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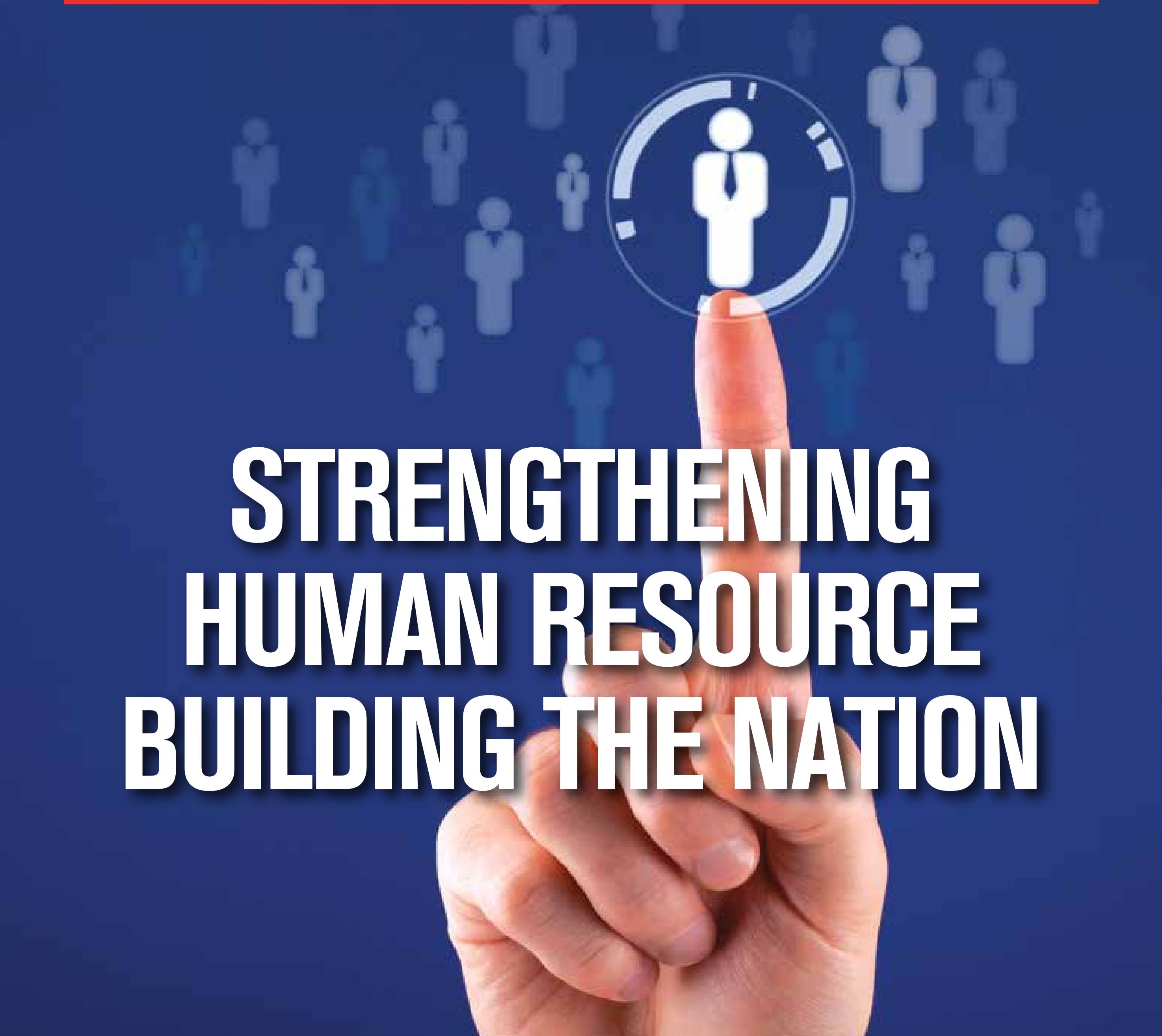
‘GST is the country’s best bet to achieve fiscal consolidation’ PAGE 83

the MANAGEMENT ACCOUNTANT

THE JOURNAL FOR CMAs

DECEMBER 2014 VOL 49 NO. 12 ₹100



STRENGTHENING HUMAN RESOURCE BUILDING THE NATION

The Institute of Cost Accountants of India

(Statutory body under an Act of Parliament)

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The Institute of Cost Accountants of India, a statutory body set up under an Act of Parliament in 1959, has been publishing its pioneering journal, *The Management Accountant* for 49 years. The journal is aimed at the needs of Cost and Management Accountants (CMA) and provides information, analyses and research on global and national developments. The wide circulation and inputs from academicians, researchers and industry stalwarts have been the reasons for the success of the journal.

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The Editor
Directorate of Research, Innovation and Journal
The Institute of Cost Accountants of India
CMA Bhawan, 4th Floor, 84 Harish Mukherjee Road,
Kolkata - 700 025 India
Phone: +91-33-2454-0086 / 0087 / 0184
Fax: +91-33-2454-0063
Email: journal@icmai.in; Website: www.icmai.in

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The Editor
Directorate of Research, Innovation & Journal
The Institute of Cost Accountants of India
CMA Bhawan, 4th Floor,
84 Harish Mukherjee Road, Kolkata 700 025, India
Board: +91-33- 2454 0086 / 87 / 0184
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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 700 016
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.

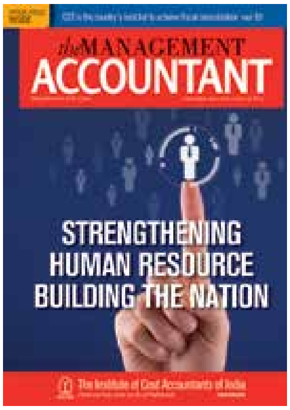
VISION STATEMENT

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
editor@icmai.in

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EDITORIAL OFFICE
CMA Bhawan, 4th Floor, 84, Harish Mukherjee Road, Kolkata-700 025
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Inside

COVER STORY

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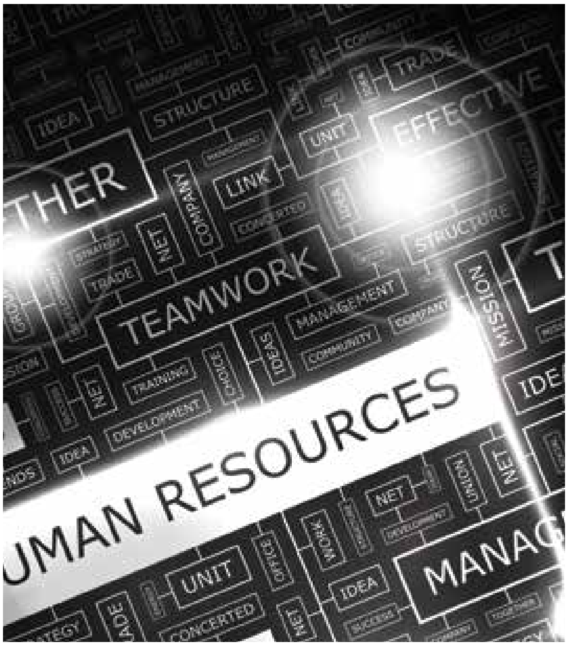
FROM THE EDITOR'S DESK



Greetings!

A strong nation cannot be built without the development of human resource as it plays a significant and remedial role in balancing the socio-economic fabric of the country. Economists and development experts have always mentioned that human resources is a significant factor for achieving high economic growth and improving the standard of living in any country. They assert the undisputed fact "the real treasure of any country is its human resources".

Human resources development has been defined as empowering people by fostering the contributory capacities that they can bring to the improvement of their own quality of life and that of their families, communities, enterprises and societies.

Human resources development lies at the heart of economic, social and environmental development. It is also a vital component for achieving internationally agreed sustainable development goals, including the Millennium Development Goals, and for expanding opportunities to all people, particularly the most vulnerable groups and individuals in society.

Human Resource Accounting (HRA) is an approach to evaluate human resources. It is a management tool which is designed to assist senior management in understanding the long term cost and benefit implications of their HR decisions so that better business decisions can be taken.

HRA Measurement Approaches

There is a difficulty of measuring Human Resources. The biggest challenge in HRA is that of assigning monetary values to different dimensions of HR costs, investments and the worth of employees. The two main approaches usually employed for this are:

- **Cost Approach**: It involves methods based on the costs incurred by the company, with regard to an employee. The various methods of measurements of costs and valuation of human resources are Historical cost method, Replacement cost method, Opportunity cost method, Standard cost method, Current Purchase Power method, and Economic value method.
- **Economic Value Approach**: In this approach human resource value is measured by calculating the present value of a person's future earnings. The methods for calculating the economic value of individuals are Lev and Schwartz model, Eric Flamholtz model, Jaggi - Lau's model. Of these Lev and Schwartz model become popular. According to this model, the value of human capital represented by a person of age is the present value of his remaining future earnings from his employment.

Human Resource Information Systems (HRIS) helps the HR function to become more efficient and to take effective decision by providing better information. HRIS is an excellent example of an area where businesses can capitalize it not only on administrative cost savings, but also on leveraging a strategic advantage through information gathering, processing, and sharing.

Performance management is the systematic process by which an organization involves its employees, as individuals and members of a group, in improving organizational effectiveness in the accomplishment of its mission and goals.

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

GOVERNMENT KEEN TO CONTROL BIG BUSINESS OF EDUCATIONAL SERVICES THROUGH COST RECORDS AND COST AUDIT

CMA Dr A S Durga Prasad
President, The Institute of Cost Accountants of India

*Develop a passion for learning. If you do, you will never cease to grow. -**Anthony J.D'Angelo***

My Dear Professional Colleagues,

Education Sector-Cost Management

Knowledge is power and is one of the most important driving forces of Economies of the World. For any economy to achieve meaningful economic growth, it is essential to gear up skill based activities through a potential, vibrant and dynamic higher education system. Looking at the deficiencies in most of the key areas of higher education system of India like accessibility, quality, financing and governance, there is a need for a shift in the approach in terms of policy and also look at the affordability as the critical factor given the cost of education from Junior grades to higher grades increased manifold and where there is a compromise the quality has taken a beating.

The Government's policy of "Education for All" consists of affordable quality educational for all. Literacy rate in the country is improving, school drop-outs are reducing, low cost private schools are coming into existence as awareness programs are being conducted to provide innovative and competitive edge for proper education. The benchmarking analysis with Global Education System should be carried out for value addition in education sector.

The proportion of FIXED COSTS to TOTAL COSTS is very high in Educational Institutions as the Infrastructure cost is high and many of the costs are fixed due to various norms fixed by the Regulating agencies such as UGC, AICTE and other bodies. Due to this factor, when there is a drop in admissions, the fall in income will be very steep and the existence of the Institution is challenged. Many Professional colleges due to these factors could not sustain the operations. This has double effect, one the students who take admission will not have the right quality of education and two the investments that have gone into the venture would be dead .With the fee structure and intake capacity regulated by the Regulation, the only way the educational institution can sustain, is by keeping the costs under check.

The Government is also keen on controlling the booming business of Educational Services through maintenance of Cost Records and Cost Audit which is being made mandatory for the entities engaged in education services.

11th National Award for Excellence in Cost Management
Friends, on the evening of 25th November 2014 in a glittering ceremony Mr. JayantSinha, Hon'ble Minister of State for Finance presented the 11th National Award for Excellence in Cost Management for the year 2013 at SCOPE Auditorium, New Delhi. Mr. M.J. Joseph, Additional Secretary, Ministry of Corporate Affairs was also present in the function as Special Guest and addressed the participants. 22 Companies were awarded for excellence in cost management practices in 9 different categories which included manufacturing (Private and Public) and then further divided into large, medium and small organizations.

Addressing on the occasion Hon'ble Minister said that CMA professionals have to play a very important role in making a success of the Make-in-India concept triggered by Hon'ble Prime Minister. He also stressed that the concept of frugal innovation which is unique to India as showcased by the lowest telecom tariff in the entire world has to spread across the other manufacturing and service sectors also. In an interesting anecdotal reference to his earlier consulting years, the Honorable Minister informed a thrilled audience about his detailed exposure to Cost Accounting, which enabled him to appreciate the role of cost and management accounting in the sustainability and growth of any business.

Speaking on the occasion Shri MJ Joseph, Additional Secretary, MCA congratulated the award winners and hoped that this inspires other corporates to join the race of being cost conscious. On Companies (Cost Records and Audit) Rules 2014, he said that the Expert Committee of the MCA will be very shortly presenting its report to the Ministry and the Ministry will implement the views of the Committee as the members of the Committee are very experienced and eminent CMA professionals.

Welcoming the dignitaries and participants I expressed my gratitude to the Standing Committee headed by Hon'ble Shri Yashwant Sinha Ji and Ministry of Finance for including the name of Cost Accountant in the definition of Accountant in the Direct Tax Code, 2013 which intends to consolidate the law relating to Income Tax and wealth Tax. I took the opportunity to thank the Chairman and Members of the Jury and Screening Committee of the Awards. CMA PV Bhattad, Vice President of the Institute proposed the vote of thanks.

Tamil Nadu CMA Convention
The SIRC of ICAI organised a Two Day Tamil Nadu CMA Convention - 2014 on the theme 'Role of CMAs in Strategic Planning for Infrastructure Development in Tamil Nadu' on 14th-15th November, 2014 at Chennai. The Convention was inaugurated by the Chief Guest ShriSridhar Parmarthi, Registrar of Companies, Chennai. The Chief Guest highlighted the need for savings and the awareness to be created in the minds of investors so that their investment will be safe and secure. He appreciated the Institute for supporting various activities of the Ministry of Corporate Affairs. CMA H. Padmanabhan, Chairman, SIRC highlighted the importance of Investment and the Government of India initiative to inculcate the habits of investments in the mindset of Rural India in particular and various avenues before an investor in Rural, Banking, Insurance, Capital Market, Real Estate, Asset acquiring in different forms and the encouragement given to Professional Bodies to carry out the implementation part of Government of India directives. Dr. S. Balasubramanian, Chairman, City Union Bank was 'Guest of Honor' of the event. Shri P.K. Ranganathan, Vice-President, Internal Audit, Ashok Leyland Ltd., Chennai rendered Key Note Address and CMA J. Murugesan, Council Member, SIRC proposed vote of thanks. Shri K Suresh, President & CEO, India Cements Capital Ltd & Director – India Cements Inverstment Services Ltd was the Chief Guest of the Valedictory session while CMA M. Gopalakrishnan, Former President & Central Council Member, ICAI was the Guest of Honor. The LOGO for the ensuing SIRC Regional Cost Convention to be held on 19th–20thDecember, 2014 was also unveiled by CMA M. Gopalakrishnan, Former President, ICAI.

National Cost Convention – 2015
The 56th National Cost Convention-2015 of the Institute is being organized at Hyderabad during 31st January and 1st February 2015 on the theme "Powering Economic growth through Cost and Management Accounting". The details are available on the website of the Institute. I request members to attend the Mega Event of the Institute in large numbers.

CMA SUMMIT 2014 at Trivandrum
I am pleased to invite the members to ICAI-SIRC Regional Cost Convention "CMA SUMMIT 2014" on the theme: Make in India – Role of CMAs at TRIVANDRUM Kerala on 19th – 20thDecember 2014. I am sure the Convention will have lots of takeaways given the interesting topics to be discussed.

Meeting with Ministers
I got an opportunity to meet ShriArunJaitley, Hon'ble Union Minister for Finance, Corporate Affairs and Information & Broadcasting. The meeting was very positive. I explained the Hon'ble Minister our concerns relating to Cost Rules. Hon'ble Minister assured us to look into the matter.

I met with Shri N. Chandrababu Naidu, Hon'ble Chief Minister of Andhra Pradesh on 22nd November 2014 at Hyderabad. I apprise Hon'ble Chief Minister of latest developments of CMA Profession and about progress of the Institute. We also requested him to be the Chief Guest of the forthcoming National Cost Convention at Hyderabad.

To apprise all the members about the activities / initiatives undertaken by the Departments/ Directorates of the Institute, I now present a brief summary of the activities.

Administration Department
Process for finalization of awardees for 12th National Awards for Excellence in Cost Management 2014 has been started. The Jury for the awards is being headed by Justice Dr.ArijitPasayat, Former Justice of Supreme Court of India while the Screening Committee is beingchaired by CMA SubhashAgarwal, Director, Cement Corporation of India. As part of the Communal Harmony Campaign Week during 19th– 25thNovember, 2014, Flag Day was celebrated by the staff of Delhi Office on 25th November, 2014 and fundswere raised on the occasion.

Cost and Management Accounting Committee
I would like to inform you that Institute is planning to organize a 'Asian Summit on Health Care Cost Management' to equip our members with Health Sector. We are also going to announce a series of webinars on "Cost Management" for our members and look forward for your active participation.

Continuing Professional Development Directorate
The Institute organized a seminar on 'Understanding Business Valuation – Methods and Techniques' on 7thNovember 2014 at New Delhi. The session was quite interactive and well received by the large number of CMAs.

I am proud to inform that during the month our Regional Councils and Chapters actively organized many programs, seminars and discussions for the members on the the topics of professional relevance such as on Service Tax: Place of Provision of Services Rules, Professional Avenues & Recent Changes in Excise, Global Opportunities for Finance Professionals, Advance Excel, Improving Cost effectiveness through Cost Audit, Central Excise, Service tax and CST, Internal Audit in Public Enterprises, Independent Directors Under Companies Act 2013 - A primer, Pricing of Product and Overview of Pharma Pricing Policy, Vat Audit and Other Related Issues, Internal Audit in New Companies Act - Role of CMAs, Costing MIS & Product Costing Through SAP, Taxation of Deemed Dividends & Gifts, Corporate Restructuring, International Regime (What) & make in India (how), Limited Liability Partnership, Workshop on VAT, SAP & Costing, Project Management - Challenges - Expecting and Unexpected, and so on.

Examination Directorate
The Examination Directorate is preparing to conduct Intermediate and Final examinations from 10thto 17thDecember 2014.For three centers i.e. Dhanbad, Bokaro and Srinagar of Jammu & Kashmir and Jharkhand states,the examination of 14thDecember 2014 will be held on 21stDecember2014 due to the State Assembly Election falling on 14th December 2014.On line mode of Foundation examination will be held on 21st December 2014.Approx.70000 students are expected to appear in these examinations. I wish them all the best and hope that they will appear in the exams with proper preparations.

Hyderabad Center of Excellence
Webinars for the 3 diplomas viz Diploma in Business Valuation, Diploma in IS audit and Control and Diploma in Internal Audit are being conducted as per schedule. The RashtriyaEktaDiwaswas observed at the Hyderabad Center of Excellence, Hyderabad on October 31, 2014. The RashtriyaEktaDiwas Pledge was administered by the Director along with other employees.The Confidential work pertaining to the Diploma in Management Accountancy Examination is in progress and the admit cards are being dispatched.The HCE observed the Communal Harmony Campaign Week from 19th– 25thNovember, 2014 and the Flag Day on 25thNovember, 2014.

