapter

The Chapter organized a seminar on the theme 'GST-The Vehicle for Growth' on November 13, 2016. Commissioner

of Taxes, Govt. of Assam, Shri Anurag Goel, IAS inaugurated the seminar and he informed the delegates how the Government is planning to have a smooth transition into GST. The subsequent deliberations by resource persons CMA Ashok B Nawal, who is currently heading the Taxation Committee of the Institute and CMA Mrityunjoy Acharjee, Associate Vice President (Finance) with Balmer Lawrie & Co, a reputed PSU centred around how the GST, apart from being a vehicle for economic growth can

bring in harmonisation in taxation or fiscal structure of the

country, help the Industry to realign their entire supply chain management and reduce cascading impact of taxes. The seminar was well attended by industry and business houses, corporate delegates, finance professionals, academicians, students and all other stakeholders.

The Institute of Cost Accountants of India-Rajpur Chapter

On November 6, 2016, CMA Manas Kumar Thakur, President of the Institute and CMA Bibekananda Mukhopadhyay, Chairman, EIRC visited the Chapter to assist and look after the small and weak chapters for which he asked the chapter to call the members to hear him. This was a part of President's new initiative and there was a very homely and cordial discussion among members and President about the profession. CMA Manas Kumar Thakur, President of the Institute suggested some immediate steps and programmes to be taken up by the chapter as a part of which a study circle discussion on GST had been arranged on November 13, 2016.

Northern India Regional Council

The Region organized a 'Hands on workshop on Tally with special emphasis on GST' on September 3, 2016

at CMA Bhawan, Lodi Road, New Delhi. The guest of honour CMA Sanjay Gupta, Vice President of the Institute appreciated the endeavour of NIRC in augmenting the right kind of skill of members, essential in handling contemporary developments in the industry. Keynote speaker was Shri Deepak Tiwari from Tally India and he explained the newly developed features of Tally in handling statutory reporting requirements and other statutory compliances. The Region and Assocham (North) conducted a whole day conference on 'GST-Time to Gear Up' on September 6, 2016. The Chief Guest Shri K.J Chaudhary, Chief Commissioner of Central Excise, Chandigarh Zone, promised to extend all the support and guidance from his department to the stakeholders

in the implementation of GST. Shri Dalip Sharma, Director, Assocham welcomed the dignitaries. CMA Sanjay Gupta, Vice President of the Institute, the guest of honour, mentioned that professionals like CMAs play a major role in Goods and Services. Shri Supreet Singh Gulati, IAS, Additional Excise and Taxation Commissioner, Punjab discussed that taxable event under GST shall be 'supply' of goods/or services instead of sale, manufacture, provision of service etc in the present regime and CMA Anil Sharma, secretary, NIRC narrated the provisions of registration, payments of GST and Refunds under GST Model Law. Shri Rajan Dutt, IRS, Joint Commissioner of Central Excise, Chandigarh mentioned that levy of GST will bring transparency and speed up in the system by having all transactions online resulting into simpler compliance requirement, elimination of check posts, octroi system etc resulting in wider compliances and increase in assessee base. NIRC conducted a pre placement

orientation programme, September 2016 on behalf of the placement department of the Institute who qualified for CMA Final June 2016 examination and the programme was conducted in two batches from September 5, 2016 till September 16, 2016 at Seminar Halls, CMA Bhawan, Lodhi Road, New Delhi. CMA Ravi Kumar Sahni, Chairman, NIRC and CMA SK Bhatt, RCM presented a highly motivational talk to the candidates to take up the challenges of the profession in building vibrant brand image of the Institute. The Region in association with NIRC & Ajmer-Bhilwara, Jaipur, Jodhpur, Kota and Udaipur Chapters of the Institute organized a seminar on 'Accelerating Make in India Initiatives-Role of CMAs' dated September 13, 2016 and witnessed august presence of Shri Arjun Ram Meghwal, Hon'ble Union Minister of State for Finance and Corporate Affairs as Chief Guest. He spoke at length on various issues related to the CMA profession and also he assured to bring out necessary amendments in the Gazette to change the name of 'Cost Accountant' as 'Cost and Management Accountant'. CMA Manas Kumar Thakur, President of the Institute in his

address said if the chapter at Bikaner gets open that would help the local businessmen and industries to grow besides assisting the students to pursue the CMA Course. CMA Sanjay Gupta, Vice-President of the Institute and CMA Ravi Sahni also shared their thoughts with the audience. The Research Bulletin of the Institute also got released by the Hon'ble Minister. On September 28, 2016 NIRC and Assocham (North) conducted a whole day conference on Goods and Service Tax on the theme 'GST-Time to Gear up' and Shri K. J. Chaudhary, Chief Commissioner of Central Excise, Chandigarh Zone was the chief guest on the occasion. Shri Rajan Dutt, IRS, Joint Commissioner of Central Excise, Chandigarh, Ms. Harsimrat K. Grewal, ETO (Excise) Punjab, CMA Rakesh Bhalla, Adv. Pawan Pahwa and Shri Krishan Arora from solicitor firm were the speakers of the conference. CMA Ravi Sahni, Chairman, NIRC of the Institute addressed on GST, its basic concept, how it is different from existing tax structure of the country and how it will totally change the economic atmosphere. Shri Rajan Datt mentioned that introduction of GST will bring transparency and speed in the system and will simplify compliance procedure. Ms. Harsimrat K. Grewal elaborated the provisions of valuation of goods and services in GST regime in detail. CMA Rakesh Bhalla, talked about the transitional provisions of GST and explained about registration, job work, transfer of goods on appointed date with live examples. Adv. Pawan Pahwa narrated the provisions of registration, payments of GST and Refunds under GST Model Law. The chief guest Sh. K. J. Chaudhary addressed all queries of the delegates with great enthusiasm and promised to extend all the support and guidance from his department to the stakeholders in the implementation of GST.

The Institute of Cost Accountants of India-Kota Chapter

The Chapter organized a seminar on 'Draft on GST Law' dated October 22, 2016 at CMA Bhawan. Shri Ram Kumar Mehta, U.I.T. chairman, Kota was the chief guest and CMA S.N. Mittal & CMA J.P. Sarda were the key speakers of the seminar.

Southern India Regional Council

The Region organized the inaugural event of oral coaching classes and PD Programme on 'GST, Income Declaration Scheme – 2016 & Success Strategies'. Hon'ble Dr. Justice AR. Lakshmanan, former judge, Supreme Court of India & Former Chairman, Law Commission of India, the Chief Guest, Shri K. Vaitheeswaran, Advocate, Madras High Court , speaker, CMA K.