ICWAI MARF Program
The programs directorate organized an In-House program on 'Overview of Direct and Indirect Taxes' for Numaligarh Refinery Limited at NRL Assam during 28-29 October, 2014. Another In-House program on 'Contract Management' for Central Warehousing Corporation was organized during 30-31 October, 2014 at Hapur office of CWC. A series of One Day Programswas organized on 'Internal Audit in Public Enterprises' at New Delhi, Hyderabad, Ahmedabad, Kolkata

and Bangalore. The programs were well attended by around 200 executives of various organizations & members. The program on 'Recent Trends in Financial Management including Companies Act, 2013' was organized during 12-14 November, 2014 at New Delhi which was attended by executives of various organizations.

International Affairs Department

The Prince's Accounting for Sustainability Project (A4S) is organising its summit on the theme "Transforming Finance and Accounting: Meeting the Challenges of the Next Decade", at St. James's Palace, London on Thursday 11th December 2014. Additionally, there will be meetings for the Accounting Bodies Network on Tuesday 9th and Wednesday 10th December 2014. I will attend the meetings along with other council members of the Institute.

As already mentioned in my previous communiqué the next SAFA events are scheduled at Bhubaneswar on 4th December 2014. There will be SAFA Best Presented Annual Report and also SAFA Anniversary awards to be presented during these events. Institute is also holding an International Seminar on Integrated Reporting at Bhubaneswar.

The International Affairs Committee has decided to announce three programs during the months of December 2014 to February 2015 on the topics: "Foreign Trade - Perspectives and Challenges", "Anti-Dumping" and "Opportunities and Challenges of E commerce in Globalized World". The details will be hosted on the Institute's website very soon. The committee also plans to release a monthly E-Newsletter for information of the members.

IT Directorate

I would like to inform the members and students that a series of webinars is organized on regular basis for the students and members of the Institute on various topics of interest by the CPD and Tax Research Department. The recordings and download link is also made available after the webinar for the benefit of those who missed registering for the live webinar. It is heartening to inform that the Institute has initiated online help facility on the website to provide the real-time live chat support system to the members on various issues of concern. The membership administration queries are handled by the Membership Department through the system every Monday to Friday 10:30Hrs to 17:30Hrs. One help session for the members was also handled by the Professional Development Directorate in November 2014.

Membership Department

A very important stakeholder of the Institute is our members and it is our firm belief that timely and proper service to them would lead to enhanced 'customer' satisfaction. It is heartening to note that with the launching of 'E-Services' for members, many of them are increasingly availing such facilities in their interaction with the Institute thereby saving their precious time. The Institute is now pleased to announce online help facility for Members whereby members can directly interact with the Membership Department with their queries and get them resolved instantaneously. For details, the members are requested to visit the Institute website.

Professional Development Directorate

On the request of the Institute, the Ministry of Corporate Affairs (MCA) vide General Circular No. 42/2014 dated 12th November 2014 issued a clarification about the Rules 5(1) and 6(2) of the Companies (Cost Records and Audit) Rules 2014 regarding maintenance of cost records and filing of notice of appointment of cost auditor in Form CRA-2 in electronic mode. Due to delay in availability of CRA-2, the date of filing the said Form has been extended by MCA upto 31st January 2015. Now the companies may file the notice of appointment of cost auditor for the financial year 2014-15 with the MCA without any penalty/late fee. It has further been clarified by this Circular that the companies who had filed Form 23C for the financial year 2014-15 are not required to file form CRA-2 afresh for the financial year 2014-15.

Members may be aware that in my November 2014 communique, I mentioned bringing out by the Professional Development Committee of two exposure draft Guidance Notes on Internal Audit for "Engineering Industry" and "Plantation Industry" through the Institute website/ Professional Development Portal and invitation of the view/ comments/ suggestions on these exposure drafts within stipulated time as notified on the Institute's website. Due to non-receipt of sufficient comments, the Institute extended the last date in this regard till 10th December 2014. I am sure members particularly working in these sectors may review these guidance notes and offer their suggestions/ comments to improve these guidance notes further.

I am happy to inform members that the Institute has launched "on-line help facility" by the Professional Development Directorate on 19th November 2014 for the members to seek on-line help from the Professional Development Department for the matters connected with it. I urge members to visit "Professional Development Portal" on the Institute website for the purpose of familiarization of areas of their working and for seeking on line help by the members concerning those matters/areas.

Research & Journal Directorate

I am glad that the Institute in association with the Confederation of Indian Industry (CII) organised a seminar entitled "Cost Effectiveness through Cost Audit" on November 18, 2014 at Haldia, West Bengal. Shri A K Dey, Chairman, CII Haldia Zonal Council & Vice President and Location Head, Electro Steel Casting Ltd, Haldia, CMA Dr. DebtoshDey, Director, Ripley & Company Ltd were the key resource persons in the seminar. CMA Manas Kumar Thakur, Council Member, ICAI, CMA BibekanandaMukhopadhyay, Regional Council Member, ICAI, CMA Himadri Roy, Consulting Associate, SVG & Associates also chaired important sessions in the seminar. The Directorate of Research and Journal of the Institute also released a Knowledge Study on the theme which was highly appreciated.

A Summit on "Leveraging Jan DhanYojana-A Viable Option for Sustainable Development of Women Entrepreneurship" had been held in association with ASSOCHAM on November 26, 2014 in New Delhi. In the Inaugural Session Mrs. Sushma Paul Berlia, President, ApeejayStya&Svran Group and Chairperson, Economic Affairs Council, ASSOCHAM, Shri U.S Paliwal, Executive Director, Reserve Bank of India, SmtUshaAnanthasubramanian, CMD, BharatiyaMahila Bank, Shri S.C Agarwal, Chairman, National Council on Microfinance ASSOCHAM, CMA Manas Kumar Thakur, Council Member, ICAI were the key persons who chaired the seminar. There were also Technical Sessions on "Financial Inclusion Through Technology" and "Financial Inclusion: A Viable Option for Development of Women Entrepreneurs" by eminent dignitaries present in the summit. The Directorate of Research and Journal of the Institute also released a Knowledge Study on the theme topic which was highly acclaimed over there.

I wish prosperity and happiness to members, students and their family on the occasion ofChristmas and Guru Gobind Singh Jayanti.

With warm regards,

(CMA Dr A S Durga Prasad)
1st December 2014

ICAI-CMA SNAPSHOTS

Glimpses of the '2nd SMEs Excellence Award - 2014' held on November 19, 2014 in New Delhi jointly organized by the Institute and Assocham

Glimpses of 'Rashtriya Ekta Diwas Shapath' on 31st October 2014 in various offices of the Institute

1. CMA Dr A S Durga Prasad, President of the Institute welcomed as an invitee by Chairman and other members of Quality Review Board (QRB) in the 19th meeting of QRB in Kolkata office on November 12, 2014. From left CMA A S Bagchi, Secretary QRB, CMA Kunal Banerjee & Shri Pramod Kumar, members QRB, CMA R S Sharma, Chairman QRB, CMA V Kalyanaraman & CMA N K Bhola, members QRB.

2. Release of Knowledge Study on 'Leveraging Jan Dhan Yojana - A Viable Option for Sustainable Development of Women Entrepreneurship' in association with Assocham on November 26, 2014 in New Delhi. Mrs. Sushma Paul Berlia, President, Apeejay Stya & Svran Group and Chairperson, Economic Affairs Council, Assocham, Shri U.S Paliwal, Executive Director, RBI, Smt Usha Ananthasubramanian, CMD, Bharatiya Mahila Bank, Shri S.C Agarwal, Chairman, National Council on Microfinance Assocham, CMA Manas Kumar Thakur, Chairman of Research, Innovation and Journal Committee seen on the dais.

3. CMA D.L.S. Sreshti, Central Council Member, lighting the lamp on the occasion of a seminar on 'MACA-Business Analytics for Competitive Advantage' held on October 26, 2014. CMA Radha Krishna Komaragiri, Chairman, Hyderabad Chapter and other members were also present.

4. The Institute in association with the Confederation of Indian Industry (CII) conducted a seminar entitled 'Cost Effectiveness through Cost Audit' on November 18, 2014 at Haldia, West Bengal. Shri A K Dey, Chairman, CII Haldia Zonal Council & Vice President and Location Head, Electro Steel Casting Ltd, Haldia, CMA Dr. Debtosh Dey, Director, Ripley & Company Ltd, Ms. Gargi Mitra, Head of State, CII, CMA Manas Kumar Thakur, Council Member, CMA Bibekananda Mukhopadhyay, Regional Council Member, and CMA Himadri Roy, Consulting Associate, SVG & Associates were among the dignitaries present on the dais.

5. CMA Dr Sanjiban Bandyopadhyaya, Central Council Member deliberating at the one day programme on Internal Audit in Public Enterprises organized by ICWAIMARF in Kolkata on November 13, 2014

11th National Award for Excellence in Cost Management - 2013


Tamil Nadu News Print and Papers Ltd

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Videocon Industries Ltd

Raymond Zambaiti Limited

Ferromatik Milacron India Pvt Ltd

MSPL LTD


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Hindustan Petroleum Corporation Ltd


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Artificial Limbs Manufacturing Corporation Of India


HDFC Standard Life Insurance Company Ltd.

Blue Dart Express Limited

TATA Power Delhi Distribution Ltd

The Dhamra Port Company Limited

Omega Healthcare Management Services Pvt. Ltd

Fedbank Financial Services Ltd

IRCON International Ltd

RITES LTD

Central Warehousing Corporation

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PAPERS INVITED

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

Issue months	Themes	Subtopics
January 2015	NPA Management and Corporate Debt Restructuring (CDR)	• Cost of Risk & Risk Based Internal Audit • SARFAESI Act & Vigilance • Risk mitigation techniques and models • Basel norms and stressed assets • CDR / ARC / DRTs and redressal structure • Cost implication of NPAs • Role of Independent Evaluation Committee (IEC) • Credit appraisal & its Audit
February 2015	Cost Competitiveness through Leadership	• Economic development through effective leadership • Strategic cost management • Leadership and organizational competitiveness • Essentials of cost leadership • Differential leadership strategy • Related case studies
March 2015	Infrastructure Development & Economic growth	• Infrastructure investment • Risk Management • Social infrastructure • Sustainable growth • PPP Model • Real Estate • Global trend • Role of Government
April 2015	FDI & Economic Growth	• Suitability of FDI in Indian context • FDI and economic growth indicators • FDI flow at sectoral level of Indian economy • 'Make in India' and FDI • Prospects of FDI in India • FDI and domestic industry • FDI policies in India

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
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36th Cost Conference - 2015

Jointly organized by

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)

EASTERN INDIA REGIONAL COUNCIL

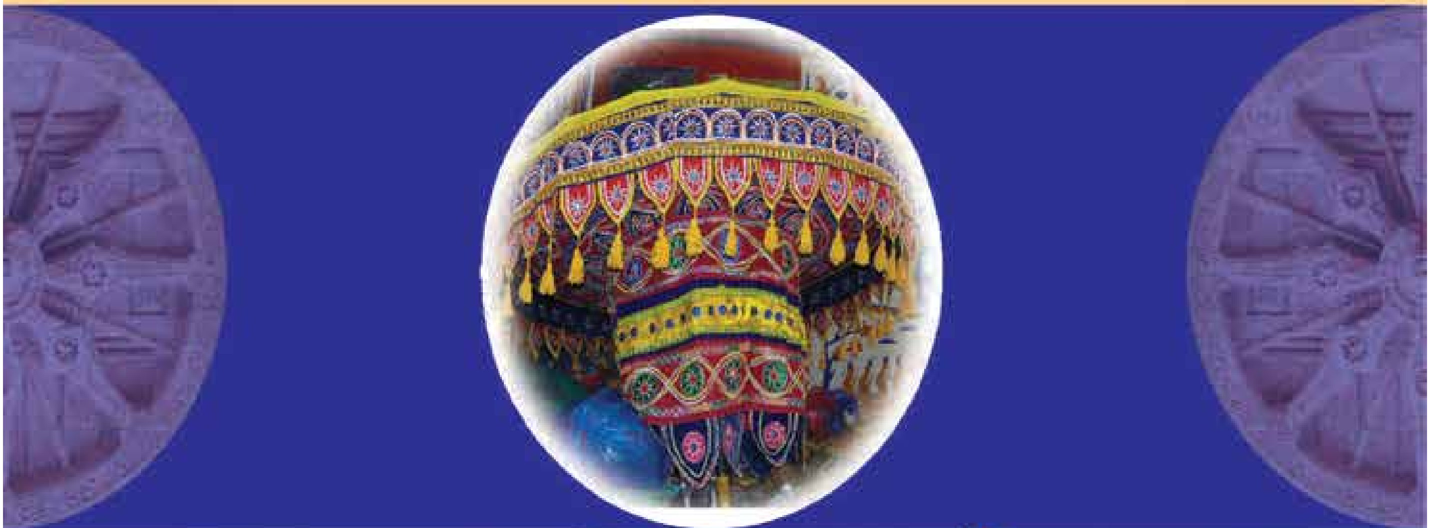
&

BHUBANESWAR CHAPTER

Theme :

"Make in India - CMA Connect"

On 11th -12th January, 2015 at the Hotel Blue Lily, Puri, Odisha



"Behind Every Successful Business Decision, there is always a CMA"

ECONOMY UPDATES

CENTRAL EXCISE

- **Clarification regarding availment of CENVAT credit after six months**

The Central Board of Excise and Customs (CBEC), to address the concerns of industry, has issued Circular No. 990/14/2014-CX-8 on November 19, 2014 to clarify the issue of re-availment of CENVAT credit post expiry of six months from the date of invoice. The industry had raised concerns about cases where the CENVAT credit, though originally availed before the expiry of six months, was required to be reversed in compliance with other provisions of the CENVAT credit rules.

The CBEC has clarified that in the following cases where the CENVAT credit has to be reversed in compliance with the provisions of the CENVAT credit rules:

a. Where the payment of value of input service and service tax payable is not made within three months of date of invoice, challan, etc. (refer third proviso to rule 4(7)),

b. Where the value of any input or capital goods before being put to use on which CENVAT Credit has been taken, is written off or provisions are made in Books of accounts (refer rule 3(5B)),

c. Where the inputs sent to job worker are not received back within 180 days (refer rule 4(5) (a)), the limitation period of six months from the date of invoice specified under rule 4(1) and rule 4(7) applicable for availment of credit would not apply at the time of taking re-credit of amount reversed, after having met the conditions prescribed in the relevant rules.

- **Excisability of Odoriferous compound/agarbathi mix arising during the course of manufacture of agarbathi**

Odoriferous Compound is normally used in the manufacture of agarbathis in a continuous manner. The formula of preparation of such compounds is kept a secret. Such odoriferous substances which are not capable of being bought and sold in the market in normal course of trade are not excisable products. It has been reported that some manufacturers of such odoriferous compounds have claimed non-excisability on the ground that such compounds are a trade secret, not sold in the market and hence not excisable. This is despite the fact that such compounds have shelf life and are capable of being marketed as a distinct identifiable commodity.

It may be noted that Section 2(d) of the Central Excise Act, 1944 has been amended in 2008 to insert a deeming fiction regarding marketability. Specific cases have been detected, where intermediate masala mix has been found to be actually bought and sold. It is therefore clarified that Board's Circular No. 495/61/1999-CX.3 dated 22.11.1999 is applicable only to such intermediate compound or odoriferous compounds as are not capable of being bought and sold. In cases where on the basis of evidence it is established that such intermediate compounds are capable of being marketed, the same will be excisable, irrespective of whether the compound is actually marketed or not.

- Exemption from excise duty goods required for the Intensified Malaria Control Project funded by GFATM vide 23/2014-CE, dt. 21-11-2014.
- Exemption from Central Excise duty leviable on bunker fuels, namely IFO 180 CST and IFO 380 CST falling under Chapter 27 of the Central Excise Tariff for use in Indian Flag vessels for carrying export-import (EXIM) containers and empties vide 21/2014-CE, dt. 11-11-2014.

CUSTOMS

- CBEC has announced the revised All Industry Rates (AIR) of Duty Drawback 2014-15 vide Notification No. 110/2014-Customs (NT) dated 17/11/2014 w.e.f 22/11/2014. For more information please visit http://www.cbec.gov.in/customs/cs-act/notifications/notfns-2014/cs-nt2014/cs-notfns-nt14.htm
- Exemption from customs duty leviable on bunker fuels, namely IFO 180 CST and IFO 380 CST falling under Chapter 27 of the Customs Tariff for use in Indian Flag vessels for carrying export-import (EXIM) containers and empties vide 31/2014-Cus, dt. 11-11-2014.
- Exemption from customs duty goods required for the Intensified Malaria Control Project funded by GFATM. - 32/2014-Cus, dt. 21-11-2014.
- Amendment to Rule 7 of The Customs, Central Excise Duties and Service Tax Drawback Rules 1995 vide Notification No.109/2014-Cus (NT), dt. 17-11-2014. For more information please visit http://www.cbec.gov.in/customs/cs-act/notifications/notfns-2014/cs-nt2014/csnt109-2014.pdf

BANKING

Basel III Framework on Liquidity Standards – Monitoring tools for Intraday Liquidity Management

Banks will be required to report the monitoring tools, to the RBI on a monthly basis from 1 January 2015 to coincide with the implementation of the LCR reporting requirements as advised vide our circular DBOD.BP.BC. No.120/21.04.098/2013-14 dated June 9, 2014 on "Basel III Framework on Liquidity

ECONOMY UPDATES

Standards – Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards". It will be pertinent to mention here that while the objective of the Liquidity Coverage Ratio (LCR) is to promote the short-term resilience of the liquidity risk profile of banks, it does not include intraday liquidity within its calibration and the LCR stress scenario does not cover expected or unexpected intraday liquidity needs. Besides forming a key element of a bank's overall liquidity risk management, management of intraday liquidity risk has a close relationship with the smooth functioning of payment and settlement systems. Considering the critical importance, the imperatives of having a robust liquidity governance structure to ensure integrity of the intraday liquidity monitoring tools hardly require to be over emphasized. Boards through their senior management should develop suitable strategy, risk management policies and practices to monitor intraday liquidity, ensure integrity of regulatory reporting and review the efficacy of the monitoring tools.
Source: RBI/2014-15/293 [DBR.BP.BC. No.46/21.04.098/2014-15] dated: November 3, 2014

Revised Regulatory Framework for NBFC
As per Notification No. RBI/2014-15/299 [DNBR (PD) CC.No. 002/03.10.001/2014-15] dated: November 10, 2014 change in Regulatory Framework for NBFC has been introduced. For more information please visit http://www.rbi.org.in > Notifications.

Review of the Non-Banking Financial Company – Factors (Reserve Bank) Directions, 2012
Please refer to DNBS (PD) CC. No. 297/ Factor/22.10.91/ 2012-13, dated July 23, 2012 in terms of which an NBFC-Factor shall ensure that its financial assets in the factoring business constitute at least 75 per cent of its total assets and its income derived from factoring business is not less than 75 per cent of its gross income. Taking into consideration the representation received from the industry and also to encourage the factoring sector in India, it has been decided that an NBFC for registering as NBFC-Factor shall ensure that its financial assets in the factoring business constitute at least 50 per cent of its total assets and its income derived from factoring business is not less than 50 per cent of its gross income.
Source: RBI/2014-15/300 [DNBR (PD) CC.No. 003/22.10.91/2014-15], dated: November 10, 2014

Export of Goods / Software / Services – Period of Realisation and Repatriation of Export Proceeds – For exporters including Units in SEZs, Status Holder Exporters, EOUs, Units in EHTPs, STPs and BTPs
Circular No. 37 (RBI/2014-15/306) dated: November 20, 2014 states that the period of realization and repatriation of export proceeds shall be nine months from the date of export for all exporters including Units in SEZs, Status Holder Exporters, EOUs, Units in EHTPs, STPs & BTPs until further notice.

Designated Director – Amendment to Section 13(2) of Prevention of Money Laundering Act (PMLA)
Based on circular UBD.CO.BPD. (PCB). Cir No.48/14.01.062/2013-14 dated February 18, 2014, UCBs were advised that they may nominate a Director on their Boards as 'Designated Director' to ensure compliance with the obligations under the Prevention of Money Laundering Amendment Act, 2012. In this connection, it is clarified that UCBs can also designate a person who holds the position of senior management or equivalent as a 'Designated Director'. However, in no case, the Principal Officer should be nominated as the 'Designated Director' vide RBI/2014-15/296 [DCBR.CO.BPD. (PCB). No 1/14.01.062/2014-15], dated: Nov 05, 2014.

Levy of penal charges on non-maintenance of minimum balances in savings bank accounts
As per the recommendation of Damodaran Committee, it has been decided that while levying charges for non-maintenance of minimum balance in savings bank account, banks shall adhere to the guidelines provided thereof, with effect from April 1, 2015.
Source: RBI/2014-15/308 (DBR.Dir. BC.No.47/13.03.00/2014-15) dated: November 20, 2014

External Commercial Borrowings (ECB) Policy – Parking of ECB proceeds
With a view to providing greater flexibility to the ECB borrowers in structuring draw down of ECB proceeds and utilization of the same for permitted end uses, it has been decided to permit AD Category -I banks to allow eligible ECB borrowers to park ECB proceeds (both under the automatic and approval routes) in term deposits with AD Category- I banks in India for a maximum period of six months pending utilization for permitted end uses. The facility will be with the following conditions:
i. The applicable guidelines on eligible borrower, recognized lender, average

maturity period, all-in-cost, permitted end uses, etc. should be complied with.
ii. No charge in any form should be created on such term deposits i.e. to say that the term deposits should be kept unencumbered during their currency.
iii. Such term deposits should be exclusively in the name of the borrower.
iv. Such term deposits can be liquidated as and when required.
Source: Circular No. 39 (RBI/2014-15/309) dated: November 21, 2014

SEBI

Consolidated Account Statement (CAS) for all securities assets

Pursuant to the Interim Budget announcement in 2014 to create one record for all financial assets of every individual, SEBI had extensive deliberations with the Depositories, AMFI and RTAs of Mutual Funds (MF-RTAs) to implement it with respect to financial assets of securities market vide *Circular - CIR/MRD/DP/31/2014 dated: November 12, 2014.*

Conditions for issuance of Offshore Derivative Instruments under SEBI (Foreign Portfolio Investor) Regulations, 2014

It has been decided to align the applicable eligibility and investment norms between Foreign Portfolio Investor (FPI) regime and subscription through the Offshore Derivative Instruments (ODI) route. Accordingly, it is clarified as under:
a. the applicant is resident of a country whose securities market regulator is a signatory to International Organization of Securities Commission's Multilateral Memorandum of Understanding (Appendix A Signatories) or a signatory to bilateral Memorandum of Understanding with the Board;
b. the applicant being a bank, is a resident of a country whose central bank is a member of Bank for International Settlements;
c. the applicant is not resident in a country identified in the public statement of Financial Action

An FPI shall issue ODIs only to those subscribers which do not have opaque structure(s), as defined under Explanation 1 of Regulation 32(1) (f) of SEBI (Foreign Portfolio Investors) Regulations, 2014. Regulation 21(7) of SEBI (Foreign Portfolio Investor) Regulations, 2014, lays down the investment restrictions which are applicable to FPIs. It is clarified that:
a. These investment restrictions shall apply to ODI subscribers also. For this purpose, two or more ODI subscribers having common Beneficial Owner (BO) shall be considered together as a single ODI subscriber, in the same manner as is being done in the case of FPIs.
b. Further, where an investor has investments as FPI and also holds positions as an ODI subscriber, these investment restrictions shall apply on the aggregate of FPI investments and ODI positions held in the underlying Indian Company. In other words, the investment as FPI and positions held as ODI subscriber will be clubbed together with reference to the said investment restrictions.
Source: Circular - CIR/IMD/FIIC/ 20 /2014 dated: November 24, 2014

INDIAN ECONOMY NEWS

• Exclusive - RBI under pressure to cut rates as growth slips

India's economic growth probably slowed to around 5 percent in the three months to September, slipping from 5.7 percent in the previous quarter, two senior finance ministry sources said, putting pressure on the central bank to cut interest rates.
Source: Reuters dated: Nov 25, 2014

• India yet to decide on dates for key asset sales - official

India has yet to decide on the dates for selling a 10 percent stake in state-controlled Coal India and 5 percent in Oil and Natural Gas Corporation, a government official said after a meeting with the finance minister.
Source: Reuters dated: Nov 25, 2014

• RBI may give banks more leeway to deal with bad loans

India could give banks more flexibility to restructure distressed loans in a bid to steer funding towards cash-strapped infrastructure projects.
Source: Reuters dated: Nov 25, 2014

• RBI may punish lenders who violate foreign debt rules

The Reserve Bank of India (RBI) said on Tuesday it could penalise lenders that help domestic companies raise debt abroad if that fundraising violates external commercial borrowing rules when repatriated to India.
Source: Reuters dated: Nov 25, 2014

• India's laggard state lenders face tough sell on capital raising plan

India's state-run banks face major obstacles in their plans to raise as much as $60 billion in new capital over the next few years, with investors skeptical about the prospects for most of them and workers wary of the government's grip loosening.
Source: Reuters dated: Nov 25, 2014

• Insight - In Modi's India, green shoots of reform from Rajasthan

The reformist government that many

ECONOMY UPDATES

Indians and free-market flag-bearers had hoped would emerge after this year's election isn't in New Delhi - at least not yet. It's a dusty day's drive to the southwest.
Source: Reuters, dated: Nov 25, 2014

• RBI says overseas borrowed funds can be parked with banks in India
The RBI allowed external commercial borrowings to be parked with banks in the country as term deposits for up to six months pending their utilization. The borrowers are required to bring the proceeds meant for rupee expenditure such as payment for spectrum allocation, capital goods into India.
Source: Reuters, dated: Nov 21, 2014

• Govt needs to infuse nearly $39 bln in state-run banks by March 2019: RBI deputy
The government needs to infuse as much as 2.4 trillion rupees ($38.78 billion) into state-owned banks by end-March 2019 to meet different kinds of capital requirements including Basel III, provisioning for asset quality, and additional risks, said a central bank Deputy Governor S.S. Mundra.
Source: Reuters, dated: Nov 19, 2014

• OECD raises India growth outlook, urges reforms
India's economy will accelerate in 2015/16 but will fail to attain the heady growth rates of the past decade without sweeping structural reforms, the Organisation for Economic Cooperation and Development (OECD) said.
Source: Reuters, dated: Nov 19, 2014

• Exports dip 5% in October; trade deficit narrows to $13.35 billion
Growth rate of India's exports entered the negative zone after a gap of six months, declining 5.04 per cent in October due to a dip in shipments from major sectors such as engineering, pharma and gems and jewellery. Gold imports, which jumped manifold to $4.17 billion, increased the trade deficit to $13.35 billion during the month as against $10.59 billion in October 2013.
Source: PTI | Nov 17, 2014

• Slowing WPI, CPI inflation builds case for rate cut
India's inflation dropped to a new multi-year low in October, helped by slower annual rises in food and fuel prices, intensifying pressure on the central bank to cut interest rates to encourage spending and investment needed to boost growth.
Source: Reuters, dated: Nov 14, 2014

• India-U.S. deal revives WTO and hope of world trade reform
India and the United States settled a dispute on 13th November that had paralyzed the World Trade Organization and risked derailing a $1 trillion package of reforms of global customs procedures.
Source: Reuters, dated: 13 Nov 2014

• India, U.S. and EU set to revive WTO talks: Times of India
A global trade deal between India, the United States and the European Union is close to being signed, with India agreeing to sign the stalled international treaty on easier customs rules, the Times of India reported.
Source: Reuters, dated: 06 Nov 2014

• Bond market sees rate cuts even as India central talks tough on inflation
The rally in Indian bonds is providing central bank governor Raghuram Rajan an unexpected gift: Falling borrowing costs are starting to provide the benefits of lower interest rates without him actually having to ease monetary policy.
Source: Reuters, dated: 09 Nov 2014

• Modi's 'Make in India' push to depend on Chinese steel
India's steel consumption is expected to grow at its fastest pace in five years next year on Prime Minister Narendra Modi's infrastructure push, but a scarcity of raw materials means it will be at the expense of another key goal - curbing imports.
Source: Reuters, dated: 09 Nov 2014

• India's finance minister vows to push land purchase reform
India will push ahead with reform to a land purchase law blamed by business for slowing industrial projects, even if there is resistance to loosening the rules, Finance Minister Arun Jaitley said.
Source: Reuters, dated: 09 Nov 2014

(For further details on these issues, please visit the Institute's website: www.icmai.in for the complete CMA E-Bulletin, December 2014, Vol 2, No. 12, in the 'Research and Publications' section.)

OBITUARY

The Institute and its members deeply mourn the demise of CMA Girish Ramchandra Kulkarni, an associate member, treasurer and faculty member of Aurangabad chapter, who left for his heavenly abode on November 11, 2014.

May his family have the courage and strength to overcome the loss.

The Institute of Cost Accountants of India

(Statutory body under an Act of Parliament)

Presents

56th NATIONAL COST CONVENTION - 2015

Theme :

**POWERING ECONOMIC GROWTH
THROUGH COST & MANAGEMENT ACCOUNTING**

On 31st Jan. & 1st Feb. 2015

at

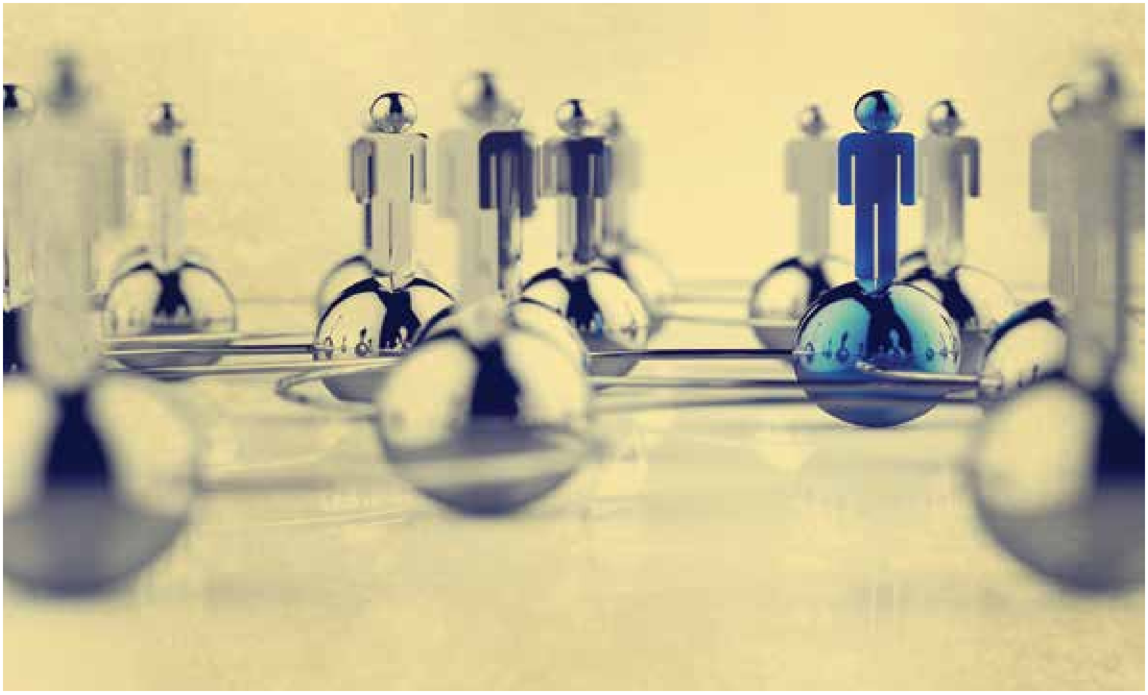
Shilpakala Vedika

Hitech City Main Road, Madhapur, Hyderabad, Telangana - 500 081.

(In association with Southern India Regional Council & Hyderabad Chapter)

HR SKILL SETS IN BANKS

Banks, caught between mounting competition and the increasing expectations of customers, can survive and grow only if the work force is highly motivated and tuned to improving productivity



CA R S Raghavan
Banking & Financial Analyst,
Retd. AGM,
Vijaya Bank,
Bangalore

EARLIER, banking was just a programmed activity efficiently carried out by under-graduates, graduates and to a certain extent post graduates too, who blossomed as great bankers in the restrictive context of banking that was severely under the regulatory control of the Reserve Bank of India. However, present day banking, sequel to Liberalisation, Privatisation and Globalisation (LPG) coupled with technological advancement scenario, **Wealth Management, Profit making and Economic Value Addition (EVA) have taken precedence over traditional services of Deposit mobilization and Credit deployment.** Product diversification and technological revolution paved way for new lines of business drivers as well as Delivery Channels, needing different kinds of personnel, for the reason that net banking / mobile banking is the preferred mode of banking .than brick and mortar branch banking.

As Knowledge Management gains importance, human capital will play an important role as it is the human face which is the driving force behind the Knowledge Management. **Human capital is the one important aspect which is not duly captured in the Balance Sheet and financial figures**. Management of people begins with recruitment process and snails through various movement such as training, placement, transfer, compensation, performance reviews, promotions, welfare activities, voluntary or compulsory retirement, super annuity, pension, etc. Knowledge Management consists of information and judgment, which consists of Data coupled with the circumstances and Data is nothing but organized facts sorted in desirable manner. Knowledge Management is all about re-using the knowledge and information already available & accumulated in various forms, within the organization. Forward looking organizations should take it further by looking beyond Knowledge Management into what is known as Idea Exploration (IE), through periodical Quality Circle meets, breaking the hierarchy set up.

Human Resources Department (HRD) in a bank initiates bonding exercises so as to weld their employees as a cohesive team, as Team Building is vital to growth, more so in the case of banking which is a service oriented commercial organization. In India, **Banking is still a business of "TRUST"**. In the service industry, unlike manufacturing industry in which tangible product is seen by the clients before consumption, customers tend to identify the service with the service provider. Hence courteous service by the employees in co-ordination with other staff members and to the satisfaction of customer are the mantras in banking. A service is produced / rendered by the provider and enjoyed by the customer simultaneously, but the important point to note is only when the customer wants it. Hence, lot of customization is needed, for, when a service fails then it is very difficult to win over the customers' trust back as failed service can hardly be repaired.

IN BANKS, IT IS ONLY THE QUICKNESS OF QUALITY SERVICE THAT DISTINGUISHES ONE FROM THE OTHER, AS THE COMPETITION HEATS UP. IN PLACE OF CUSTOMERS COMING TO BANK BRANCHES, IT IS NOW THE BANKING THAT TRAVELS GLOBALLY IN A FRACTION OF SECOND, OFFERING UNIVERSAL BANKING SERVICE TO THE DOORSTEP OF CUSTOMERS

In Banks, it is only the quickness of quality service that distinguishes one from the other, as the competition heats up. **In place of customers coming to bank branches, it is now the banking that travels globally in a fraction of second**, offering Universal Banking service to the doorstep of customers. **Banks have moved from the sellers market to the buyers market scenario as the changing dynamics of the customer expectations**, demand for quality service at competitive price with varying options are dictating the functions of the banks. **In fact, banks are now graduating from financial intermediary between those with surplus funds and those in need of the same into risk intermediary, i.e. taking calculated risk for a measured return**. In preparing for these challenges and meeting the customer expectations, bank should manage assets and liabilities according to the risk and return perceptions, invest in technology for better MIS and **develop necessary skilled as well as trained staff, more particularly when a large junk of old timers would be replaced by the young and tech-savvy ones**.

As per Khendelwal Committee report, 44%, 58%, 65% and 80% of Scale IV, V, VI and VII are going to shortly retire, before 2020 and vacuum at the middle and top level in banking sector would be felt as recruitments were far and few in between in the nineties, a decade. Hence, there is an urgent need for inter-bank transfer of Executives in these scales.

Human Resources Management is the key factor in enhancing the capabilities of an organization to deal with emerging challenges to exploit the opportunities. In banking, being manpower intensive, human resources management has vital and positive roles to play. Human Resources Management basically deals with finding right people, training and developing them, providing growth oriented career path, sustaining their motivation through proper & timely rewards and placing them on the right job, at the right time and in the right place. The wide gap between aspirations of an employee and what the organization can provide should be minimized.

Unmindful of technology advancement by the management, in the name of automation, core banking, mobile banking, net banking, virtual banking, etc., without appreciation of ground realities and capabilities of staff resulted in ultimate reduction in the quality of customer service to many. IBM, commissioned to survey, reports that (notwithstanding the increase in the volume of business in private banks) Private sector banks are at a higher risk of losing customers to PSU banks on account of non-personalised service, owing to dis-satisfactory service. Private sector banks appeared to have failed to provide seamless services across the counters, though not through technical channels, and the irritated waiting customers are one the rise.

All the attention and focus are concentrated to the High Net worth Individuals (HNI), instead of the mass population. What is practiced in the lowly populated western countries need not by copied down in India, still a developing nation. As the population in U S is 35 cr., while that of India crossed 125 cr., no straight jacket copying would work well.

In this article, HRD skills are examined under the broad caption of Redeployment strategy, Training and Development, Team Building, Job Satisfaction, Employee motivation, H R D Audit and Succession Planning.

Redeployment strategy

The Voluntary Retirement Scheme successfully implemented in the Public Sector Banks and the present normal retirement, during the last one and a half decade, owing to large scale recruitments that took place in the post nationalization era resulted in certain imbalance and shortage in staff necessitating redeployment, as technology advancement has taken place and business volume has grown exponentially. Manpower pattern at the administrative offices should be streamlined and trimmed down for optimum redeployment to the branches where the need arises at an increasing pace. This should be coupled with rationalization of office network and right trimming of the branch network as the whole idea is to reduce the operational and transaction costs by adopting redeployment strategies, enabling positioning of skilled staff to the new business areas so that no Operational Risk aspects arise. All this will require change in work culture so as to make the employees more productive and make banking service available on 24 X 7 X 52 weeks basis. .

The surplus staff, arising out of mechanization and technology advancement, should be optimally redeployed to meet the challenges in marketing of banking products, branch expansion, improving post-sanction follow up through close monitoring of loans and advances portfolio and recovery of non-performing assets, the two main aspects that can never be left alone for the technology to handle. Apart from work culture, value system and job satisfaction appear to have declined. In the banking sector, quantity and quality move seldom in tandem, as one can see that quality is often the victim of quantity. Placement and transfer should be done in an impartial & objective manner and this should be the sole domain of the management at all times. Suitable career path progression should be evolved. In the banking industry the demotivating factor of non-performers being let free and the hard as well as performing officials not being encouraged should be squarely addressed through a thorough review of the H R policy so as to judge objectively. Cross subsidization of employee cost, between these two sectors needs to be avoided if qualitative improvement in tandem with quantitative progress is to be achieved.