Suryanarayanan , RCM, SIRC and CMA Jyothi Satish, Treasurer, SIRC, CMA V. Murali, Chairman, SIRC were among the eminent dignitaries attending the event. The Region organized another special programme on 'Investor Awareness & Protection' (organised under the auspices of MCA, Govt. of India) jointly by SIRC of the Institute and Hindustan Chambers of Commerce. Shri Sridhar Pamarthi, Registrar of Companies, Tamil Nadu,

Chennai , the Speaker, Mr. S.B. Gautam, Regional Director (SR), Ministry of Corporate Affairs and Mr. R. Nataraj, I.P.S., Former Director General of Police M.L.A., Mylapore Constituency were the Guests of Honour of the programme. M/s Hinduja Foundries Ltd. and M/s Neyveli Lignite Corporatation Team conducted the recruitment and interview process organized by the Region. An Inaugural event of Pre Placement Orientation programme was conducted by the Region attended by CMA V. Murali, Chairman SIRC of Institute, CMA H. Padmanabhan, Council Member

and Chairman, Members in Service & Training & Placement Committee of the Institute and other students.

The Institute of Cost Accountants of India-Mettur Salem Chapter

The Chapter conducted a seminar on October 31, 2016 at the chapter premises on the theme 'GST – An Overview'. The session was handled by CMA Dr C Dhanapal and CMA V Krishnakumar. In the session the speakers deliberated in details

the applicability of GST, prevailing taxes and duties and the replacement for the existing taxes and duties. The speakers also explained the methodology to arrive at the GST proposed and the likely savings to the consumer.

The Institute of Cost Accountants of India-Hyderabad Chapter

On October 5, 2016 the chapter conducted a programme on Swachhta Diwas coinciding with the Gandhi Jayanti as Jagrukta Week-Awareness and Capacity Building regarding Swachh Bharat Mission. CMA Dr. R. Chandra Sekhar,

secretary, CMA P. Chandra Sekhara Reddy, staffs and students participated in it. Investor Awareness Programmes were held on various dates of October 2016 and these programmes had been conducted by Dr Srinivasa Rao Seethalapu, Asst Professor, PG Dept of Management Studies, TJPS College, Guntur. On October 20, 2016 the Chapter conducted a programme on Experiences of Cost Audit for the year 2015-16 held at CMA

Bhavan and the programme was conducted as interactive session to get the experiences of the practitioners. CMA Vidya Sagar highlighted the problems in ERP environment and CMA Mitra suggested to report positive views on the entity's compliance to the government specific instructions, CMA Kasyapa opined that the study has to be segregated into 5 segments viz. classification, valuation, eligibility to certain notifications, duty payable and duty paid. On October 27, 2016 a programme on energy audit was held at CMA Bhawan and Ms. G. Vinulata, Financial Engineering from ISB, Anderson School of

Management, UCLA, the speaker highlighted the importance of energy audit through systematic phases, i.e., pre-audit, audit and post-audit.

The Institute of Cost Accountants of India-Coimbatore Chapter

The Chapter conducted an industry oriented programme for final students in October 2016. On October 2, 2016 the Chapter observed Swachhta Diwas coinciding with Gandhi Jayanti as 'Jagrukta Week'.

The Institute of Cost Accountants of India-Trivandrum Chapter

The Chapter conducted a Professional Development Progamme on September 25, 2016 on the theme 'Goods and Service Tax-Globalising Tax Laws'. The guest speaker was CA Sreeganesh D S, Practising Chartered Accountant, Thiruvananthapuram and he explained the present position of GST Law and expectations of industry and professionals in its implementations in the near future. CMA Joseph Louis,

secretary of the chapter addressed that GST is still in the formation process and would assist the CMAs in their profession as tax practitioners.

The Institute of Cost Accountants of India-Tiruchirapalli Chapter

The Chapter conducted PD programme on 'Importance of Cost Concepts' on October 27, 2016 at the Chapter premises in Trichy for CMA members. Dr V. Gopalakrishnan,

Retd. Executive Director of BHEL, Tiruchirapalli and visiting faculty of IIT, Chennai and NIT, Tiruchy, the chief guest was the speaker of the programme and elaborately dealt with the basic concepts of cost accounting with relevance to industry highlighting his experience as head of the institution viz. BHEL, Tiruchirapalli. Shri M.Thiruneelakantan, General Manager/ Finance, BHEL, presided over the function and addressed the participants.

Western India Regional Council

On October 21 and 22, 2016, the Region conducted the Campus Placement for June 2016 qualified students at Aruna Manharlal Shah Institute of Management, Mumbai.

Total eight companies namely Godrej and Boyce Mfg. Co. Ltd, Hindustan Petroleum Corporation Ltd, Larsen & Toubro Ltd, Reliance Industries Ltd, Tata Motors Ltd, Ujjivan Financial Service Ltd, Vedanta Ltd, Wipro Ltd participated in campus placement. CMA Pradip H Desai, Chairman WIRC, CMA Debasish Mitra, Chairman, Students, Members & Chapter Coordination

Committee, WIRC, CMA Kailash Gandhi, Vice Chairman, WIRC, CMA Shriram Mahankaliwar, Treasurer WIRC and CMA Harshad Deshpande, RCM, WIRC were present during the presentation programme conducted by the companies participated in the campus placement.

The Institute of Cost Accountants of India- Pimpri–Chinchwad–Akurdi Chapter

The Chapter conducted a CEP seminar on 'GST – Transitional Provisions and Implementation' on September 17, 2016 at CMA Bhawan. CMA Pradeep Deshpande explained the role of

CMAs in GST implementation. CMA L D Pawar, RCM & Secretary, WIRC of the Institute gave a lucid explanation on provisions and issues on GST with examples. On October 18, 2016 the chapter conducted a seminar on 'Mind Control & Stress Management' and the speaker H. G. Vedant Chaitanya Prabhu explained that how we need to control on mind for happiness in daily life.

On October 22, 2016 the Chapter conducted a CEP seminar on GST – Implementation. CMA Dr. Shailendra Saxena, the speaker focused on role of CMAs in IT developments required for GST, transitional provisions and implementation of GST keeping in

mind on traders, manufacturers & service providers.

The Institute of Cost Accountants of India- Aurangabad Chapter

On October 21 and 22, 2016 the Chapter organized two day workshop (CEP) on Goods and Service Tax (GST) and CMA Pravin Mohani and CMA Suresh Pimple, Practicing Cost & Management Accountants were the faculty members. CMA Pravin Mohani elaborated the Basic Concepts in GST through his presentation on 'General and Specifics of Taxability in GST' while CMA Suresh Pimple described and explained the 'Roles & Responsibilities of CMA Professionals in GST'. The

workshop was also attended by Principal of S B College of Arts & Commerce, Dr. J.S. Khairnar and other professors from S. B. College, Deogiri College, Naik College, academicians, and students of professional courses.

The Institute of Cost Accountants of India- Solapur Chapter

On October 16, 2016 the inauguration of the Chapter had been held at Dr. Phadkule Sabhagruha, Solapur. CMA P.H. Desai , Chairman WIRC of the Institute, the chief guest spoke on the topic 'Role of Cost Accountant in Make in India program' and Prof. Dr. N.N. Maldar, Vice Chancellor, Solapur University deliberated on the theme 'Skill set required for students to succeed under the Make in India program'. CMA N.K. Alwal, chairman of Solapur chapter discussed on the vision of the members of the chapter to conduct the activities in a most transparent manner and that they will try to win the Best Chapter award in near future. CMA R.V. Kshirsagar, secretary of the chapter, mentioned that the members were conducting

oral coaching classes for Foundation and Intermediate exam as part of Solapur unit of Pune Chapter since 2005. Various CEP sessions were also conducted for the benefit of members and students.