There is a need for changing the organization to build commitment at all levels, as committed employee is actually a productive force. Recognition of employees performing well will send the right signals and boost morale of the workforce. There is wide gulf between the remuneration provided by PSBs and other private / foreign banks and the difference needs to be minimized, if not eliminated. The on-going wage settlement prolonging for more than two years is a case in point. Keeping employees skills updated and upgraded to match the present day requirements enhances productivity, besides being cost effective. Raising the skill bar at the entry level itself would ensure that only people with the requisite skills get into the Top Management cadre.

With the abolition of Banking Service Recruitment Board, it is better to have certain Banking Degree as qualifying criteria for entry in the banking sector. The pre-requisite for effective HR management is proper unbiased and properly classified inventory build-up of the manpower of the organization so as to meet the challenges ahead. **In the past, employee productivity was measured with business very narrowly defined as Deposits plus Advances. This approach need to be modified to reflect also the contribution of fee based and non-fund based business activities combined with the risk factored performance indicators**.

Moreover, lack of credible employee appraisal system in most banks in terms of its use for positive purposes has de-motivated and created mismatch between target and performance functions. Transfer of employees in the managerial cadre is not only an integral part, but also an important one, in handling human resources in banks. Merited candidates should not get bogged down in the time bound scale promotions as it limits and acts as a constraint for the growth of an employee, affecting the organisation eventually. The real efficiency is doing the things right and effectiveness is doing the right things at the right time.

Training and Development

Training is of paramount importance for the development of an employee to meet the changing requirements in banks, where multi various universal financial service activities are carried on. There should be proactive steps on the part of management by encompassing areas such as active involvement of top management in the training programmes, professional faculty at the training centers, proper identification of training needs and post training placements. Using technology like video conferencing, laptop, CD ROMs, personal computers, etc to train the employees through e-learning involve less time and better reach than the traditional classroom environment. The training centers should proactively introduce and initiate newer training programs and activities in conformity with the changed scenario and demand from the customers as well as universal banking concept and one stop service make inroads. **There is nothing great in being superior to others, but every employee should try to be superior to his or her own former self, so as to ensure not only improvement in the career but also provide healthy atmosphere in the office**. Banks should train their employees to deal with variety of situations without compromise on the professionalism. One cannot be what one should be, by doing what one has been doing.

Bad attitude is the most deciding disability and when the approach is good, normally the response is also positive and good. When an employee spends his prime period over wider spectrum of activities, job enrichment as well as knowledge enhancement takes place.

Team building

The concept of teamwork and team building should be inculcated among the rank and file of the organization. While recruitment of right persons and training them may put the right man at the right job, it should be borne in mind that in banking where the activities spread across the country, one man cannot do everything. He/she has to be a part of a successful team and hence the dependence on several others for accomplishing the goals set even for one. A team generates positive synergy through coordinated efforts and the organizations adopting team approach make themselves more effective and efficient as the team can utilize the employee talents in a better way because of their flexible and responsive nature. One should learn to express appreciation for the work done well particularly by the sub-ordinates and to offer encouragement when things do not go as planned.

There should be magnanimity and generosity to say "well done" or to give enough space for the colleague to learn from the mistakes, which is a stepping stone in the learning curve. Handling people and getting them to do their best is vital when one moves up the career path ladder, as it is only then people's skill really comes into play. Inputs from other staff should be publicly acknowledged, whenever required. When an employee makes positive difference, it should be complimented so as to give a boost and every one should be encouraged to think like owners of the organization for ensuring a sense of belonging. Success does not always depend on what work one can do independently, but how well one can work with others. Each one of us has an invisible sign Board hanging from over the neck displaying **"Make me feel Important and Recognise"**, which we should never forget while working with people.

The adage that winners make commitments while the losers make excuses is quite true when it comes to work. Essential functions of managerial personnel, in any strata of an organization, are to motivate the staff under their belt for obtaining the best results. Peers who work as a team or even those who work on isolated tasks can draw energy, inspiration and ideas from one another so as to contribute substantially to mutual growth. Doing the job well would enhance ones credibility paving way for improved self-image. In order command respect from colleagues, every one should be loyal to issues and business ethics. Personnel policies of the bank should enable their employees imbibing strong sense of teamwork so as to reap rich and regular dividends.

Job Satisfaction

When job satisfaction improves the organization gets better and improved output from its employees. It also reduces attrition in the organization and the employee turns out to be an achiever in the long run. Enjoying what one does and also doing what one enjoys would help in achieving excellence in the job. If an employee adds value and gives value, then only he / she deserve to get the value addition. Though everybody gets job satisfaction, the percentage of it varies, depending on the employer, jobs handled and the potentiality of an organisation to provide growth opportunities with so many factors and components, besides satisfaction being an intangible and immeasurable thing. In the same tone, no organisation can afford to give complete autonomy of working to its employees. Dissatisfaction with the present job can be very frustrating, ultimately leading to depression. Dissatisfied employee may prove to be cancerous that eats into the work culture of an organisation.

- There may be very many reasons for the dissatisfaction and a few are:-
- Job handled being not matching to the qualification and capabilities;
- inability of the organisation and the employer to identify the right man for the job;
- not given due as well as proper authority in decision making process;
- grossly less capable colleagues going up the ladder;
- no appreciation by the management for the work etc.

Development of positive attitude & frame of mind would go a long way in deriving job satisfaction.

Employees are to be encouraged by superior staff with "How can we?" rather than "we can't, because....". Higher officials should consistently acknowledge the good performance of employees, with praise and recognition and ensure better output from the staff. Always use humour effectively to diffuse explosive situations and at the same time show your colleague that you are in command of yourself and the situation. As major portion of lifetime is spent with colleagues, satisfaction at the work spot goes a long way in maintaining balance. If the job is taken as a routine, it becomes slavery and if it is enjoyed, it becomes a source of happiness.

Quality people are the best investment as it is they who take care of men, money and materials that are the functional ingredients of an organization. In the office atmosphere, daily discussions, weekly workshops, monthly meetings and selected seminars would mean nothing if the attitude of the employees and the employers are not positive.

Employee Motivation

Essential functions of managerial personnel, in any status of an organisation are to motivate the staff for obtaining better results. Good treatment, transparent working environment, providing regular and equal opportunities to all, rewarding hardwork and providing challenging assignments, regular promotional avenues are the normal expectations of an employee. When employees make positive difference, it should be complimented so as to give a boost and every one should be encouraged to think like owners of the organisation for ensuring a sense of belonging. Good treatment, transparent working environment, providing equal opportunities to all, rewarding hard working staff while reprimanding non-performers, providing challenging assignments, regular promotional avenues are the normal expectations of an employee. As quantity should not be counted at the cost of quality, so also ambition should not be build up at the cost of reputation. Before dissatisfaction sets in and makes inroads into inefficient area, the employee should, at the initial stage itself, change their attitude by identifying the cause.

HRD Audit

With the HRM gaining importance, it may be worthwhile to introduce the concept of audit of human resources practices in banks. With so many audits like statutory audit, cost audit, stock audit, credit audit, environment audit, corporate governance audit, I T audit, Forensic Audit, etc., already in place the vital human resources audit would supplement the whole supervision mechanism.

It is necessary to install HRD audit so as to ensure that HRM policies are in tune with the corporate planning and assess the efficacy of HRM policies. It will also act as a check on new breed of human Non Performing Assets (H-NPAs). The old system of recognizing employees mobilizing long term Deposits with attendant liquidity and interest rate risks and canvassing large credit proving to be risky from the angle of risk management should be done away with.

HRD audit is a comprehensive evaluation of the current HRD policies strategies, systems, structure and skills in the context of the short and long term business plan of the organization. It involves evaluation of future HRD needs of the organization after assessing the current HRD policies and activities. As the Basel norms are already in vogue, banks are required to hold certain quantum of capital towards operational risk, incidents of which are on the rise. In fact, fructification of Operational Risk has got more ramifications than that of the Credit risk and Market risk, the three basic components of Risk in banks. Hence HRD audit will have to play a positive role in the days to come.

There is a requirement for putting in place a Viable Separation Scheme (VSS) or an Early Retirement Scheme (ERS) to be in place on a regular basis. We should not confuse age and experience with knowledge and talent. If banks can't match the expectation of management graduates, hiring them on contract basis for three years or so may be thought of. Such personnel can be effectively used for marketing bank products.

Therefore re-orientation, refining skill sets & fine-tuning mindsets of employee play an important role. Risk taking and risk transferring ability of the management staff would be the determining factor among the competitors in bank. In this regard, omissions and commissions borne out of the prudent commercial decisions of officials need to be viewed leniently unless such decisions are proved to be malicious and mala-fide.

People who share the organizational strengths and values are those who can easily fit into the culture of the organization to which they belong. It is all the more important to be able to deal with different kinds of people at various work situations, without compromising on the attended professionalism. Public sector banks still possess certain core strengths, viz., wide branch network, diverse customer base, high degree of safety coupled with confidence, army of experienced as well as trained staff etc. They have to strive hard for their existence and survival by transforming their weakness into strengths and converting their threats into opportunities. Investing in quality people is the best investment as it is they who take care of men, money and materials that are the functional ingredients of an entity.

Succession Plans

Any organization, worth the salt and its name, should not be dependent on one or more select persons. Nobody should not only be made indispensable, but also be made to feel indispensable. Therefore, succession planning should be an in-built and on-going affair with contingency plan for smooth transition when emergency arises and situation warrants. As the possibility of people switching over to greener pastures is quite high and employee continued and prolonged loyalty to employer may not have relevance now-a-days, the organization should always be in readiness to tackle the situation to avoid a sudden vacuum at any levels. **As banking is a business fountain head of "Trust", integrity of the employee should be preferred over intelligence. As per the Bancon 2013, it is reported that while banks business grew by 15 %, bank frauds doubled to 8,646 cr., and in the last 5 years, while the business doubled, frauds increased by 8 times. Proper succession plans in the manpower should be in place**.

With the impending retirement of employee recruited in large scale in the post nationalization era, in early seventies, there is likely to be sudden vacuum at the top management level. Thus, there is an urgent need to bring down the waiting period in each scale, if not already done, particularly in the initial-stage. The minimum long period of more than 12 years or so during the first three promotional opportunities for officer cadre employees is too long to afford reasonable opportunity for a lower rung merited official to reach Top Management level, with scope for reaching the Chief Executive Officer level. Hence suitable fast track promotion policies for skilled, specialized officers and performing generalist officers should be evolved. Proposition of 25% lateral recruitment, 50% merit based promotion and 25% seniority based promotional avenues may be seriously examined.

Apart from ensuring proper placement and recruitment of officials in the bank at the field level, it is important that the right candidates are placed at the Board level. Hence, it may not be out of place to mention that the government should think of relinquishing their control on the management of banks in regard to the day-to-day affairs and functions and leave that to the Board. The Board of Directors of the Bank should select the Chairman of the Bank as well as the Managing Director, the Chief Executive Officer, wherever it is deemed fit to separate the post of Managing Director from the Chairman and Managing Director, presently in vogue.

It is essential that leadership continuity is ensured by appointing the CEO for a minimum stint of three years instead of changing from one bank to the other frequently. Besides, putting in place a mechanism for inter bank transfer of executives placed at Top Management level among the public sector banks can also be thought of seriously. With corporate governance and transparency as well as disclosure mechanism finding its roots in the Board, Government should restrict their role to just frame broad policies, without the need and justification to interfere in the daily management and decision-making process.

Conclusion

Employees should give as well as do their best and that would ensure that best would come back to them. Taking calculated risk to meet and exceed customer expectations is the secret of success of any business venture. Just the years gone by, would and should not be counted as experience. **Experience is equal to the capacity to teach others, multiplied by the ability to learn more and multiplied by years of service. A zero anywhere in that equation would give the consequential result as zero**.

In the light of Human Resources Management gaining the right attention and importance, banks have to create an environment in which they will be able to expand business, largely through redeployment, extensive training and better incentives. As a supplementary effort to the direct recruitment and lateral induction, the banks themselves should evolve an ongoing strategy of redeployment of existing staff in new business activities after suitable training and effect cultural transformation for smooth transition. Now the time is ripe to come out with a suitable Human Resources Policy Document, with the due concurrence of the authorities concerned. Ideally, HR should align with the overall goal of organization in an holistic manner.

Employees should show willingness to allow change to transform business strategies to yield better result leading to improved productivity. Though not reflected in the financials / balance sheet, there is no denying the fact that Human Resources are the most important assets, in not only achieving but also sustaining success of a business entity. This is very much true in the case of banking industry, which is a services oriented one. Need of the hour is attitudinal change with strong customer focus to survive and beat the competition by surpassing customer expectations. Thus, Human Resources Department should re-engineer their functions so as to identify employee potential and develop technological skills as well as domain knowledge expertise.

Banks are now caught between mounting competition for garnering business volume on the one hand and increasing expectation of shareholders and customers on the other hand to give value to their money. Under the circumstances survival and growth is possible if only the work force is highly motivated and tuned for improving productivity. **Tackling the change needs to be faced head on so to overcome the threat of extinction while handling transformation in banking industry. In the days to come, success or failure of a bank centers around human elements handled at Human Resources Department of a bank**.

It may be disquieting to note that in the Human Development Index, except in Life Expectancy, in all other parameters, India is last, among the BRICS, with Russia - 57, Brazil - 79, China - 91, SA – 118 and India - 135, out of 187 points. Hence, lots of grounds are to be covered to ensure better development of human resources in general and more so in the Banking industry.

Change Management such as Economic Value Addition (return exceeding the cost of both equity & debt capital), Six Sigma approach, Employee Stock Option Plan, Quality Circles, e-learning, Skill-set enhancement, employees, Knowledge Management, Core Competency identification, Moving Target of Performance Bars and Benchmarks, Team Building, Succession Plans, etc are the emerging tools of H R Management, to which the banks should be prepared re-engineer themselves in remaining major part of the 21st century banking. MA

rsraghavan007@yahoo.co.in

AN ASSESSMENT OF RELATIVE PERFORMANCE OF ORGANIZATIONS USING ITS HR VALUE: A CASE STUDY

Though ranking of companies using HR productivity levels and HR values are compatible with traditional ranking methods, it also adds value as it tries to assess the relative contribution of technology and the HR

CMA Dr. Mohit Kumar Kolay
Professor, College of Business Administration
Riyadh, Kingdom of Saudi Arabia

THE human resources (HR) of any successful organization has long been considered an asset. Starting from the late 1960s and 1970s, different approaches have been used to valuing HR such as cost-based, economic value based on wage payables approach, psycho-social test results of employees as dollar analogue of HR value have been proposed and used[1]. However, to date a consensus approach to value each individual in an organization is yet to be found.

In such a scenario it is fundamental to focus our attention on valuation of organizational HR as a whole in the realm of Human Resource Accounting (Kolay and Sahu, 1995). The HR of any organization develop and utilize the other asset, i.e. the technology base, along with themselves, to convert the inputs to outputs to earn profits as the level of performance. The profit performance in relation to size and quality of the technology base reflects the productivity of the organizational HR. An organization adopts different strategies to sustain and improve the quality of the HR and their productivity. Thus, the productivity of the HR, when viewed in relation to cost incurred by adopting such strategies, would reflect the surrogate value of the organizational HR (Kolay and Sahu, 1995).

Ever since the onset of Great Recession in 2008, employees have faced a great deal of turbulence in the workplace and as a result, engagement levels on the job are at surprising lows. Total factor productivity that accounts for the productivity of labor and capital inputs together has dropped below zero in 2013 for the global economy (Conference Board, 2014). Financial information apart, stakeholders now-a-days need return-on-investment in every aspect of the business, especially the organizational HR. HR investments can be compromised to improve the short-term gains by overstretching and liquidating the HR, not reflected in current financial accounts. Therefore, a ranking based on financial information need not necessarily be re-

[1]See Monograph by Kolay (1996) for an exhaustive list

flective of organizational HR.

The present paper aims to take a look at the relative performance of top financially ranked organizations using HR value as the new criteria for ranking.

Performance level of selected companies

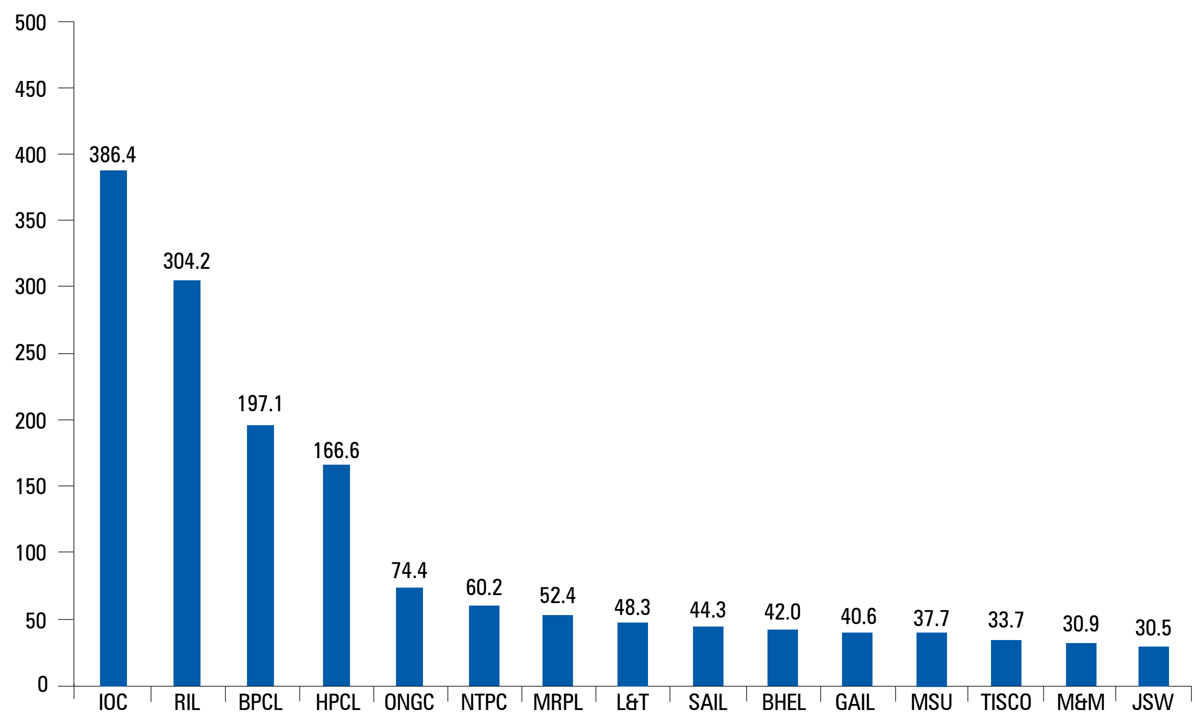
Top twenty five companies based on net sales have been chosen from the available list of "Top Hundred Companies" (Money Control, 2014). Then fifteen out of twenty five companies have been considered for the present study with a focus on production sector as in **Table-1**.

Then, to facilitate performance based ranking, the average net sales over the last five years (2009-10 to 2013-14) have been used to rank the chosen fifteen companies as in **Figure-1**.

Table-1: Top 15 companies chosen from the list of Top 100 companies, based on net sales, 2013-14

Company	Net sales, Rs. th. cr	Rank in website
Indian Oil Corporation Limited (IOC)	473.21	1
Reliance Industries Limited (RIL)	390.12	2
Bharat Petroleum Corporation Limited (BPCL)	260.06	3
Hindustan Petroleum Corporation Limited (HPCL)	223.04	4
Oil and Natural Gas Corporation Limited (ONGC)	83.89	7
National Thermal Power Corporation Limited (NTPC)	72.02	8
Mangalore Refinery & Petrochemical Limited (MRPL)	71.82	9
Gas Authority of India Limited (GAIL)	57.51	11
Larsen & Toubro Limited (L&T)	56.60	12
Steel Authority of India Limited (SAIL)	46.70	15
JSW Steel Limited (JSW)	45.30	16
Maruti Suzuki India Limited (MSU)	43.70	19
Tata Iron & Steel Company Limited (TISCO)	41.71	21
Mahindra & Mahindra Limited (M&M)	40.51	23
Bharat Heavy Electricals Limited (BHEL)	39.11	25

Figure-1: Top 15 companies based on avarage net sales (Rs. thousand Crores) of last 5 years



The net sales of these companies have been growing over the last five years with overall average growth rate of 16.48% pa as in Table-2. Interestingly, on dividing the total study period into two halves, 2009-10 to 2011-12 and 2011-12 to 2013-14, the growth in net sales shows distinctively much higher figure of 24.10% for the first half as compared with the current half of 8.86% Such a general trend across different companies reflects no doubt the distinctive impact of external environment. With such a growth pattern in sales, the financial performance of these companies in terms of average return on total assets has been varying over the last five years from a maximum of 12.59% for ONGC to a minimum of 2.25% for MRPL as in **Table-2**.

Now, on the input front, as in Table-3, the technology base and its growth over the years has been the main dominant factor behind such a growth in sales and financial performance. Considering the gross fixed assets deployed as measure of technology base, and considering 2009-10 as the base year with yearly inflation adjusted (manufacturing goods price index) additions in fixed assets as the increment, the growth rate in technology base has been varying with overall annual average growth rate of 13.89%. However, contrary to such a growth in technology used to accelerate the level of net sales, the size of the HR base shows only marginal growth of 2.77% pa on an average for all the companies together. In fact, five out of fifteen companies have become leaner with negative growth rate in HR base (Ref :Table-3).

On account of such a strong focus on growth in technology base as contrast to HR, the traditional measure of HR output in terms of net

Table-2: Financial performance of selected companies

Company	Average annual growth rate in net sales during			Avg. return (Rs. crores)	Avg. annual return on total assets (ROTA)-%
	2009-10 to 2013-14	2009-10 to 2011-12	2011-12 to 2013-14		
IOC	18.20	32.82	4.37	6729	3.64
RIL	19.84	30.94	8.74	19910	6.59
BPCL	21.36	31.93	10.79	2220	3.64
HPCL	22.50	33.03	11.96	1278	1.96
ONGC	8.86	12.94	4.77	20767	12.59
NTPC	11.76	15.77	15.75	10130	7.10
MRPL	22.87	30.00	7.75	608	2.25
L&T	11.89	20.42	3.37	4070	6.36
SAIL	3.69	6.90	0.47	3998	5.28
BHEL	5.90	20.96	-9.15	5488	8.75
GAIL	23.24	27.16	19.32	3750	7.80
MSU	11.59	11.82	11.37	2319	10.62
TISCO	13.67	16.46	10.88	6017	6.45
M&M	21.84	30.28	13.39	2938	12.55
JSW	29.94	40.82	19.06	1759	3.97

Table-3: Technology versus HR base deployed

Company	Avg. technology base used (Rs. th. crores)	Growth in technology base (%)	Avg. HR base used (no.)	Growth rate in HR base (%)
IOC	94.38	11.12	34116	-0.42
RIL	227.31	3.06	23313	0.54
BPCL	32.38	11.50	13501	-1.25
HPCL	32.61	12.64	11130	-0.97
ONGC	76.37	16.75	33184	0.89
NTPC	85.83	13.22	23765	-0.35
MRPL	14.89	19.93	1489	7.10
L&T	9.58	11.72	47565	9.01
SAIL	40.52	8.42	106841	-4.35
BHEL	9.14	14.75	47667	0.72
GAIL	26.17	11.32	3900	2.10
MSU	13.11	15.12	9463	13.81
TISCO	38.12	19.92	34741	1.58
M&M	6.97	18.23	18349	3.40
JSW	32.92	20.72	9365	9.76
Average		13.89		2.77

sales per employee has been growing for these companies at a very rapid rate (as in Table-4), contrary to decline of such a measure of HR output in many parts of the world. More importantly, it is the input of HR cost percent of net sales has contributed strongly to build up the size of the profits as evident from Table-4. In fact, it only confirms the labor cost advantage of India, and is one of the most dominant factors that places India on the fourth position in the 2013 Global Manufacturing Competitiveness Index behind China, Germany, and the USA (Table-4).

Now the question arises does the growth in net sales belong to technology base deployed or to the organizational HR? Are these companies placed on top because of technology or by virtue of talent and sincerity of their HR, the so called most important asset? Are we looking after our employees well and remunerating them what they deserve or overstretching them to make still

Table-4: HR output of net sales versus input of HR cost

Company	Avg. net sales per employee, Rs. crores	Avg. growth in net sales per employee (%)	Avg. HR cost % of avg. net sales	Avg. growth in HR cost percent pa
IOC	11.34	23.26	1.69	-9.82
RIL	13.02	24.64	0.99	-7.31
BPCL	14.69	30.93	1.39	-9.10
HPCL	15.02	32.21	1.25	-10.74
ONGC	2.24	8.77	10.62	7.52
NTPC	2.53	14.42	5.17	0.79
MRPL	34.51	18.00	0.33	-0.09
L&T	1.01	2.42	7.15	6.75
SAIL	0.42	9.39	17.59	13.39
BHEL	0.88	3.97	13.48	-1.23
GAIL	10.34	27.96	1.89	-10.16
MSU	4.01	-2.05	2.33	16.51
TISCO	0.97	14.26	9.26	-1.67
M&M	1.69	23.52	5.57	-4.04
JSW	3.17	23.51	2.03	-5.40
Average	7.72	17.01	5.38	-0.97

Figure-2: Relative HR productivity index

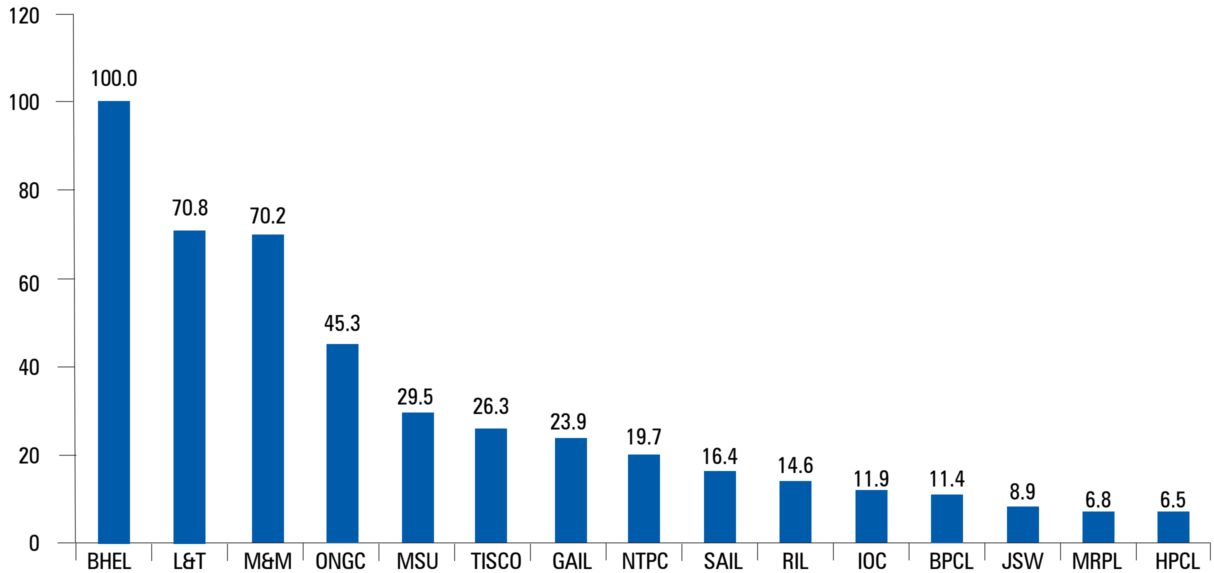


Figure-3: Relative HR cost index

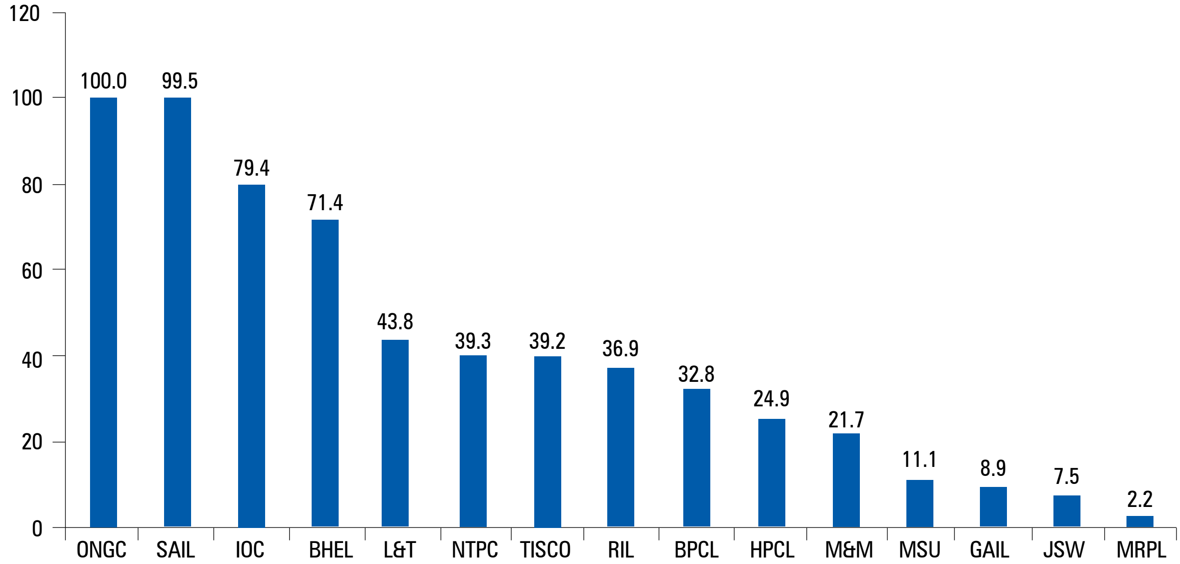
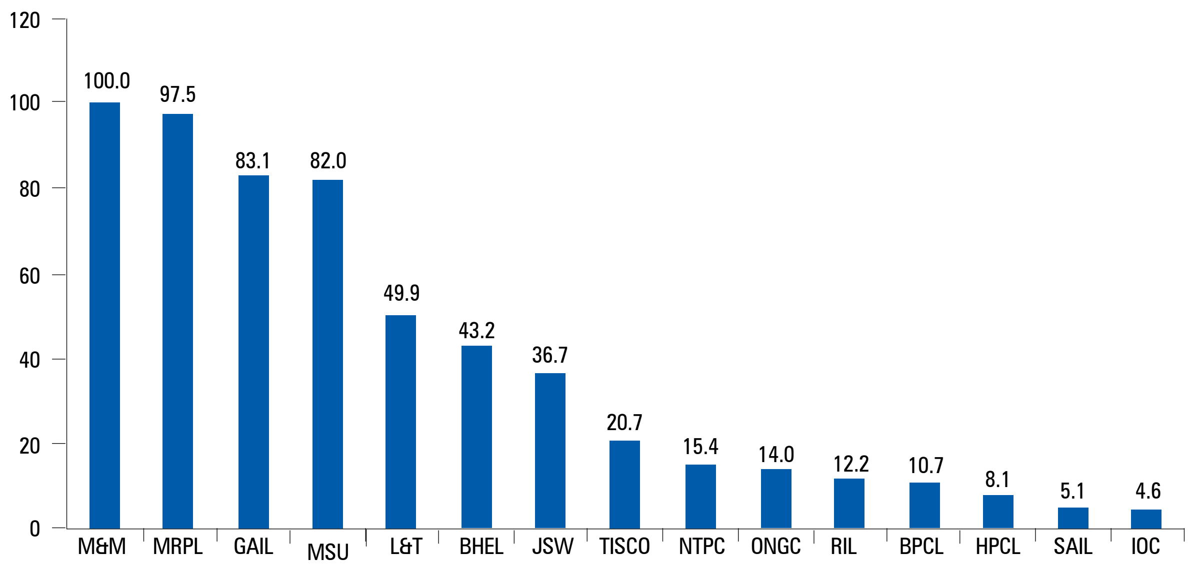


Figure-4 Relative HR value index



more profits? Can we assess the performance of these organizations in terms of their HR values?

HR value of selected companies

Given the overriding goal of any business is to make profits, and the resultant profit belongs to the credit of its man-machine system, the productivity of organizational HR as whole is given by the return or net profit after tax in relation to technology base used by the HR. The average HR productivity levels over five years per Rs. 100 deployment in the technology base varies from the best figure of Rs. 60.04 for BHEL to the lowest of Rs. 3.92 for HPCL with an average of Rs. 18.50. Such

Table-5: Rank correlation coefficient matrix between different set of criteria

	Technology base	HR cost	Net sales	Return on total assets	HR productivity	HR value
Technology base		0.4000 P = 0.1264 Insig	0.5500 P = 0.0285 Sig. at 95%	-0.1411 P = 0.6029 Insig	-0.4250 P = 0.10 Sig. at 90%	-0.7464 P = 0.00 Sig. at 99%
HR cost			0.4000 P = 0.13 Insig	0.2375 P = 0.38 Insig	0.4036 P = 0.12 Insig	-0.5929 P = 0.02 Sig. at 95%
Net sales				--0.2839 P = 0.29 Insig	-0.3857 P = 0.14 Insig.	-0.6679 P = 0.01 Sig. at 99%
Return on total assets					0.8196 P = 0.00 Sig. at 99%	0.4732 P = 0.07 Sig. at 90%
HR productivity						0.4250 P = 0.10 Sig. at 90%
HR value						

a level of average HR productivity converted in relative terms is shown in **Figure-2**.

Assuming 2009-10 as the base year, and using consumer price index to convert total HR cost (for respective number of employees) in real terms, the annual HR cost index in relative terms is shown in **Figure-3**.

The organizational HR achieves the productivity level but at the same time incurs the HR cost on themselves. Thus, dividing HR productivity level by HR cost, we calculate the organizational HR value measure. Taking the highest average value of organizational HR for M&M as 100, the relative HR value measure for fifteen companies is shown in Figure-4. This shows IOC which was at the top of the table based on average net sales goes to the bottom of the list, whereas, M&M which was at the fourteenth position earlier moves to the top of the table on HR value based ranking.

Validity of HR value measure tested

The validity of the proposed HR value measure has been examined using Spearman's Rank Correlation with HR value and other traditional financial performance criteria of ranking. Here for rank correlation, we choose any pair of two criteria from the total six set of criteria as:

- Input variables: i) Technology base, and ii) HR cost;
- Output variables: i) HR value measure, and ii) HR productivity measure (intermediate output variable)
- Traditional criteria used for ranking: i) Net sales, and ii) Return on total assets.

Using the relative ranking of fifteen companies as presented earlier, the Spearman rank correlation matrix between each pair in the six set of criteria is shown in **Table-5**.

It may be observed from Table-5 that HR value based ranking is very strongly negatively correlated with technology base, rapid growth in technology have not resulted adequate return to compensate even lower level of HR cost. Again, HR value based ranking is very strongly negatively correlated with net sales. That may be due to growth in sales might not have been accompanied with commensurate return and again higher technology base deployed for such a level of return has further eroded the HR value measure. However, we observe a very strong positive correlation between ranking using HR productivity measure and the return on total assets. This clearly indicates that out of the total assets, the deployment of the technology base is the dominant factor towards profit maximization. Another very strong positive correlation is observed between ranking using net sales and the technology base, as growth in technology base must be accompanied with the growth in net sales. It also confirms that HR value and HR cost as inversely proportional as strong correlation exists between them. Thus, using the real life information from annual accounts of fifteen companies, ranking based on proposed HR value measure and its building blocks correlates quite strongly with ranking using financial performance measures.

Conclusions

The proposed organizational HR value measure has been based on the traditional measure of value as performance function divided by cost function. Ranking of companies using HR productivity level and HR value measure are very much compatible with ranking using traditional financial parameters, but it adds value as it tries to assess the relative contribution of technology and the HR. This will assist company managers and policy planners to allocate resources, and balance the portfolio towards sustained profitability. The method aims at relative value measure rather than trying to assess absolute value, and thus facilitate ranking and inter-firm comparison. The method does not envisage any change in the traditional accounting practices besides incorporating such information of HR value in their annual reports. The analysis of different building blocks of such a value measure of organizational HR and the inter-firm comparison of top fifteen companies of India may force today's managers to think anew of managing the talents of the HR in tune with current technological advances to reach still newer heights.

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kolaymohit@gmail.com

HR DISCLOSURES BY SBI AND ITS LISTED ASSOCIATES

The analysis shows that SBI can be ranked top in HR disclosure practices whereas SBT can be ranked poorest. It was also observed that there are diversities in disclosure practices within the group banks of SBI and its associates

CMA Dr. Niranjan Mahendranath Shastri
Practicing Cost Accountant, Indore

Dr. Antimbala Niranjan Shastri
Assistant Professor, Govt. Maharani Laxmi Bai Girls P.G. College, Indore

HUMAN resource is very important part of any kind of organization. Knowledge, skills, attitude and talent of manpower applied in manufacturing of goods of providing of services are seen as Human Resources (HR) through a birds' eye view. Recording, classifying, summarizing and reporting HR information is called HR Accounting (HRA). It is essential to account for the human resources to ensure growth and development of any organization (Kesavan & Dyana, 2013). When qualitative and quantitative information is reported in monitory or non-monitory form, then it is known as HR disclosure. The companies do not disclose 100% of the total HR disclosure items (Mamun, 2009) and the overall extent of human resource disclosure is higher in labor intensive industries (Huui, 2012).Thus, human resources are considered more important in services sector (Wickramasinghe & Fonseka, 2012) especially in financial services with emphasis on banking (Handley-Schachler, Juleff, & Paton, 2007).

Most of the work on issues relevant with human resource accounting and disclosures are done in developed countries (Binh, 2012), and there is a need to work in Indian context. The Vision of India in 2020 is of a nation bustling with energy, entrepreneurship and innovation and to realize the same an inherently strong, functionally diverse financial system which displays efficiency and flexibility is very much required. The banking system is, by far, the most dominant segment of the financial sector. The banking and finance system will improve competitiveness through a process of consolidation, either through mergers and acquisitions through strategic alliances (Gupta, 2003).