INSTITUTE'S INITIATIVES TO SUPPORT GOVERNMENT'S DECISION ON DEMONETIZATION

INSTITUTE'S INITIATIVES TO SUPPORT GOVERNMENT'S DECISION ON DEMONETIZATION

Study to assess benefits of demonetisation

TIMES NEWS NETWORK

Kolkata: If long queues outside banks have become a part of our collective visual consciousness, here is a group of researchers who are studying every parameter of these queues so that they can quantify the phenomenon, add value to it and submit a report to the finance ministry about the loss vis-a-vis the national gain. The Institute of Cost Accountants of India (ICAI), headquartered in the city, has started the research and is likely to come up with the report before the year-end.

The institute feels the demonetization may cause inconvenience for the public in the short run, but the move will rake in a lot of undeclared cash. Once the institute arrives at a figure (gap analysis) for the loss, not only will it be weighed against the total value that the banks have gained during this period but also how long it will take for the economy to make up for this loss.

"With so many people staying off work to queue up at the banks, it is obvious that there will be a huge loss. But is that more than the amount that was part of the parallel economy so long and is now being banked? We are trying to find out," said Manash Kumar Thakur, President of ICAI.

"If we find through our study that this loss of man-hours can be made up in the next four to five years, we will advise the government to go for another financial reform on similar lines in five years. Every modern economy should go through such repeated reformatory measures every four to five years," he said.

In India, the first such step was taken in 1965 and then again in 1978. "Thereafter, it took 38 years for the Centre to come up with such a tough measure. That is the reason why black money spawned in India and a parallel economy ran so successfully," Thakur said. Already, a number of banks have declared that their interest rates on fixed deposits have been slashed, though the RBI is yet to go for a blanket directive, the Institute officials pointed out.

"This shows that a lot of money is entering the coffers of the banks. This is actually good news because this has a direct bearing on inflation, which will definitely show a downward slide now. This will also encourage people to spend more in the market and discourage hording. The ultimate result will be appreciated by the masses because prices will also show a downward slide," said Biswarup Basu, secretary of ICAI.

MINISTERSPEAK

- Fake notes with face value of Rs 70cr is pumped into India every year and Rs 400 crore FICN is in circulation
- Fake notes with a face value of Rs 12.35 crore was seized till June this year
- Terror funding in India is in the range of Rs 700-800cr

Kiren Rijiju | MINISTER OF STATE FOR HOME

নোট নাকচের লাভ-ক্ষতি খতিয়ে দেখতে সমীক্ষা

নিজস্ব সংবাদদাতা: পুরনো ৫০০ ও ১০০০ টাকার নোট বাতিলের জেরে দেশের অর্থনীতিতে লাভ-ক্ষতির হিসেব বুঝতে সমীক্ষা করবে দি ইনস্টিটিউট অব কস্ট অ্যাকাউন্ট্যান্টস অব ইন্ডিয়া। তাদের অবশ্য দাবি, কালো টাকার ব্যবহার ও তার হাত ধরে চলা সমান্তরাল অর্থনীতি রুখতে এই পদক্ষেপ জরুরি ছিল।

প্রতিষ্ঠানের প্রেসিডেন্ট মানস কুমার ঠাকুরের বক্তব্য, দেশের অর্থনীতির তিনটি ক্ষত— সমান্তরাল অর্থনীতি, জাল নোট এবং সন্ত্রাসবাদে আর্থিক মদত। প্রধানমন্ত্রীর এই সিদ্ধান্ত সেগুলির উপর আঘাত হানবে। এটি দৃঢ় পদক্ষেপ। তাঁর দাবি, "সমান্তরাল অর্থনীতি থেকে দেশের ২ শতাংশ মানুষের লাভ হয় মাত্র। কিন্তু সমস্যায় পড়েন বাকি ৯৮ শতাংশ মানুষ।"

তবে এই সিদ্ধান্ত নিয়ে ইতিমধ্যেই প্রশ্ন তুলছে বিভিন্ন মহল। কিছু বিশেষজ্ঞের অভিযোগ, আগাম প্রস্তুতি ছাড়াই কেন্দ্রের নরেন্দ্র মোদী সরকার এই পদক্ষেপ করায় চরম দুর্ভোগে পড়তে হয়েছে আমজনতাকে। কাজকর্ম ছেড়ে ব্যাঙ্ক এটিএম-এর সামনে গিয়ে লাইন দিতে হচ্ছে তাঁদের। এতে উৎপাদনশীলতা ধাক্কা খাওয়ারও অভিযোগ উঠছে।

মানসবাবু জানান, কেন্দ্রের নোট বাতিলের এই সিদ্ধান্তে যে-সব লাভের কথা বলা হচ্ছে, তা যেমন বিশ্লেষণ করা হবে, পাশাপাশি ক্ষয়ক্ষতির খতিয়ানও নেওয়া হবে। এবং সেই সব ক্ষতি কাটিয়ে উঠতে কত দিন সময় লাগবে, সেই হিসেবও কষা হবে ওই সমীক্ষায়। মানসবাবুর দাবি, একটি হিসেব অনুযায়ী ২০১৫-'১৬ সালে ৬.৫০ লক্ষ জাল নোট ভারতের বাজারে ছিল। এর মধ্যে ৫০০ ও ১০০০ টাকার নোটের সংখ্যাই ৪ লক্ষ।

अर्थव्यवस्था पर होगा सकारात्मक असर

कोलकाता: देश की प्रमुख लेखांकन संस्था **भारतीय लागत लेखाकार संस्थान** (आईसीडब्लूएआइ) के अध्यक्ष सीएमए मानस कुमार ठाकुर ने शुक्रवार को राज्य में विमुद्रीकरण के प्रभावी कार्यान्वयन पर गौर करते हुए कहा कि भले ही देश में नोट बंदी के फैसले से शुरुआती तौर पर हर तरफ नकारात्मक असर दिखा पर समय बीतने के बाद अर्थव्यवस्था पर सकारात्मक प्रभाव पड़ेगा। विमुद्रीकरण से 98 प्रतिशत जनता खुश है और महज 2 प्रतिशत लोगों को इससे दिक्कतें हो रही है। अर्नब चक्रवर्ती ने कहा कि पूरे देश में बैंकों में जमा राशि में बड़े इजाफे के बाद अब अन्य बैंकों की ओर से भी जमा राशि और कर्ज के ब्याज दर में कटौती का ऐलान किया जा सकता है। और ऐसा होना स्वभाविक है क्योंकि इससे मुद्रास्फीति की दर कम होगी। जिससे ब्याज में कटौती होनी ही है।