State Bank of India being India's largest bank has also absorbed some of its associates and is going ahead in the same direction with respect to other associates. By effectively harvesting synergies, companies increase the chances of achieving aggressive targets and creating additional shareholder value (How Synergies Drive Successful Acquisitions, 2010). Synergy is in the core of any inorganic growth attempt which involves synergy in disclosure practices also.

Therefore a comparative study of human resource disclosure practices adopted by the State Bank of India and its listed associates is very much required.

Study Method

Census method for data collection was adopted under this study which involves study of entire universe i.e. all the four banks under the umbrella of study namely State Bank of India and its listed associates viz. State Bank of Bikaner & Jaipur, State Bank of Travancore and State Bank of Mysore (Moneycontrol, 2014). This study considers only latest data and hence annual reports of the year ended

31st March 2014 were taken up for the purpose of this work. The study method adopted for this work is comparative content analysis. Under content analysis annual report of each bank is studied and the information contained therein is coded in a framework (Guthrie & Petty, 2000). This study involved empirically finding out the presence or absence of HR disclosures (Fontana & Macagnan, 2013). The value of "0" was assigned when there is no disclosure regarding HR indicators and "1" was assigned otherwise (Haji & Ghazali, 2012). Now score obtained by each bank is termed as Grad Total and was also presented as a percentage of Grand Total of Maximum Possible Score for setting a comparative platform. So far as HR disclosure items are concerned there is a lack of clear guidelines in the body of knowledge and hence it largely depends upon the critical evaluation of content under scanning (Bukh, Nielsen, Gormsen, & Mouritsen, 2005).

Empirical Analysis

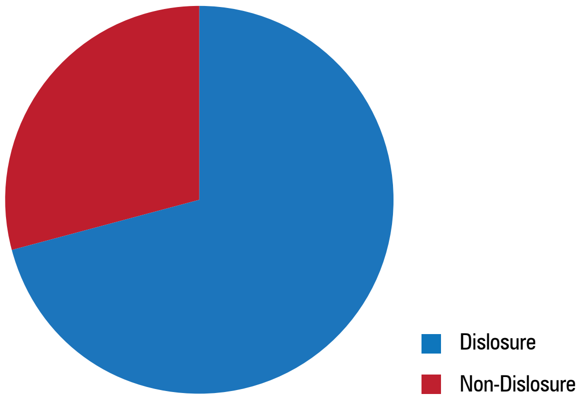
The findings of the content analysis are prepared below, organized around a table and presented in the form a charts also:-

HR Disclosure Items	SBI	SBBJ	SBM	SBT	Max
Image as Employer	1	0	0	0	1
Training Details	1	1	1	0	1
Cade wise Training Details	1	1	1	0	1
Training Subjects	0	1	1	0	1
Training Centers	1	1	1	0	1
Training Portal	0	1	0	0	1
Out House Training	0	1	1	0	1
Training for Scheduled Caste/Tribe	0	1	1	0	1
Training for Minority	0	0	1	0	1
Outhouse Training	0	1	1	0	1
Training for Retiring Employees	0	0	1	0	1
HR Audit	1	0	0	0	1
HR awards and accolades	1	0	0	0	1
Talent Management	1	0	0	0	1
Strategic HRM	1	1	0	0	1
People Strength	1	1	1	1	1
Cadre Wise Strength	1	1	1	1	1
Scheduled Caste/Tribe Representation in Strength	1	1	1	0	1
Cadre Wise Representation of Scheduled Caste/Tribe	1	1	1	0	1
Persons with Disability Representation in Strength	1	0	1	1	1
Cadre Wise Representation of Persons with Disability	1	0	0	0	1
Women Representation in Strength	1	1	1	1	1
Cadre Wise Representation of Women	1	1	1	1	1
Minority Representation in Strength	0	1	1	0	1
Cadre Wise Representation of Minority	0	1	0	0	1
Ex-service Personnel Representation in Strength	0	0	1	1	1
Cadre Wise Representation of Ex-service Personnel	0	0	0	0	1
Labour Turnover	1	0	0	0	1
Cadre Wise Labour Turnover	1	0	0	0	1
Recruitments During the Year	1	0	1	1	1
Cadre Wise Recruitments During the Year	1	0	0	1	1
Business Per Employee	1	1	1	1	1
Profit Per Employee	1	1	0	1	1
Industrial Relations	1	1	1	0	1
Women Empowerment	1	0	1	0	1
Scheduled Caste/Tribe Empowerment	1	1	1	0	1
Staff Perquisites	1	1	0	0	0
Promotion Policies	1	1	0	0	1
Honorary Club Memberships	1	0	0	1	1
Reservation Policies	1	1	1	0	1
Language	1	1	1	0	1
Delegation of Authority	0	1	0	0	1
Staff Welfare	0	1	0	0	1
Vigilance	1	1	0	1	1
Presentation through Charts	1	0	0	0	1
Presentation through Tables	1	1	0	0	1
Presentation through Ratios, Proportion & Percentage	1	1	1	0	1
Human Resource Management Solutions	0	0	1	0	1
Total	34	29	27	12	48
Disclosures (Respective Total as a % of Max Total)	71%	60%	56%	25%	100%
Non Disclosures (100%-Disclosure %)	29%	40%	34%	75%	0%

Conclusion

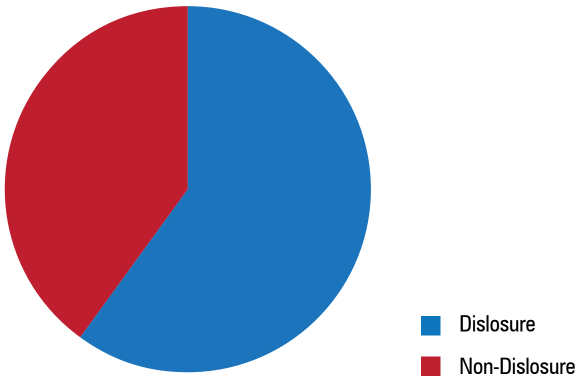
It is clearly evident from the table and charts that within the group SBI can be ranked top in HR disclosure practices whereas SBT can be ranked poorest. It is also observed that there are diversities in disclosure practices within the group banks of SBI and its associates. This might bright turbulence while integrating these banks in a process of inorganic growth by the group. Prima facie the group is advised to follow best possible and identical HR disclosure practices because it is leader in

SBI's Dislosure V/S Non Dislosure



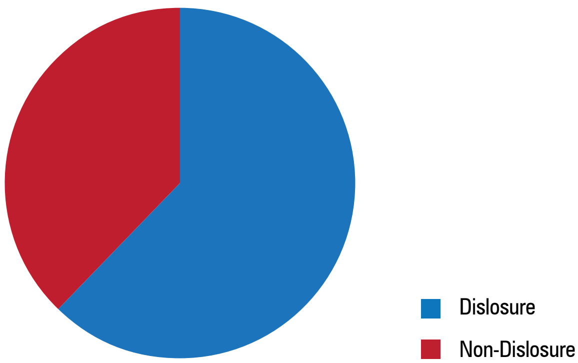
Source: Above table based on (Annual Report of State Bank of India, 2014)

SBBJ's Dislosure V/S Non Dislosure



Source: Above table based on (Annual Report of State Bank of Bikaner & Jaipur, 2014)

SBM's Dislosure V/S Non Dislosure



Source: Above table based on (Annual Report of State Bank of Mysore, 2014)

banking industry of India and overlooking the aspect of HR disclosures may give a poor rating to the group as a whole. For better synergy within the group banks, it is extremely important to bring coordination in HR issues. This paper concludes with an open invitation to investors and academia for more contribution in this area through their further research work not only covering more banks and other industries but also using advanced research methodologies.

Disclaimer

This paper is written purely with knowledge dissemination purpose and is based on analytical review of related content with special reference to annual reports of banks. The author does not own any responsibility for any error or omission which might have crept in this article inadvertently.

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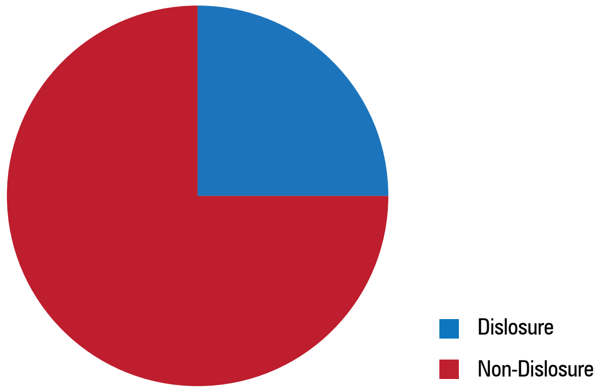
SBT's Dislosure V/S Non Dislosure



Source: Above table based on (Annual Report of State Bank of Travancore, 2014)

THE STATE BANK OF INDIA BEING INDIA'S LARGEST BANK HAS ALSO ABSORBED SOME OF ITS ASSOCIATES AND IS GOING AHEAD IN THE SAME DIRECTION WITH RESPECT TO OTHER ASSOCIATES. BY EFFECTIVELY HARVESTING SYNERGIES, COMPANIES INCREASE THE CHANCES OF ACHIEVING AGGRESSIVE TARGETS AND CREATING ADDITIONAL SHAREHOLDER VALUE. SYNERGY IS IN THE CORE OF ANY INORGANIC GROWTH ATTEMPT WHICH INVOLVES SYNERGY IN DISCLOSURE PRACTICES ALSO

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shastriniranjan@gmail.com

TRANSPARENCE OF HUMAN RESOURCE ACCOUNTING IN INDIAN CORPORATE SECTOR: AN OVERVIEW

It would be preferable if those companies that are in the service sector (education, health, R&D and IT) where human capital is a major chunk of the total assets, publish human resource accounting information in their annual reports in order to brand themselves as ideal employers in the corporate sector

Dr D. Maheswara Reddy
Assistant Professor,
Dr YSR National Institute of Tourism & Hospitality Management, Hyderabad

Traditional accounting practice treat expenses incurred on procurement, development, and maintenance of human resource as revenue expenditure and debit this to profit and loss account but now it is being increasingly realized that these expenses are incurred to get future benefit and as such it should be capitalized and reflected in the balance sheet. This can be achieved by amending the existing financial disclosures of the Indian companies Act 2013 and circulating the human resource accounting disclosures guidelines to all organizations.

In present scenario, despite the global change, Human Resource Accounting is major issue for research and analysis in management. It primarily identifies the aspects of the progress in the company. This department determines the direction of the organization whether to move backward or to move forward in any industry. The development of human resource accounting originated from the growing needs of the importance of human assets in the management organization. It functions as the department that monitors the people who are involved in the organizational resources. In addition, it is doing the monitoring of the development, progress in assets and revenues of the company.

As there is no statutory requirement and proper format or guidelines in Indian corporate sector to publish Human Resource Accounting (HRA) information, the comparison of Human Resource Accounting (HRA) disclosure of companies across the industry does not hold the relevance for giving any prescription to the management. Here, an attempt has been made to analyze the Human Resource Accounting (HRA) disclosure practices of the Indian corporate sector.

Conceptual framework

Human resource accounting: It is the process of identifying and measuring data about human resources and communicating this information to the interested parties in other words the process of assigning cost and value to the human resources is called Human Resource Accounting. This process includes three aspects namely; i) valuation of human resources, ii) recording the valuation in the books of account and iii) disclosure of the human resource information in the financial statements of the business.

Models: There has been five approaches evolved for valuing the human resources over a period of time namely; Historical cost approach, replacement cost approach, opportunity cost approach, standard cost approach and present value approach. Of which, Present value of future earnings model, developed by Lev and Schwartz in 1971, is used popularly by both public and private sector companies in assessing the value of their human resources. This model is represented by an equation;

$$V_T = T\sum \frac{(I*(t)}{(1+r)t-T}$$

Where,

V_T=The value of an individual employee at T years old,

I(t)=The individual's annual earnings up to the retirement

I= retirement age

T=Present age of the individual employee

R=discount rate

Or alternatively, the value of human resources can be computed with the help of annuity tables:

V_T= Annual average earnings of an employee X present value of 1Re for n years.

It can be best understood with the given details of an employee in the organization; i) annual average earnings of an employee till the retirement age Rs.20000, ii)Age of retirement 60 years, iii) cost of capital 10%, iv) number of employees in the group 10.

$$V_T=\sum\frac{(20000)}{(1+0.10)60-58}+\frac{(20000)}{(1+0.10)60-59} = \frac{(20000)}{(1+0.10)2}+\frac{(20000)}{(1+0.10)1}$$

=Rs.16528.93+Rs.18181.82 = Rs.34710.75

Therefore, the value of human resources in the group of 10 employees is Rs.347100 which is derived by multiplying the present value of an employee with the group of employees.

Non-financial metrics: Non-financial metrics are the value drivers of the organization, representing the value of the company's work force, its customer relations and its ability to innovate.

Objectives of the study

1. To understand the concept of Human Resource Accounting (HRA) and the models of valuing the human resources of the select companies
2. To examine the Human Resource Accounting (HRA) disclosure patterns in the Indian corporate sector
3. Ranking the select companies based on the quality of Human Resource Accounting (HRA) disclosure patterns under defined variables and offered suggestions for Indian corporate sector for improving their quality of disclosures in the annual reports.

Methodology: The period of study covers 2009 to 2013. Data has been collected from annual reports / corporate governance reports of select companies and also from journals and websites of the companies. The collected data is in secondary nature. Primarily the study covers 28 companies for examining the outline of Human Resource Accounting (HRA) disclosure. The sample size constitutes 21 public sector and 7 private sector companies. To assess the quality of Human Resource Accounting disclosures 12 companies (i.e10 from public sector and 2 from private sector) have chosen out of 28 select sample companies.

In order to evaluate the quality of disclosure made by each company, 23 variables were identified regarding human resource accounting after scanning their annual reports during the study period. The starting/base was taken as 2008-09 irrespective of the year where the select companies have started publishing human resource accounting information. The analysis has been done up to 2007 to 2012. The starting point of BHEL is considered as 2008-09 though it has been begun to publish human resource accounting information from 1974-75 because of its pioneering in this respect. The statistical technique 'average' is applied to assess the quality of disclosure regarding human resource accounting variables.

Each variable was assigned one point, and no perceptive weight age was added by assigning different weights, though all the variables was not obviously equally important. If an organization did not disclose a value for any of the years after it started publishing such information, it was given a zero as far as that variable was concerned. Those which disclosed the variable in all the years up to 2012-13, earned the full point. Those which did not disclose the variable in any of the years were given proportionate score.

Review of literature

Human resource accounting is not gained wider acceptance in today's business environment but it has been gained wide popularity in football business. The human resource costing and accounting has gained wider application in Sweden because of extensive education on Human

THERE HAS BEEN A LOT OF IMPROVEMENT IN DISCLOSURE PRACTICES DURING THE STUDY PERIOD LEAVING CERTAIN FLAWS IN THE VARIABLES LIKE WEIGHTS FOR EFFICIENCY, TURNOVER, ETC

Resource Accounting at colleges and universities, position of human resource director as executive member in the Board of Human Resource Accounting and also a shift from regulated market economy to a more market oriented economy. The degree of publishing the HRA disclosure can be assessed by reviewing the past studies on the defined problem. This includes;

The actual research in human research accounting has begun in 1960s by Rensis Likert. Dr. R.K. Jene (1979) "some aspect of human resource accounting" has outlined the basic issues relating to HRA in terms of rationale, models and accounting mechanism. Dr. Prabhakara Rao (1986) focused his attention on the design of human resource accounting at micro level, with help of few diagrams in his paper on design of human assets accounting. Roslender(1997) proposes a societal approach to the subject. He uses the term human worth accounting. Maria L. Bullen (2005) explain that HRA involves accounting for expenditures related to human resource as assets as opposed to traditional accounting which treats these costs as expenses that reduce profit. Peter Mc Coven (in his paper titled 'Human Assets Accounting' , published in Management Decisions in 1968, aptly puts it : 'explicit recognition of the asset value of human resources would enable managers to consider their employees within a conceptual frame work of asset management. Maher (1996) has observed that most mangers in British hotel industry analyze investment in human resource on an ad hoc basis rather than using a more businesslike approach. According to Morrow (1997) most clubs used acquisition cost of player on the transfer market as the valuation method. Others valued the entire squad based on the future value.

By reviewing all the available literature on Human Resource Accounting (HRA) disclosures, it was found that the study on the same was done up to 2010 with three companies of Indian corporate sector and the same does not reveal the exact scenario. Hence it is reasonable to assess again on the Human Resource Accounting disclosures with the sample of 12 companies in the Indian corporate sector and that would give a true picture about the HRA disclosure. And finally, regarding the Human Resource Accounting

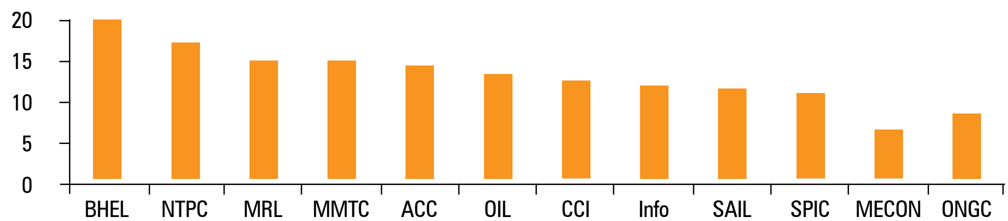

Chart 1: Score of HRA Disclosure of select sample companies

Table 1: Human Resource Accounting information disclosed by select sample companies				
S.No	**Name of the organization**	**HRA introduced in the year**	**Model**	**Discount rate (in %)**
1	BHEL	1973-74	Lev & Schwartz model	12
2	SAIL	1983 – 84	Lev & Schwartz model with Some refinements as suggested by Eric.G. Flamholtz& Jaggi and Lev	14
3	MMTC	1982 – 83	Lev & Schwartz model	12
4	ONGC	1981-82	Lev & Schwartz model	12.25
5	NTPC	1984-85	Lev & Schwartz model	12
6	INFOSYS	1995-96	Lev & Schwartz model	12.96
7		2006-07	Lev & Schwartz model	14.97
8	ACC	1993-94	Lev & Schwartz model	12
9	CCI	1979-80	Lev & Schwartz model	15
10	MECON	1984-85	Lev & Schwartz model	Not Reported
11	MRL	1985-86	Lev & Schwartz model	15
12	SPIC	1983-84	Lev & Schwartz model	Not Reported
13	EIL	1980-81	Lev & Schwartz model	10
14	OIL	1982-83	Lev & Schwartz model with suggestions given by Flamholtz and Jaggi and Lau	10.5 to 15
15	HMTL	1986-87	Lev & Schwartz model	Not Reported
16	HSL	NA	Lev & Schwartz model	Not Reported
17	ELIL	1981-82	Lev & Schwartz model	Not Reported
18	PEC	1980-81	Lev & Schwartz model	Not Reported
19	CFSL	1989-90	Lev & Schwartz model	Not Reported
20	CRL	1987-88	Lev & Schwartz model	15
21	TELCO	NA	Lev & Schwartz model	Not Reported
22	GTL	NA	Lev & Schwartz model	Not Reported
23	HPCL	2002	Lev & Schwartz model	8.5
24	HZL	NA	Lev & Schwartz model	12
25	IDPL	NA	Lev & Schwartz model	Not Reported
26	IOC	NA	Lev & Schwartz model	Not Reported
27	SATYAM	1995-96	Lev & Schwartz model	15.29
28	UPCCI	NA	Lev & Schwartz model	Not Reported

Source: Annual Reports of select sample companies. Note: NA: Not available

(HRA) disclosure the present study would enable us to know where it was from the last ten years and suggest where it has to be for the next five years. In this paper an attempt is made to identify the Indian companies practicing and reporting Human Resource Accounting (HRA).

Data analysis

The collected data has been processed with the help of averages keeping in view of defined objectives and furnished the same in the table 1 and 2. The table 1 and 2 depicts the information for analyzing problem and communicating the results thereof to the companies in particular and across the industries in general. The table 1 reveals the outline of Human Resource Accounting disclosure information.

From the **table 1** it is abundantly clear that a majority of the organizations which publishes Human Resource Accounting information use the Lev Schwartz model of economic value. The pioneer in the field is BHEL which experimented with this concept in 1974-75 and is still using the same model. But SAIL & OIL companies highlight in their annual reports that they have used;

a) Lev & Schwartz Model after incorporating certain refinements as suggested by Flamholtz and Jaggi and Lau

b) The Economic models developed by Lev & Schwartz (1971) Flamholtz (1974) and Jaggi and Lau (1974).

Most of the sample companies have been used the Lev & Schwartz Model in valuing their human capital and their discount factor is ranging from 8.5 per cent to 15.29 per cent during the study. There were 12 select sample companies which do not furnished the discount factor in the annual reports.

Table 2: Comparative analysis of average of human resource accounting information disclosure in annual reports and ranking of each disclosure variable in terms of frequency (2009-2013)

Disclosure	Variable	BHEL*	NTPC*	MRL*	MMTC*	ACC*	OIL*	CCI*	ITL*	SAIL*	SPIC*	MECON*	ONGC*	Overall avg score of individual variable	Rank
1	Number of employees	1	1	1	1	1	1	1	1	1	1	1	1	1	1
2	Categories of Employees	1	1	1	1	1	1	1	1	1	1	1	1	1	1
3	Age-wise Distribution	0.571	1	1	0	0	1	1	0	1	0	1	0	0.547	9
4	Average Age of Employees	1	1	1	0	1	0	0	0	0	0	0	0	0.333	11
5	Category-wise Value	1	1	1	1	1	1	1	1	1	1	1	1	1	1
6	Model	1	1	1	1	1	1	1	1	1	1	1	1	1	1
7	Discount	1	1	1	1	0.86	1	1	1	1	0	1	1	0.905	3
8	Components of Compensation Package	1	1	1	1	1	1	0	0	0	1	0	0	0.583	8
9	Career-Growth	1	1	1	1	1	1	0.86	0	1	1	0	0	0.738	6
10	Weights for Efficiency	1	0	0	0	0	0	0	0	0	0	0	0	0.083	16
11	Possibility of Exit	0	0	0	0	1	1	0	0	1	0	0	0	0.25	12
12	Value Added	1	1	1	1	1	1	1	1	1	1	0	1	0.916	2
13	Total Earnings	0.333	0	1	1	1	1	1	1	1	1	0	1	0.777	4
14	Ratio:Total Earnings/ Human Resource/value	0.333	0	1	0.86	1	1	1	1	1	1	0	1	0.766	5
15	Ratio: Value Added/ Human Resource value	1	0	1	1	0.33	0.3	1	1	0	1	0	1	0.638	7
16	Turnover	0.857	1	0	1	0	0	0	0	0	0	0	0	0.238	13
17	Ratio:Turnover/Human Resource Value	0.8	1	0	1	0	0	0	0	0	0	0	0	0.233	14
18	Ratio:Human Resource Value/Total Resource Value	1	1	1	1	0	0	0	1	0	0	0	0	0.476	10
19	Ratio:Turnover/Fixed Assets	1	1	0	0	0	0	0	0	0	0	0	0	0.16	15
20	Ratio: Turnover/Total Resources	1	1	0	0	0	0	0	0	0	0	0	0	0.16	15
21	Ratio:Value Added Fixed Assets	1	1	0	0	0	0	0	0	0	0	0	0	0.16	15
22	Ratio:Value Added/Total Resources	1	0	0	0	0	0	0	1	0	0	0	0	0.16	15
23	Inventory of Human Resources	0	0	0	0	1	0	1	0	0	0	0	0	0.16	15
Aggregate average score of individual company		18.89	16	14	13.9	13.3	12.3	11.9	11	11	10	6	8		

Source: Data compiled by author from the annual reports of the select sample companies from 2009 to 2013

***Note 1**: To arrive the overall average score of an individual variable, the numerator is sum of score earned by each organization with respect to each variable and the denominator represents the select sample companies considered in each variable.*

***Note 2**: Ranking has been done based on the overall average score of an individual variable*

Acronyms of select sample companies: ACC= Associated Cement Companies Ltd., BHEL= Bharat Heavy Electricals Limited, CCI= Cement Corporation of India Ltd, ITL= Infosys Technologies Ltd, MECON= Metallurgical and Engineering Consultants Of India, MMTC= Minerals and Metals Trading Corporation of India Ltd, MRL= Madras Refineries Ltd, NTPC= National Thermal Power Corporation Ltd, OIL= Oil India Ltd, ONGC= Oil & Natural Gas Corporation Ltd, SAIL= Steel Authority of India Ltd, SPIC= Southern Petrochemical Industries Corporation Ltd.

From Table 2 it has been observed that it provides comparative analysis regarding the quality of disclosure made by both public and private sector companies. The table also shows the ranking of each variable in terms of its frequency of disclosure by all the companies taken together. The score of sample companies regarding all the variables of human resource accounting information can be seen from the above **chart 1**.

Findings

- The analysis shows that BHEL gave the maximum information, followed by NTPC. The least information was disclosed by MECON, followed by ONGC. BHEL scored 1.000 point against sixteen variables, which indicates that it has been made consistent disclosure of these variables. However, BHEL has not disclosed, in any of the years, whether the possibility of exit prior to retirement has been considered by it while valuing the human resources or not. Further, it has not shown the inventory of its human resources like classification of employees and qualification-wise.
- Both MRL and MMTC have been regularly disclosing almost fourteen variables as a result they earn second best score of 14.000.
- Even though lowest score was earned by MECON but has been disclosed the basic HRA information like number of its employees, category wise, age wise distribution, model and discount factor.
- All the organizations disclosed the number and the category of employees; average age of employees and category wise value of employees and that constitutes an overall average score for five variables is 1.000
- Both private sector companies (i.e. ACC and Infosys) have earned the disclosure score of 13.900 and 11.000 respectively
- The variable weights for efficiency has earned least score of 0.083 and followed by turnover fixed assets ratio, turnover total resources, value added fixed assets, value added total resources and inventory of human resources with the score of 0.16.
- The disclosure practices of various companies shows that most of them focus on those variables which reflects the quality of human resources apart from number of employees, category wise value, model, discount and career growth. It means there has been a lot of improvement in the disclosure practices during the study period leaving certain flaws in the variables like weights for efficiency, turnover, and inventory of human resources.
- Half of the sample companies have not at all disclosed the discount factor which determines the present value of future earnings of human resources.

Conclusion

The are certain variables (i.e. 1 to 11) which constitute the process of human capital valuation and rest of the variables (i.e. 12 to 23) reveal the quality of human resources. From the above table it can be conclude that the select sample companies have much focused on three fourth of process value variables in other words it is a sign of better improvement in the quality of disclosure during the review period. In five variables of quality and use of human resources, the select sample companies shown substantial attention. In seven variables of quality and use of human resources they are lagging behind. Thus, the Indian corporate sector has been in-complete still in achieving the full disclosure of human resource accounting information in the annual reports.

Suggestion: On the whole it has been suggested that the companies, which have engaged in service sector (education, health, R&D and IT) where human capital is major chunk of total assets, should invariably publish human resource accounting information in their annual reports in order to branding its organization as an ideal employer in the corporate sector. Secondly, the Indian regulatory and accounting boards (Indian Companies Act and ICAI) must take initiation in framing the formats and prescribing the guidelines for strict implementation of Human Resource Accounting (HRA) disclosures in the annual reports of the companies.

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dmreddy70@gmail.com

AN OVERVIEW OF HUMAN RESOURCE ACCOUNTING

Human Resource Accounting where the best manpower inventory can be framed is the best possible way to select the right person for the right job

Dr. K. Kanaka Raju
Assistant Professor &
Course Coordinator
Andhra University,
Tadepalligudem

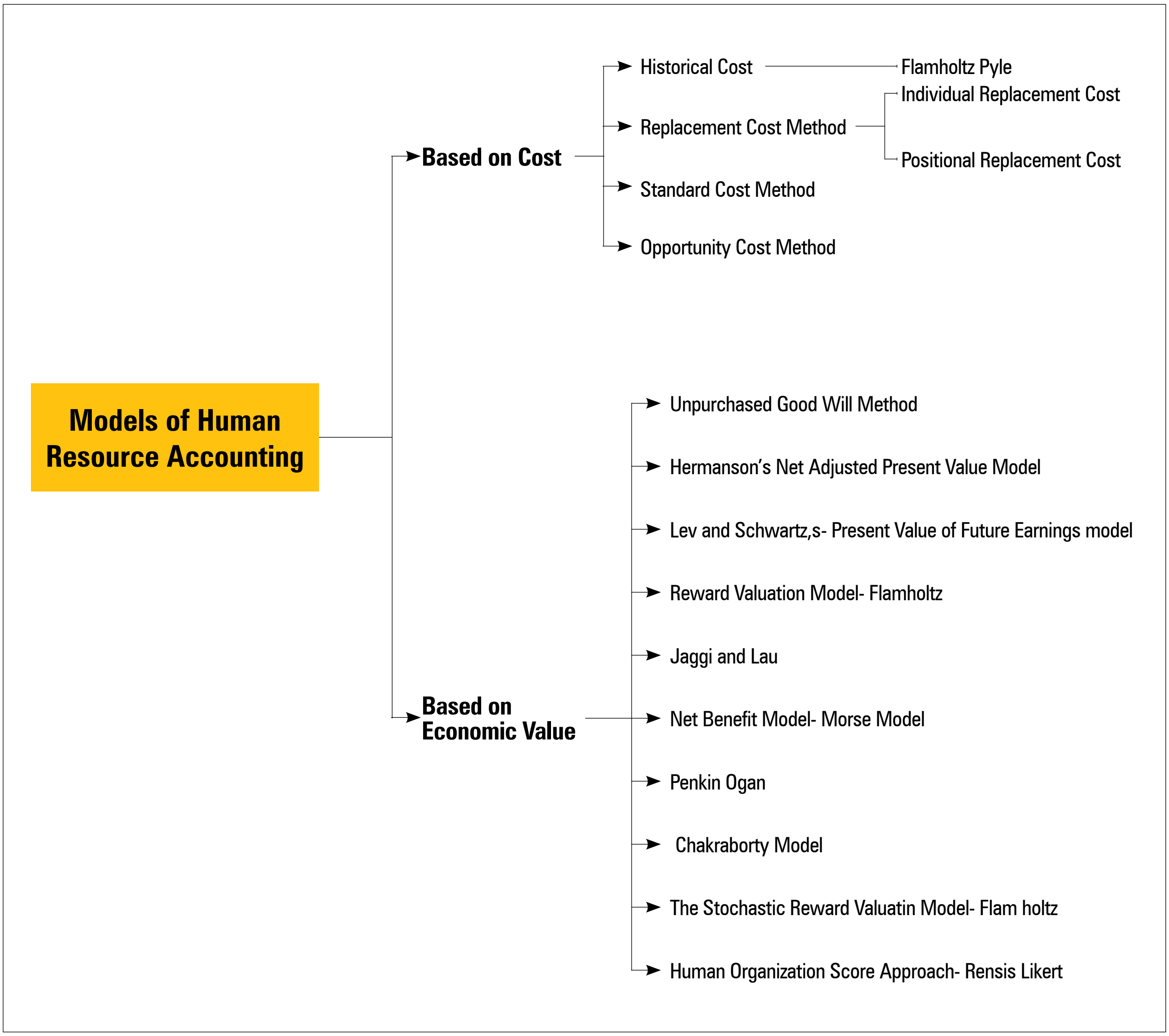
Human resources of an organization are an indispensable and considered a more valuable resource as compared to with tangible and intangible assets. People are obviously a vital as set and even technology does not replace people. . Human assets are an intangible form and are within the inside of human resources. The various types of human assets are intellectual capital, social capital, emotional capital and spiritual capital. Intellectual capital consists of both the stock of knowledge, skills and expertise that members of the organization collectively possess at the organizational level and at the individual level, it refers to his knowledge, skills and expertise. From the organizations point of view social capital relates to the structure, quality and flexibility of human net works, the other aspect of this capital is relevant to the external forces like customers, suppliers and government agencies and the like. Emotional capital involves self confidence, ambition, coverage, risk taking ability and resilience. Human resource accounting mainly belongs to measuring the different aspects of human assets. Its basic purpose is to facilitate the effective management of human resources by providing information to acquire, develop, retain, utilize and evaluate human resources. Human resources accounting must perform the following four functions, identification of human resources as an asset, measuring the human resource value, recording its particulars in the books of accounts and presenting and communicating the information to the decision makers. Accounting for people as an organizational resource is called human resource accounting. It relevant to measure the economic value of people to the organizations. The need for human resource accounting is used to learn about the return on investment regarding human capital. The objectives of human resource accounting to take different management decisions. Human resources accounting is useful to provide valuable information to the management, to realize the highest expected value, optimum use of human resources to provide job satisfaction to the people.

Review of Literature

Anita Mishra and Monalika Rath (2010) stated that the HR accounting system tries to evaluate the worth of human resources of an organization maintain a separate item in their balance sheet about such human resource activities undertaken by them. Chiran Jib Das (2009) commented that intellectual capital is becoming more and more valuable for firms to retain human resources competitive advantage. Dr. C. K. Sonara and Ashav Patel's (2009) opined that "Our Employees – Our Greatest Assets". Dr. Mukesh Chauhan and Mrs. Shivani Gupta (2009) said that some method of quantifying the worth of the knowledge, motivation, skills and contribution of human element and they emphasized that human resources should be treated like physical assets and should be shown in the balance sheet of the enterprise

Dr. Arindam Ghosh and Prof. Asit Gope (2009) described Human Resource Accounting (HRA) as a scaling tool that generates quantitative control information about the contribution of human resources for promoting industrial productivity. According to Abhayawansa, S and I. Abeysekara's (2008) opinion, the importance of human capital is value creation of firm .Moore (2007) suggests that notes that there are parallels between the processes of acquiring an employee (a human capital asset) and that of acquiring a fixed capital asset. Atkinson (2007) expressed his opinion In a potential lay off decision with use of HRA measures included in the learning and growth component of an organization's balanced score card, rather than only traditional accounting measures. Tang, T. (2005) explained that, Human Resource Accounting (HRA) useful to internal managerial decision-making.Toulson & Dewe (2004) opined that reflects the strategic and competitive importance of human resources...Flamholtz, Bullen & Hua (2003) and found that employees' participation in a management development program increased the value of individuals to the firm. David Robinson (2003) observed that Human Asset Accounting (HAA) is not an accepted tool of long term planning. McKenzie & Melling (2001) opined that it is a key driver of strategy.Richard Petty, James Guthrie (2000) expressed intellectual capital is instrumental in the determination of enterprise value and national economic performance. Dzinkowski (2000) states that the traditional accounting models were designed to inform the organization's management and stake holders on the stock and flows of financial value. Gratton (2000) found that financial outcomes of human resource investment have a significant positive correlation with an increase in an organization's competence share and added value. Cascio (1998) proposed a method for measuring human capital based on indicators of human capital of innovation, employee attitudes and the inventory of knowledgeable employees.

D. J. Cooper and T.M. Hopper (1998) suggest internal social accounting and useful for improvement of the collective bargaining



Source: Self: Based On Existing Literature

process. Sveiby (1997) shows that attempts to convert people or competencies into financial terms.Turner (1996) recommended the use of the present value of the value added by an enterprise...Ripoll and Labatut (1994) examined that people are a valuable resource to a firm the value of a person as a resource depends on how he is employed. Hermanson Roger. H (1992) said that management tends the use of management accounting reports useful for make better down sizing decisions of goods and services would be taken into consideration.Marques (1990) expressed his views on this value is a consequence of the interaction between material and human resources in production. Flamholtz (1979) describes the human resource accounting useful to the "Psycho-technical systems" (PTS) approach to organizational measurement .Philip H. Mirvis and Barry (1976) A. Macy said that human resource accounting is evaluated as a potential organizational measurement tool.

Objectives of the Study

The study has been carried out with the following specific objectives.

1. To examine different approaches to measure the value of human resources.
2. To review the human resource ac-

counting practices in different Indian organizations

3. To offer suitable suggestions to adopt the human resource accounting practice in different organizations.

Methodology of the Study: The data obtained from the existing literature and review. The information regarding discount rate, model applied and mode of disclosure extracted from the annual reports of the different Indian companies.

Valuation Methods of Human Resources: Till today the amount of expenses incurred on human resources of an organization has been treated as revenue expenditure (period cost), but practically, there is a timing difference between expenditure incurred and benefit derived regarding recruitment costs, induction and training costs, salary compensation for retained talent. Human resources can be taken as an asset and these assets must be measured easily. Cost based methods do not reflect the time value of human assets, but economic value models consider the time value of human assets.

Historical Cost Method: Historical cost approach is also called as acquisition cost approach or actual cost approach or original cost approach. The historical cost consists of cost of acquisition i.e. selection, hiring, placement, orientation, development, familiarization etc. The value of human resources capitalizes the original cost of an employee and writes off the up to the benefits received by the organization. If an employee demises or leaves the organization, the remaining value is to be written off against the current period of revenue

Flamholtz and Pyle: Under the historical cost method all the costs of acquiring and developing the employee are capitalized. This method is easy to calculate , easy to apply ,ignores aggregate value of potential service of employees.

Replacement Cost Method: This method was proposed by Rensis Likert and Eric Falmholtz. According to this approach measures the cost incurred in replacing the employee with its replace having the same efficiency and experience. It includes the cost of acquiring new personnel, training and development and takes into consideration all costs for hiring and developing a new employee until he attains the level of competence of existing employee. Flamholtz (1974) divided this approach in to Individual replacement cost and Positional replacement cost.

Individual Replacement Cost: The concept of individual replacement cost considers the cost of separation of the present employee, the cost of acquiring the new employee in the replacement, cost of making the new employee familiar with the job and making him capable of providing an equivalent set of services.

Positional Replacement Cost: The concept of positional replacement cost considers the cost of replacing the set of services expected to be rendered by an individual in the position which is under consideration. This approach includes the cost incurred due to a vacant position, loss of production due to vacant position, employing new personnel with the same capacity and service rendering with equal capabilities.

Standard Cost Method: This method is suggested by David Watson. He argued that the human resources should be valued as the total of standard costs of recruiting, hiring, training and development per grade of service.

Opportunity Cost Method: Hekimian and Jones (1967) coined this approach. According to this method the value of human resources will be determined on the basis of an individual employee or group of employees in alternative use.