द इंस्टिट्यूट ऑफ कॉस्ट अकाउंटेंट हावड़ा द्वारा विमुद्रीकरण पर परिचर्चा

हावड़ा : द इंस्टिट्यूट ऑफ कॉस्ट अकाउंटेंट ऑफ इंडिया हावड़ा द्वारा 1000 व 500 नोट के विमुद्रीकरण के विषय पर एक संवाददाता सम्मेलन व परिचर्चा का आयोजन किया गया। इसमें मुख्य वक्ता प्रणव चक्रवर्ती ने कहां की विमुद्रीकरण से देश का हित होगा। इससे आने वाले समय में जाली नोटों का साम्राज्य मिटेगा, कालाबाजारी पर रोक लगेगी, भ्रष्टाचार पर नियंत्रण होगा एवं आतंकवादी गतिविधियों पर भी लगाम कसी जाएगी। वहीं पश्चिम बंग प्रादेशिक मारवाड़ी सम्मेलन हावड़ा के सचिव प्रकाश किला ने भी इस विषय पर अपने विचार रखे। कार्यक्रम का संचालन संजय भरतिया ने किया। इस अवसर पर हावड़ा इकाई के चेयरमैन पी.दे. ज्योतिर्मय, राममणि सरकार, अशोक सामंत, अरुणाभा घोष, तापस करार समेत अन्य उपस्थित रहे।

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PRESS MEET (ICAI)

The Institute of Cost Accountants of India has organized a Press Meet on "Implementation of Demonetization in an Effective Manner" on November 18th November 2016, Friday, 12 Noon onwards at Council Room (1st Floor), The Institute of Cost Accountants of India, CMA Bhawan, 12, Sudder Street, Kolkata -700 016. CMA Manas Kumar Thakur, President of The Institute of Cost Accountants of India in his address stated that this surgical strike would definitely tackle all three malaises plaguing the economy, i.e., a parallel economy that casted its ugly shadow on the nation's economy for long, counterfeit currency and terror financing. He firmly expressed that the Institute pledges to support such noble endeavour of the Govt. of demonetizing Rs 1,000 and Rs 500 currency notes to restrain the black money menace in order to protect the socio-economic sustainability of our Nation. Further, he added that the professionals like CMAs can play a big role in resolving the issues like Black Money and Undisclosed Income. There are competent enough to perform Forensic Audit to investigate fraudulent activities, uncover money laundering, undisclosed income and find missing assets through a combination of investigative techniques and financial acumen. They have to communicate their findings in the form of reports, assist the banks in submission of suspicious transaction report to the regulators and can even assist in legal proceedings including appearing in the court trials.

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The Indian EXPRESS epaper editions Fri, 02 December 2016
epaper.indianexpress.com//c/15066834

ઉદ્યોગોમાં છ મહિના અસર વર્તાશે

નોટબંધીઃ ઘણી કંપનીઓને ખર્ચા પર કાપ મૂકવાની ફરજ પડશે

■ **સ્ટ્રેટેજિકલ અને નોન-સ્ટ્રેટેજિકલ એમ બન્ને ક્ષેત્રોમાં અસર દેખાશે : કોસ્ટ એકાઉન્ટ ઇન્સ્ટિટ્યૂટ**

સુરત, તા. ૧૯

કેન્દ્ર સરકારે ૫૦૦ અને ૧ હજાર રૂપિયાની નોટ રદ કરતા દેશભરમાં ઊહાપોહ મચી ગયો છે. વેપાર-ધંધા ઠપ થઇ ગયા છે ત્યારે હવે નોટબંધીને કારણે વિવિધ ક્ષેત્રમાં કાર્યરત નાની-મોટી કંપનીઓ કોસ્ટિંગ ખર્ચ ઘટાડશે અને વિવિધ ક્ષેત્રમાં તેની અસર દેખાશે એવો મત તજજ્ઞો આપી રહ્યા છે. સ્ટ્રેટેજિકલ અને નોન-સ્ટ્રેટેજિકલ એમ બન્ને ક્ષેત્રોમાં જોડાયેલા ઉદ્યોગો, ક્ષેત્રોમાં છ મહિના સુધી આ નોટબંધીની અસર વર્તાશે એવો પણ સૂર આલાપવામાં આવી રહ્યો છે.

સી.એ. ઇન્સ્ટિટ્યૂટની માફક જ દેશની પાર્લામેન્ટના નેજા હેઠળ ચાલતી ધી ઇન્સ્ટિટ્યૂટ ઓફ કોસ્ટ એકાઉન્ટન્ટસ ઓફ ઇન્ડિયાના સુરત સાઉથ ગુજરાત ચેપ્ટરે શનિવારે નોટબંધીને લઇને પત્રકાર પરિષદ યોજી હતી. દરમિયાન સંસ્થાના તજજ્ઞોએ નોટબંધીની અસરો અંગે વાર્તાલાપ કર્યો હતો. જેમાં સુરત ચેપ્ટરના ચેરમેન મનુભાઇ દેસાઇએ જણાવ્યું હતું કે, વડાપ્રધાનનો માર્ગદર્શક નિર્ણય છે. તેનાથી કાળાં નાણાંની નાબૂદીનું દૂષણ દૂર થશે અને રાષ્ટ્રીય આર્થિક વિકાસ થશે. દેશની અર્થવ્યવસ્થાને નવી દિશા મળશે. જ્યારે ચેપ્ટરના ટ્રેઝરર અમીસ પરમારે જણાવ્યું હતું કે, કોસ્ટિંગ એકાઉન્ટની ભાષામાં બે ક્ષેત્ર કાર્યરત છે.

એક સ્ટ્રેટેજિકલ અને એક નોન-સ્ટ્રેટેજિકલ. સ્ટ્રેટેજિકલ સેક્ટરમાં ટેલિકોમ્યુનિકેશન, ફાર્માસિટીકલ, ઇલેક્ટ્રિસિટી, સુગર, પરમાણુ સંસ્થાનનો સમાવેશ થાય છે. જ્યારે નોન-સ્ટ્રેટેજિકલમાં ટેક્સટાઇલ, કેમિકલ, મશીનરી સહિતના અન્ય ઉદ્યોગોનો સમાવેશ થાય છે. હવે છ મહિના આ ઉદ્યોગોમાં કોસ્ટિંગ ખર્ચ ઘટાડવા પર ભાર મુકાશે. સ્પર્ધામાં ટકી રહેવા માટે ઓછા ખર્ચે કેવી રીતે ગુણવત્તાસભર સેવા, સામગ્રી આપી શકાય એના પર ભાર મુકાશે. કંપનીઓ પ્રોડક્શન પહેલા કોસ્ટિંગની ગણતરી પર વધુ ધ્યાન આપશે.

સંદેશ Sun, 20 November 2016
epaper.sandesh.com//c/14824156

दि इंस्टिट्यूट ऑफ कॉस्ट अकाउंटेंट ऑफ इंडिया हावड़ा द्वारा विमुद्रीकरण के विषय पर परिचर्चा का आयोजन

हावड़ा : दि इंस्टिट्यूट ऑफ ऑफ कॉस्ट अकाउंटेंट ऑफ इंडिया हावड़ा द्वारा एक हजार व 500 नोट के विमुद्रीकरण के विषय पर एक प्रेस कॉन्फ्रेंस व परिचर्चा का आयोजन किया गया. इसमें मुख्य वक्ता प्रणव चक्रवर्ती ने विस्तारपूर्वक इस विषय पर अपनी बात रखते हुए कहां की विमुद्रीकरण से देश का हित होगा और आने वाले समय में जाली नोटों का साम्राज्य मिटेगा ,काला धन खत्म होगा ,भ्रष्टाचार पर नियंत्रण, आतंकवादी गतिविधियों पर लगाम कसेगी. इस अवसर पर हावड़ा इकाई के चेयरमैन पी. दे,

ज्योतिर्मय ,राममणि सरकार, अशोक सामंतो ,अरुणाभा घोष ,तापस करार, पश्चिम बंग प्रदेशिक प्रादेशिक मारवाड़ी सम्मेलन हावड़ा जिला इकाई के अध्यक्ष संजय भरतिया एव सचिव प्रकाश किला ने भी ने भी इस विषय पर अपने बिचार रखे.

Auditors to study impact

A STAFF REPORTER

Calcutta, Nov. 18: The Institute of Cost Accountants of India (ICAI) will analyse the cost benefits of the demonetisation drive.

The ICAI will study the economic cost of the move and how businesses and services are getting impacted, with individuals standing in queues to deposit, withdraw or exchange money at the banks instead of being at the workplace.

The study would also look into whether such demonetisation action can be taken again in the future.

"We have formed a group comprising 7-8 experts to study the impact of demonetisation on the economy. It is a cost-benefit analysis. We will submit the report to the government," ICAI president Manas Kumar Thakur said.

Supporting the demonetisation move, the institute said the move would be able to tackle the menace of counterfeit currency and reveal the amount of undisclosed income. "A majority of the undisclosed income is expected to be disclosed by the move," Thakur said.

पुणे शहर

सकाळ
पुणे, मंगळवार
२२ नोव्हेंबर २०१६
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एटीएमबाहेर रांगा ; पाचशेच्या नव्या नोटांची प्रतीक्षा

पुणे, ता. २१ : [illegible]

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नवीन नोट पोचलीच नाही

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Customs

Notifications:

Non-Tariff:

✤ Rate of exchange of conversion of the foreign currency with effect from 18th November, 2016

[Notification No. 138/2016-Cus (NT), dt. 17-11-2016]

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

[Notification No. 137/2016-Cus (NT), dt. 15-11-2016]

✤ Rate of exchange of conversion of the foreign currency with effect from 04th November, 2016

[Notification No. 136/2016-Cus (NT), dt. 03-11-2016]

✤ Deferred Payment of Import Duty Rules, 2016

[Notification No. 135/2016-Cus (NT), dt. 02-11-2016]

✤ Deferred Payment of Import Duty Rules, 2016

[Notification No. 134/2016-Cus (NT), dt. 02-11-2016]

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

[Notification No. 133/2016-Cus (NT), dt. 31-10-2016]

✤ Regarding amends Customs, Central Excise Duties and Service Tax Drawback Rules effective from 15.11.2016

[Notification No. 132/2016-Cus (NT), dt. 31-10-2016]

✤ Regarding All Industry Rates (AIRs) Drawback effective from 15.11.2016

[Notification No. 131/2016-Cus (NT), dt. 31-10-2016]

Service Tax

Notifications:

✤ Seeks to amend notification No. 20/2014-ST dated 16th September, 2014 so as to provide exclusive jurisdiction to LTU-Bangalore with respect to online information and database access or retrieval services provided or agreed to be provided by a person located in non-taxable territory and received by a 'non-assesse online recipient'.

[Notification No. 50/2016-Service Tax dt. 22-11-2016]

✤ Seeks to amend notification No. 30/2012- ST, dated the 20th June, 2016 so as to put compliance liability of service tax payment and procedure on to the service provider located in the non-taxable territory with respect to online information and database access or retrieval services provided in the taxable territory to 'non-assesse online recipient'.

[Notification No. 49/2016-Service Tax dt. 09-11-2016]

✤ Seeks to amend Service Tax Rules, 1994 so as to prescribe that the person located in non-taxable territory providing online information and database access or retrieval services to 'non-assesse online recipient', as defined therein, is liable to pay service tax and the procedure for payment of service tax.

[Notification No. 48/2016-Service Tax dt. 09-11-2016]

✤ Seeks to amend notification No. 25/2012-ST dated 20th June , 2016 so as to withdraw exemption from service tax for services provided by a person in non-taxable territory to Government, a local authority, a governmental authority or an individual in relation to any purpose other than commerce, industry or any other business or profession, located in taxable territory.

[Notification No. 47/2016-Service Tax dt. 09-11-2016]

✤ Seeks to amend Place of Provision of Services Rules, 2012 so as to amend the place of provision of 'online information and database access or retrieval services' with effect from 01.12.1016.

[Notification No. 46/2016-Service Tax dt. 09-11-2016]

Income Tax

Notification:

✤ In exercise of the powers conferred by section 295 read with section 9A of the Income-tax Act, 1961 (43 of 1961), 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 (32nd Amendment) Rules, 2016.
2. In the Income-tax Rules, 1962, in rule 10V,-

(i) in sub-rule (1), in clause (c), after the words "has been entered into", the words "or is established or incorporated or registered in a country or a specified territory notified by the Central Government in this behalf" shall be inserted with effect from the date of their publication in the Official Gazette;

(ii) after sub-rule (10), the following sub-rules shall be inserted, and shall be deemed to have been inserted with effect from the 15th day of March, 2016, namely:-

"(11) For the purposes of clause (a) of sub-section (4) of section 9A, a fund manager shall not be considered to be a connected person of the fund merely for the reason that the fund manager is undertaking fund management activity of the said fund. (12) For the purposes of clause (d) of sub-section (4) of section 9A, any remuneration paid to the fund manager, by the fund, which is in the nature of fixed charge and not dependent on the income or profits derived by the fund from the fund management activity undertaken by the fund manager shall not be included in the profits referred to in the said clause, if the conditions specified in clause (m) of sub-section (3) of section 9A are satisfied and such fixed charge has been agreed by the fund manager in writing at the beginning of the relevant fund management activity ."

[Notification No. 106 /2016/ F. No. 142/15/2015-TPL]

✤ In exercise of the powers conferred by section 295 read with sub-section (2) of section 143 of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby makes the following rules further to amend the Income-tax Rules, 1962, namely:-

1. (1) These rules may be called the Income–tax (31st Amendment) Rules, 2016.

(2) They shall come into force on the date of publication in the Official Gazette.

2. In the Income-tax Rules, 1962, after rule 12D, the following rule shall be inserted, namely:-

"12E. Prescribed authority under sub-section (2) of section 143.– The prescribed authority under sub-section (2) of section 143 shall be an income-tax authority not below the rank of an Income-tax Officer who has been authorised by the Central Board of Direct Taxes to act as income-tax authority for the purposes of sub-section (2) of section 143."

[Notification No. 105 /2016/F. No. 142/8/2014-TPL]

✤ In exercise of the powers conferred by section 285BA, read with section 295 of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby makes the following rules further to amend the Income-tax Rules, 1962, namely:-

1. (1) These rules may be called the Income–tax (30th Amendment) Rules, 2016.

(2) They shall come into force from the date of their publication in the Official Gazette.

2. In the Income-tax Rules, 1962 (hereinafter referred to as the said rules), in rule 114B, in the Table, for serial number 10 and entries relating thereto the following serial number and entries shall be substituted

[Notification No. 104/2016][F.No.370142/32/2016-TPL]

✤ In exercise of the powers conferred by section 32, section 115BA and section 295 of the Income-tax Act, 1961 (43 of 1961), 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 (29th Amendment) Rules, 2016.

(2) In the Income-tax Rules, 1962 (here after referred to as the principal rules),-

(a) in rule 5, after sub-rule (1), the following proviso shall be inserted with effect from 1st day of April, 2016, namely:- "Provided that in case of a domestic company which has exercised option under sub-section (4) of section 115BA, the allowance under clause (ii) of sub-section (1) of section 32 in respect of depreciation of any block of assets entitled to more than forty per cent. shall be restricted to forty per cent. on the written down value of such block of assets."

(b) in the New Appendix I, in the Table, in the second column, for the figures " '50', '60', '80', '100' ", wherever they occur, the figure "40" shall be substituted with effect from the 1st day of April, 2017.

[Notification No. 103/2016/ F.No.370142/29/2016 -TPL]

✤ Whereas the annexed Protocol amending the Convention between the Government of the Republic of India and the Government of Japan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income [hereinafter referred to as said "Protocol"] shall enter into force on the 29th day of October, 2016 in accordance with paragraph 1 of Article 4 of the said Protocol;

Now, therefore, in exercise of the powers conferred by Section 90 of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby directs that all the provisions of said Protocol amending the Convention between the Government of the Republic of India and the Government of Japan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income shall be given effect to in the Union of India with effect from the 29th day of October, 2016.

[Notification No.102/2016 /F. No. 506/69/81-FTD-I]

✤ In exercise of the powers conferred by clause (46) of section 10 of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby notifies for the purposes of the said clause, Bihar Electricity Regulatory Commission, a body constituted by the State Government of Bihar, in respect of the following specified income arising to that Commission, namely:-

(a) amount received in the form of government grants;
(b) amount received as licence fee from licensees in electricity;
(c) amount received as application processing fee; and
(d) interest earned on government grants and fee received.

2. This notification shall be effective subject to the conditions that Bihar Electricity Regulatory Commission,-

(a) shall not engage in any commercial activity;
(b) activities and the nature of the specified income remain unchanged throughout the financial years; and
(c) 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. 101/2016/ F. No. 300196/12/2016-ITA-I]

Contributed by
Taxation Committee
Institute of Cost Accountants of India

CMA 2016-17 CAREER AWARENESS PROGRAMME

CAREER AWARENESS PROGRAMMES HELD DURING NOVEMBER 2016*

Date	HQ/Region/Chapter	Venue
1/11/2016	Hyderabad	Pragnya Degree College, Chanda Nagar, Hyderabad
3/11/2016	Hyderabad	Sharada Vidyalaya Degree & PG College for Women, Shamsheergunj
3/11/2016	NIRC	Jain Bharati Mrigavati Vidyalaya
4/11/2016	NIRC	Sanskrit School - Career Fair
4/11/2016	Hyderabad	Haindavi Degree & PG College, Hyderabad
4/11/2016	SIRC	Anjuham Hr. Sec. School
5/11/2016	Hyderabad	Avinash College of Commerce, Kukatpally
5/11/2016	Visakhapatnam	Gowri Degree college, Visakhapatnam
7/11/2016	Jaipur	Springfield School
8/11/2016	Nellore	D.K.W Govt. Junior College
8/11/2016	NIRC	K V School
9/11/2016	Nellore	Govt. Junior College
9/11/2016	WIRC	Kendriya Vidyalaya, Mankhurd, Mumbai
9/11/2016	Hyderabad	Bharathi Degree & PG College for Women, Kachiguda, Hyderabad
9/11/2016	Hyderabad	Smt. A. Shyamala Devi Degree College for Women Barkatpura, Hyderabad
9/11/2016	Jaipur	Kendriya Vidyalaya No. 1
9/11/2016	HQ	Hirendra Leela Patranavis School (Formerly Better High School), Kolkata

Date	HQ/Region/Chapter	Venue
10/11/2016	NIRC	DPS School
10/11/2016	Nellore	D.K.W Govt. Degree College for Women
10/11/2016	Hyderabad	Ideal Junior College, Dilsukhnagar, Hyderabad
10/11/2016	Hyderabad	Avinash College of Commerce, Saroornagar, Hyderabad
10/11/2016	Hyderabad	Keyes Junior College for Girls, Secunderabad
10/11/2016	Visakhapatnam	Gayatri Vidya Parishad Junior College, Visakhapatnam
11/11/2016	Visakhapatnam	Visakha Govt. Womens Junior College
11/11/2016	Durgapur & HQ	TDB College, Raniganj
12/11/2016	Kalyan Ambernath	Friends Commerce Classes Ulhasnagar
12/11/2016	EIRC	Rastraguru Surendranath College
14/11/2016	Visakhapatnam	Dr V. S Krishna Junior College
15/11/2016	HQ	Tezpur University, Tezpur, Assam
15/11/2016	NIRC	K V School
15/11/2016	Jaipur	Parishkar International College
15/11/2016	SIRC	SDNB Vaishnav College for Women
15/11/2016	Nellore	K A C Govt. Junior College
15/11/2016	Nellore	Srinivasa Degree College
15/11/2016	Nellore	Ramakrishna Degree College
15/11/2016	Nellore	Sri Chaitanya Arts & Junior College
15/11/2016	Nellore	Sri Chaitanya E. M High School
16/11/2016	Nellore	JBR Govt. High School
16/11/2016	Nellore	TNC Govt. Junior College
16/11/2016	Nellore	Ravindra Bharathi School
16/11/2016	Jaipur	Kendriya Vidyalaya No. 4
16/11/2016	Jodhpur	Kendriya Vidyalaya B.S.F Jodhpur
16/11/2016	Visakhapatnam	Visakha Govt. Junior College
16/11/2016	WIRC	Kendriya Vidyalaya ONGC Complex
17/11/2016	Nellore	Brahmaiah Jr. College
17/11/2016	Nellore	Brahmaiah Polytechnic College
17/11/2016	Nellore	Lendy Degree College
17/11/2016	Nellore	ZPHS Girls School
17/11/2016	Nellore	A.P.T.W UR (Gurukul) High School
17/11/2016	Nellore	A.P.T.W UR (Gurukula) Jr. College
18/11/2016	NIRC	K V School, Kapurthala Cant
18/11/2016	SIRC	Sree Narayana Misson Senior Secondary School
18/11/2016	Hyderabad	Kasturba Gandhi Degree & PG College
18/11/2016	Durgapur	Gure Teg Bahadur Public School, Benachity
18/11/2016	South Orissa	S.B.R Govt. (Auto) Women's College, Berhampur
18/11/2016	Jaipur	Bal Vishwa Bharti Public Sr. Secondary School
19/11/2016	NIRC	K V School
19/11/2016	NIRC	K V School, NHPC, SAINJ
19/11/2016	Bilaspur	DAV Bilaspur
19/11/2016	WIRC	Kendriya Vidyalaya, Colaba, Mumbai
19/11/2016	South Orissa	Govt. Science College, Chhatrapur
21/11/2016	EIRC	BDM International
21/11/2016	Nellore	P R R And V S Govt College

Date	HQ/Region/Chapter	Venue
21/11/2016	Nellore	Zilla Parishad High School (ZPHS) Inamadugu, Kovur, Nellore (DT), (AP)
21/11/2016	Nellore	Zilla Parishad High School (ZPHS) Alaganipadu, Vidavalur, Nellore (DT), (AP)
21/11/2016	Nellore	Zilla Parishad High School (ZPHS) Vavilla, Vidavalur, Nellore (DT), (AP)
21/11/2016	WIRC	Kendriya Vidyalaya No.3, INS Kunjali, Colaba, Mumbai
21/11/2016	Tiruchirapally	Holy Cross College (Day-1st year)
21/11/2016	Tiruchirapally	R. C Hr. Sec. School (+1 & +2)
22/11/2016	NIRC	Rajmala Sr. Econdary School
22/11/2016	Nellore	Lendy Junior College
22/11/2016	Nellore	G.V.R.R Jr. College
22/11/2016	Durgapur	Khandra College, Andal
22/11/2016	Tiruchirapally	Holy Cross College (Eve-1st year)
22/11/2016	Visakhapatnam	Dr V. S. Krishna Degree College
22/11/2016	EIRC	Chakdaha College
22/11/2016	EIRC	Rishi Bankim Chandra College
23/11/2016	EIRC	The Park Institution
23/11/2016	EIRC	Panihati College
23/11/2016	EIRC	DAV Public School
23/11/2016	NIRC	DPS School
23/11/2016	Nellore	Muncipal Corporaion High School (MCH School)
23/11/2016	Hyderabad	A. V. College of Arts, Science & Commerce, Gangamahal, Hyderabad
23/11/2016	Tiruchirapally	Holy Cross College (Eve-3rd year)
23/11/2016	Tiruchirapally	St. Joseph. Hr. Sec. School (+1 & +2)
23/11/2016	Durgapur	Bengal College of Engineering and Technology
23/11/2016	South Orissa	Dynamics' Commerce Academy, Gandhinagar, Main Road, Berhampur
23/11/2016	Visakhapatnam	Mrs. AVN Degree College
23/11/2016	Visakhapatnam	Basara Junior College
24/11/2016	EIRC	Prabhat Kumar College, Contai
24/11/2016	EIRC	Mugberia Gangadhar Mahavidyalaya
24/11/2016	NIRC	TERI Public School
24/11/2016	WIRC	Kendriya Vidyalaya, Kanjurmarg (Bhandup) West, Mumbai
24/11/2016	Bhubaneswar	Sisu Ananta Mahavidyalaya
25/11/2016	EIRC	Chandernagore College
26/11/2016	EIRC	Victoria Institution (College)
26/11/2016	EIRC	Vidyasagar Evening College
26/11/2016	NIRC	RAO Tula Rem Govt Sr Secodary School
26/11/2016	NIRC	Bosco Academy Matric Higher Secondary School
26/11/2016	Navi Mumbai	Barns College Panvel
26/11/2016	Bhubaneswar	U G S M Mahabidyalaya, Sakhi Gopal
26/11/2016	Hyderabad	Priyanka Degree College for Women
26/11/2016	Hyderabad	Keyes Junior College for Girls
28/11/2016	EIRC	Tiljala Brajanath Vidyapith
28/11/2016	EIRC	Maheshtala College
29/11/2016	HQ	ICFAI University Tripura
29/11/2016	EIRC	Bankura Sammilani College
29/11/2016	Howrah & HQ	Gurukul English Medium School, Liluah, Howrah
29/11/2016	EIRC	Kenduadihi High School

Date	HQ/Region/Chapter	Venue
29/11/2016	EIRC	Banga Vidyalaya
29/11/2016	Bhubaneswar	Paathaasala +2 & +3 Commerce College
29/11/2016	SIRC	Bentinck Higher Secondary School
29/11/2016	Nellore	GOVT JR College
29/11/2016	Nellore	Zilla Parishad High School (ZPH School), South Mopur
29/11/2016	Nellore	Zilla Parishad High School (ZPH School), Mahmadapuram
29/11/2016	Nellore	Zilla Parishad High School (ZPH School), Virivuru
29/11/2016	Nellore	Govt. ITI College
29/11/2016	Nellore	Zilla Parishad High School (ZPH School), Sangam
29/11/2016	Nellore	A.P.S.W.R JR. College
29/11/2016	Nellore	A.P.S.W.R School
30/11/2016	NIRC	S N Sharvodaya Kanya Vidyalaya
30/11/2016	SIRC	Sri Ahobila Mutt Higher Secondary School
30/11/2016	EIRC	Mahadevananda Mahavidyalaya
30/11/2016	EIRC	Baptist Girls School (Govt Spon)
30/11/2016	EIRC	DVC High School
30/11/2016	Nellore	NR Chaitanya Junior & Vocational College
30/11/2016	Nellore	Zilla Parishad High School (ZPHS)
30/11/2016	Nellore	Zilla Parishad High School (ZPHS), Muthukuru
30/11/2016	Nellore	Zilla Parishad High School (ZPHS), Epuru Venkannapalem
30/11/2016	Nellore	A.P.S.W.R Jr. College
30/11/2016	Nellore	A.P.S.W.R School, Muthukuru
30/11/2016	Nellore	Zilla Parishad High School (ZPHS), Damaipalem
30/11/2016	Nellore	Zilla Parishad High School (ZPHS), Brahmadevi

PROGRAMMES HELD IN OCTOBER 2016 BUT REPORTED IN NOVEMBERBER 2016*

Date	HQ/Region/Chapter	Venue
15/10/2016	WIRC	Sydenham College of Commerce and Economics
21/10/2016	Jodhpur	St. Anne's School
24/10/2016	Agra	A K Degree College, Shikohabad

PROGRAMMES HELD IN SEPTEMBER 2016 BUT REPORTED IN NOVEMBER 2016*

Date	HQ/Region/Chapter	Venue
21/09/2016	Aurangabad	Muktanand Mahavidalya

PROGRAMMES HELD IN JULY 2016 BUT REPORTED IN NOVEMBER 2016*

Date	HQ/Region/Chapter	Venue
23/07/2016	WIRC	Maharashtra College of Arts Science and Commerce

** As reported till 01-12-2016*

 # The list may not be exhaustive

National Seminar on "Commerce Education & Beyond"

Tezpur University, November 15, 2016

The Institute in association with the Department of Commerce, Tezpur University organized a one-day National Seminar on "Commerce Education and Beyond: The Professional Edge" at Tezpur University on 15 November 2016 at the KBR Auditorium of the University. The event got tremendous response as more than 800 students and teachers of commerce discipline from various colleges/schools attended the programme. The programme was inaugurated by Prof. Mihir Kanti Chaudhuri, Vice Chancellor of Tezpur University. In his speech Prof. Chaudhuri mentioned about the growing trend of commerce education in the country and he also narrated the rationale for introducing the Department of Commerce at Tezpur University. He urged upon students of commerce to take the challenge of the current economic environment of the country. Prof. Chandana Goswami, Dean, School of Management Sciences, Tezpur University highlighted the issue of recent demonetization in the country and how students of commerce should get their knowledge updated to have a clear conception of the topic. CMA Manas Kumar Thakur, President of the Institute, in his address emphasised on creating human values amongst the students' community. He strongly put the view that an honest and value-based human being is always successful in life. On the occasion, the November 2016 issue of Institute's monthly journal "The Management Accountant" was also released by Vice Chancellor, Prof. Chaudhuri. CMA Dr. Debaprosanna Nandy, Director, (Research & Journal and Examination) of the Institute took a session on career counselling in different aspects of commerce with special emphasis on cost accountancy course and CMA Arup Sankar Bagchi, Director (Finance) of the Institute conducted his session on motivation. The session was highly effective and interactive and it inspired specially the young participants. Mr. Vibhor Pandey, Assistant Vice President of Multi Commodity Exchange of India (MCX) along with Mr. Diptendu Moulik introduced the audience with MCX, one of the newest exchanges of India. He explained the concept of derivatives, hedging to the audience and also explained how trading in MCX take place on commodities. Prof. Subhrangshu Sekhar Sarkar, Head, Department of Commerce, Tezpur University expressed his feelings about commerce education in the region. He suggested that students of commerce should pursue various professional courses and claimed that students studying commerce in the region are as good as their counterparts studying anywhere in India. The entire event had been professionally managed by the students of Integrated M Com programme of Tezpur University. The programme was a huge gathering where students from Kaliabor College, Tezpur College, Darrang College, LOKD College, Chaiduar College, St. Xaviers' College and nearby Kendriya Vidyalayas took part in the event.

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AT THE HELM

Our heartiest congratulations to CMA Pravakar Mohanty, Member of Bhubaneswar Chapter, Fellow Member and Past President of the Institute who assumed the responsibility as Director (Finance) at Odisha Hydro Power Corporation Ltd (OHPC) on October 25, 2016.

We wish CMA Pravakar Mohanty the very best for all his future endeavours.

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

EXAMINATION TIME TABLE & PROGRAMME – DECEMBER- 2016

FOUNDATION COURSE EXAMINATION

Day & Date	Foundation Course Examination Syllabus-2012 Time 2.00 p.m. to 5.00 p.m.
14th December, 2016 Wednesday	Fundamentals of Economics & Management
15th December, 2016 Thursday	Fundamentals of Accounting
16th December, 2016 Friday	Fundamentals of Laws & Ethics
17th December, 2016 Saturday	Fundamentals of Business Mathematics & Statistics

Examination Fees

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

1. **The last term of Foundation examination in 2012 syllabus will be December, 2016.**
2. **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.**

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

4. The examination application form can also be downloaded from the Institute website www.icmai.in and the student may apply in offline mode by attaching demand draft of requisite examination fees. In case of overseas candidates, forms are available at Institute's Headquarters only on payment of $ 10 per form.

5. (a) Students can login to the website www.icmai.in and apply online through payment gateway by using Credit/Debit card or Net banking

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(b) Students can also pay their requisite fee through pay-fee module of IDBI Bank

6. Last date for receipt of Offline Examination Application Forms without late fees is 30th September, 2016 and with late fees of Rs. 300/ is 10th October, 2016. In case of online Examination Application with payment gateway by using Credit/Debit Card or Net banking, the late fees of Rs.300/-will be waived and the last date for application is 10th October, 2016.

7. 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: **21st February, 2017.**

Dr. D.P. Nandy
Director
(Examination)

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

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

INTERMEDIATE AND FINAL COURSE EXAMINATION TIME TABLE & PROGRAMME –DECEMBER 2016

	PROGRAMME FOR SYLLABUS 2012	
Day & Date	**Intermediate Time: 9.30 A.M. to 12.30 P.M.**	**Final Time: 2.00 P.M. to 5.00 P.M.**
Saturday, 10th December, 2016	Financial Accounting	Corporate Laws and Compliance
Sunday, 11th December, 2016	Laws, Ethics and Governance	Advanced Financial Management
Monday, 12th December, 2016	Direct Taxation	Business Strategy & Strategic Cost Management
Tuesday 13th December, 2016	Cost Accounting & Financial Management	Tax Management & Practice
Wednesday, 14th December, 2016	Operation Management and Information Systems	Strategic Performance Management
Thursday, 15th December, 2016	Cost & Management Accountancy	Corporate Financial Reporting
Friday, 16th December, 2016	Indirect Taxation	Cost & Management Audit
Saturday, 17th December, 2016	Company Accounts and Audit	Financial Analysis & 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. 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 30th September, 2016 and with late fees of Rs. 300/- is 10th October, 2016. In case of online Examination Application with payment gateway by using Credit/Debit Card or Net banking, the late fees of Rs.300/- will be waived and the last date for application is 10th October, 2016.**
5. **THE LAST TERM FOR EXAMINATION IN 2012 SYLLABUS FOR INTERMEDIATE & FINAL EXAMINATION WILL BE DECEMBER, 2016**
6. **The Finance Act 2015 will be applicable for the Subjects Direct Taxation, Indirect Taxation and Tax Management & Practice under Syllabus 2012 for the purpose of December 2016 term of Examination.**
7. **The Companies (Cost Records & Audit) Rules 2014 will be applicable for Paper 10 - Cost & Management Accountancy (Intermediate) and Paper 19 - Cost and Management Audit (Final) for December 2016 term.**
8. **The provisions of the Companies Act 2013 will be applicable for Paper 6 - Law, ethics and Governance (Intermediate) and Paper 13 - Corporate Laws and Compliance (Final) to the extent notified by the Government at least six months prior to the date of the examination.**
9. **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.**
10. **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.**
11. **A candidate who is fulfilling all conditions specified for appearing in examination will only be allowed to appear for examination.**
12. **Probable date of publication of result: Inter & Final – 21th February, 2017.**

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

Dr. D. P. Nandy
Director (Examination)

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The Institute of Cost Accountants of India (ICAI) is a statutory body set up under an Act of Parliament in 1959. The Institute, as a part of its obligation, regulates the profession of Cost and Management Accountancy. The Institute also believes that cost competitiveness, cost management, efficient use of resources and structured approach to cost accounting are the key drivers of the profession. ICAI is headquartered in Kolkata. It has four Regional Councils in Kolkata, Delhi, Mumbai and Chennai and 96 Chapters in important cities in India and nine Overseas Centres. The Ministry of Corporate Affairs, Government of India, has administrative control of the Institute.

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