Economic Value Method: Hermanson (1964) in his book "Accounting for Human Assets" suggested two methods to measure the value of an employee: Unpurchased Goodwill Method and Net Adjusted Present Value Model.

Unpurchased Goodwill Method: According to this method, human resources are valued by capitalization of excess actual profit over the profit on total physical assets owned by the organization at a normal rate of return.

Hermanson's Net Adjusted Present Value Model (1964): This method calculate the present value of salary and wages payable to an employee for the next five years,with a normal rate of return in the economy,and multiflied this amount by efficiency ratio which is measured by the ROI of the firm.

Efficiency Ratio

$$\frac{\text{ROI of the Firm (Weighted average of previous five years)}}{\text{ROI of Industry (Weighted average of previous five years)}}$$

This model supports presentation of human resource value in the balance sheet as under, future wages and salaries will be present as liability in the balance sheet and value of human resource will be present as an asset.

Lev and Schwartz's – Present Value of Future Earnings Model (1971):

Lev and Schwartz (1971) proposed this approach. According his opinion an employee is equal to the present value of remuneration payable to him during his service life.

$$V_r = \sum_{T-T}^{T} \frac{I(t)}{(1+R)^{(t-T)}}$$

V_r = Value of an individual
T = Years old (Present age)
I (t) = the individualannual earnings up to the retirement
t = retirement age
R = Discount rate

This can be calculated by applying the following procedure also

Value of employee = Present value of remaining future earnings from employment.

Remaining future earnings = estimated salary payable over remaining estimated working life.

Steps:

a) Employees are divided by age group and income levels.

b) Ascertain average earnings of each group.

c) Present value of future earnings = (b) x discount rate.

d) Value of human resource = sum of all present value of future earnings.

But this model has the following shortcomings. It does not consider the possibility of early leaving of the organization by an employee, the effect of seniority, and also ignores the change in the role of an employee and factor of bargaining.

Reward Valuation Model- Flamholtz (1971): Flamholtz (1971) came out with the Reward Valuation approach, also known as individual's expected realizable value measures the personal attributes and attitudes of an individual are valuable to the organization and measure the human asset value.

Jaggi and Lau (1974): This approach modified the Flamholtz model with the consideration of a group of employees instead of considering each and every employee individually.

Net Benefit Model-Morse Model (1973): This model suggests the value of human resources equal to the net present value of future services of an employee.

Net present value = Gross Value x Discount rate

Gross present value = Future service of an employee in future- future payments

Penkin Ogan (1976): Penkin Ogan (1976) suggested extension of net benefit approach of Morse. He found certain factors to be multiplied with the net benefit of employees, and then make the valuation of human resources

Chakraborty Model (1976): This model divided the employees into two groups of managerial and non-managerial categories. Multiply average turnover of group of employees with average salary of them and discounted by the expected average turnover period .

The Stochastic Reward Valuation Model – Flamholtz (1985, 1997, and 2003): Eric Flamholtz (1974) developed a method of valuation with a view to refining the earlier models. This method of valuation considers both, stochastic process i.e. probability of moving people in upward positional service state, and also considers the reward i.e. benefits derived by the organization.

Human Organization Score (HOS) Approach Rensis Likert (1967-1971): Likert proposed the

II. Ratio Analysis of Human Resource Accounting:

a) Asset per Employee = $\frac{\text{Total Assets (in ₹)}}{\text{No. of Employees}}$

b) Sales per Employee = $\frac{\text{Total Sales (in ₹)}}{\text{No. of Employees}}$

c) Employee Productivity = $\frac{\text{Total Production}}{\text{No. of Employees}}$

d) Working Expenditure per Employee = $\frac{\text{Total Working Expenditure (in ₹)}}{\text{No. of Employees}}$

e) Average Salary per Employee = $\frac{\text{Total Cost of Salaries (in ₹)}}{\text{No. of employees}}$

f) Cost of Fringe Benefits per Employee = $\frac{\text{Total cost of Fringe Benefits (in ₹)}}{\text{No. of Employees}}$

g) Cost of Employment per Employee = $\frac{\text{Total Cost of Employment process (in ₹)}}{\text{No. of Employees Employed in that particular batch}}$

h) Cost of Development per Employee = $\frac{\text{Cost of Training and Development (in ₹)}}{\text{No. of Employees Trained}}$

i) Gross Profit per Employee = $\frac{\text{Total Gross Profit (in ₹)}}{\text{No. of Employees}}$

j) Net Profit per Employee = $\frac{\text{Total Net Profit (in ₹)}}{\text{No. of Employees}}$

Source: KP Subba Rao

human organization score based on variables like leadership, motivation, goals etc. of an organization to predict the human asset value.

To measure the human capitals contribution to enterprise goals consist of Human Capital Cost Factor (HCCF) which is equalent to combination of pay, benefits, contingents, absence and turnover costs yields a total cost of human capital for the organization. Human Capital Value Added (HCVA) this can be calculated by using the formulae of HCVA = Revenue-(expenses – pay and benefits) / FTES and also human capital return on investment can be ascertained by HCROI = Revenues – (Expenses – pay and benefits / pay and benefits. But as per researcher opinion this is not correct. It can be calculated in appropriate manner by applying the formulae of HCROI = Revenues – (Expenses – pay and benefits) x Pay and benefits / pay and benefits + net fixed assets.

Practices of Human Resource Accounting in Indian Enterprises: Bharat Heavy Electricals Ltd introduced HRA in year 1974–75 for the first time in India, some of the organizations were incorporated the value of human resources as a assets in their respective balance sheets. The following organizations has been following the Human Resource Accounting Practices,Steel Authority of India Ltd. (SAIL),Hindustan Machine Tools Ltd. (HMTL).,Oil & Natural Gas Corporation Ltd. (ONGC),National Thermal Power Corporation Ltd. (NTPC),Hindustan Shipyard Ltd. (HSL),Oil India Ltd. (OIL),Minerals and Metals Trading Corporation of India Ltd. (MMTC),Cement Corporation of India Ltd. (CCI),Engineers India Ltd. (EIL),Electrical India Ltd. (ELIL),Project and Equipment Corporation of India (PEC),Metallurgical and Engineering Consultants Of India (MECON) ,Canbank Financial Services Ltd. (CFSL),Southern Petrochemical Industries Corporation Ltd.

Sl No	Name of the Organization	Valuation Method	Discount Rate	Year of Introducing
1	SAIL	Lev Schwartz model with refinement as suggested by Flamholtz and Jaggi and Lau	15	1983-84
2	HMTL	Lev and Schwartz	NR	1986-87
3	ONGC		12.25	1981-82
4	NTPC	Lev and Schwartz	12	1986-87
5	HSL		NR	
6	OIL	Lev and Schwartz	10.5	1982-83
7	MMTC	Lev and Schwartz	12	1982-83
8	CCI	Lev Schwartz model with refinement as suggested by Flamholtz and Jaggi and Lau	15	1979-80
9	EIL		10	1980-81
10	ELIL	Lev and Schwartz	12	1983-84
11	PEC	Lev and Schwartz	NR	1980-81
12	MECON	Lev and Schwartz	14	1984-85
13	CFSL	Lev and Schwartz with certain modifications	NR	1989-90
14	SPIC	Lev and Schwartz	NR	1983-84
15	CRL	Lev and Schwartz	15	1987-88
16	MRL	Lev and Schwartz	15	1985-86
17	ACC	Lev and Schwartz	NR	1983-84
18	TELCO			
19	ITL	Lev and Schwartz	VARY	1995-96
20	BHEL	Lev and Schwartz	NR	1974-75
21	GTL	Lev and Schwartz	NR	NA
22	HPL		NR	NA
23	HZL	Lev and Schwartz	12	NA
24	IDPL	Lev and Schwartz	NR	NA
25	IOC	----------NR-----	NR	NA
26	RIL	-------NR-------	NR	NA
27	SATYAM	Lev and Schwartz	NR	NA
28	UPCCI		NR	NA

Source: Compile from the Annual Reports of the Various Companies

(SPIC) ,Cochin Refineries Ltd. (CRL),Madras Refineries Ltd. (MRL),Associated Cement Companies Ltd. (ACC),Tata Engineering &Locomotive Co. Ltd. (TELCO) ,Infosys Technologies Ltd. (ITL) ,Bharat Heavy Electricals Limited (BHEL),Global Tele Limited (GTL),Hindustan Petroleum Limited (HPL),Hindustan Zinc Limited,,Indian Drugs and pharmaceuticals Limited (IDPL),Indian Oil Corporation (IOC),Rolta India Limited,Satyam Computers Limited (SATYAM) and U.P State Cement Corporation Limited (UPCCI)

Conclusion and Suggestions: In the modern business world, there should be a right person for right job, in this connection, best manpower inventory should be framed, and this is possible only through the HRA to select the right person for right job.

THE STUDY HAS BEEN CARRIED OUT WITH THE FOLLOWING SPECIFIC OBJECTIVES: (I) TO EXAMINE DIFFERENT APPROACHES TO MEASURE THE VALUE OF HUMAN RESOURCES; (II) TO REVIEW THE HUMAN RESOURCE ACCOUNTING PRACTICES IN DIFFERENT INDIAN ORGANIZATIONS; (III) TO OFFER SUITABLE SUGGESTIONS TO ADOPT THE HUMAN RESOURCE ACCOUNTING PRACTICE IN DIFFERENT ORGANIZATIONS.

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dr.kanakaraju2011@gmail.com

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

EXAMINATION TIME TABLE & PROGRAMME – DECEMBER 2014

FOUNDATION COURSE EXAMINATION
(Multiple Choice Questions – Online Mode)

Day & Date	Foundation Course Examination	
	Syllabus-2008	
Sunday, 21st December, 2014.	**Paper – 1 & 2 (100 Marks)** **Time : 10 A.M. to 12.00 Noon** **Paper 1** : Organisation and Management Fundamentals (50 Marks) **Paper 2** : Accounting (50 Marks)	**Paper – 3 & 4 (100 Marks)** **Time : 2 P.M. to 4.00 P.M.** **Paper 3** : Economics and Business Fundamentals (50 Marks) **Paper 4** : Business Mathematics and Statistics Fundamentals (50 Marks)
	Syllabus-2012	
Sunday, 21st December, 2014.	**Paper – 1 & 2 (100 Marks)** **Time : 10 A.M. to 12.00 Noon** **Paper 1** : Fundamentals of Economics and Management (50 Marks) **Paper 2** : Fundamentals of Accounting (50 Marks)	**Paper – 3 & 4 (100 Marks)** **Time : 2 P.M. to 4.00 P.M.** **Paper 3** : Fundamentals of Laws & Ethics (50 Marks) **Paper 4** : Fundamentals of Business Mathematics and Statistics (50 Marks)

Examination Fees

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

1. **The Foundation Examination in both syllabus (2008 & 2012) will be conducted in M. C. Q. Mode through Online only.**
2. Total Questions : 100 (Multiple Choice Questions), Maximum Marks : 100 (Each Question will carry 1 Mark). There will be no negative marking for wrong answers.
3. **Last term of Foundation examination under 2008 Syllabus is December 2014.**
4. **(a) Students can login to the website www.icmai.in and apply online through payment gateway by using Credit/Debit card.**
   (b) Application Forms for Foundation Examination is available from Institute's Headquarters at 12, Sudder Street, Kolkata, Regional Councils and Chapters of the Institute on payment of ₹50/- per form. In case of overseas candidates, forms are available at Institute's Headquarters only on payment of US **$** 10 per form.
   (c) Students can also download the Examination Form free of cost from ICAI Website at www.icmai.in.
   (d) Students can also pay their requisite fee through payfee module of IDBI.
5. **Last date for receipt of Examination Application Forms without late fees is 5th November, 2014 and with late fees of ₹300/- is 15th November, 2014. In case of online Examination Application with payment gateway by using Credit/Debit Card, the late fees of ₹300/- will be waived if applied within 15th November, 2014.**
6. Examination fees may also to be paid through **Bank Demand Draft** of requisite fees drawn in favour of "**The Institute of Cost Accountants of India**" and payable at Kolkata.
7. Students may submit their Examination Application Forms along with the fees at ICAI, CMA Bhawan, 12 Sudder Street, Kolkata – 700016 or Regional Offices or Chapter Offices. Any query in this regard may be addressed to Examination Directorate at 12, Sudder Street, Kolkata – 700016.
8. **Examination Centres**: Agartala, Ahmedabad, Akurdi, Allahabad, Asansol, Aurangabad, Bangalore, Baroda, Berhampur(Ganjam), Bhilai, Bhilwara, Bhopal, Bhubaneswar, Bilaspur, Bokaro, Calicut, Chandigarh, Chennai, Coimbatore, Dehradun, Delhi, Dhanbad, Durgapur, Ernakulam, Erode, Faridabad, Gandhidham, Ghaziabad, Guwahati, Hardwar, Hazaribagh, Howrah, Hyderabad, Indore, Jaipur, Jabbalpur, Jalandhar, Jammu, Jamshedpur, Jodhpur, Kalyan, Kannur, Kanpur, Kolhapur, Kolkata, Kota, Kottayam, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Nasik, Nellore, Noida, Panaji (Goa), Patiala, Patna, Pondicherry, Port Blair, Pune, Rajahmundry, Ranchi, Rourkela, Salem, Sambalpur, Shillong, Siliguri, Solapur, Srinagar, Surat, Thrissur, Tiruchirapalli, Tirunelveli, Trivandrum, Udaipur, Valsad, Vashi, Vellore, Vijayawada, Vindhyanagar, Waltair and Overseas Centres at Bahrain, Dubai and Muscat. **(If no examination centre is available at a particular location, examinees will be accommodated at the nearest Centre available)**
9. **A candidate who is completing all conditions for appearing the examination as per Regulation will only be allowed to appear for examination.**
10. **Probable date of publication of result : Foundation – 24th December, 2014.**

A. Das
Director (Examination)

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

From the Research Desk

Strengthening Human Resource - Building the Nation

Role of CMAs

Socio-Economic Development: Human development plays a pivotal role in the process of socio-economic development of a nation. Human capital formation is both qualitative and quantitative in the sense that it involves attainment of the skills, education, experience and training that enables them to perform effectively. The Institute as a part of its obligation regulates the profession of Cost and Management Accountancy, enrolls students for its courses, provides coaching facilities to the students, organizes professional development programmes for the members, and undertakes research programmes in the field of Cost and Management Accountancy and as a result contributes in human capital formation through skill development and capacity building.

Human Resource Management: Managing human resources refers to the functions that a manager performs relative to the organization's employees. The CMAs can suggest suitable strategies to the management regarding planning and allocation of resources, creating apt working environment to attain desired target and enhance value maximization of the business.

Reach the unreached: Improving quality of the educational institutions is utmost required for nation building throughout the country, including in the rearward regions where people do not have easy access to education and also paying special attention to disadvantaged groups like the poor, females and the minorities. Encouraging international cooperation in the field of education, including working closely with the UNESCO and foreign governments as well as Universities, to enhance the educational opportunities in the country is also need of the hour. The Institute in association with various National and international organizations are trying to promote professional education across the globe.

Allocation & Apportionment of Grants-in-aid: In order to build-up effective human resource pool, financial assistance is to be provided in the form of scholarships, loan subsidy, etc. to deserving students from deprived sections of the society and to mobilize financial resources for needy students and youth programmes that enhance their skills and capabilities to facilitate the proper utilization of education budget. In this regard, the CMAs can quantify the actual requirement of the fund and assist the Government to keep track of allocation and apportionment of grants and loans.

Risk Mapping: CMAs can recommend how can the organization better understand, quantify and manage people's risks, including those related to succession planning, retention, leadership development and talent management.

HR Accounting: Human Resource Accounting is the activity of knowing the cost invested for employees towards their recruitment, training , payment of salaries & other benefits paid and in return knowing their contribution to organization towards its sustainability and profitability. In this regard, CMAs can assist the management in taking decisions related to efficient and effective utilization of workforce for highest return on investment and incorporate suitable strategies and techniques.

Performance Management: Performance Management centres on the role and effectiveness of line managers in setting goals and also reviewing and strengthening the performance of their staff. CMAs can state what measures and indicators are most effective in helping organizations evaluating the value and performance of intangible assets within the organization's human, relational and structural capital.

Ethical HR & Corporate Governance: CMAs can play an important role to accelerate the process of democratization of governance structures and to develop a capacity building programme for stakeholders to enable them to fruitfully participate in governance structures.

Innovative Education & Computer Literacy: CMAs can initiate suitable approach for the organization to derive greater innovation and value from the workforce by applying greater quantitative firmness to understanding, tracking and enhancing the value of employees and their contributions.

Strengthening culture and values in education: There is a need for restructuring of actual teaching, learning practices and curricular reforms. Focus should be on strengthening core universal human values like Truth, Peace, Love, Righteous Conduct and Non-Violence and the Values enshrined in the constitution of India for Human Resource Development.

Impact of Human resource accounting on Accounting Information System: The human resource accounting information has a noteworthy influence on the accounting information systems to reduce cost, improve operational performance and had contributed to increase efficiency and effectiveness of accounting information systems in companies. The use of Human resource accounting information system in various organizations contributes to the improvement of services provided to the clients.
The CMAs can assess the human resource accounting information for cost control and cost competitiveness for sustainability of Accounting Information System.

ECHOES OF THE FIAT CASE IN STATE VAT: SELLING BELOW PURCHASE PRICE DRAINS INPUT TAX CREDIT

When VAT is levied at every conceivable stage in the trade chain, tax cascading will push up prices beyond common endurance if no input tax credit were provided. The alternative is to levy old-style sales taxes and restrict the stages at which such taxes can be collected

Dr. Ravindran Pranatharthy
Advocate – Indirect Taxes & IPRs

We contend that for a nation to try to tax itself into prosperity is like a man standing in a bucket and trying to lift himself up by the handle.
- Winston Churchill

That was Churchill at his vintage wit and banter. Does his saying sound as a caution against the hype we hear about the coming GST in India? The Japanese are now finding that raising their national GST by 3 % to 8% (very modest by Indian standards) has suppressed sales and depressed the Japanese economy even further, rather than putting more money in the hands of the government. Churchill of course did not belong to the era of VAT and GST and did not get to witness economists clutch even at tax reforms as a solution to general or cyclical economic malaise. Well, the Goods and Services Tax has now become a universal chant as a cure for the economic maladies afflicting India and to boost the sagging GDP. There is some truth in this hope but much would depend on the wisdom of the political class in opting for a GST design that is made for the country rather than for the short-term revenue interests of the governments at the centre and in the states. In the meanwhile, people have to get on with what they have, in the course of tax compliances. The present condition of Indirect taxes- whether it is the age-old central excise and customs duties or the centrifugal service tax or the recent miscellany of state value-added taxes – does not cause any optimism. The engineered ills of the tax system are just too many to enumerate. The only common metaphor among the Indirect taxes in our country is the principle of taxing only the value added at every stage in the value chain. This is achieved by refunding the previous-stage tax by way of input tax credit which then can be set off against the output tax. The fundamental way by which the VAT system operates is to require no correlation and ratio between input and output. In simple words, take all your permitted input tax credits, aggregate them and adjust them against your output tax liability for the tax periods concerned. If there be any excess of such input tax credit and if the government is liberal, you will get refund at the end of the year or you will be asked to carry forward with your balances.

This elemental theme that there is no need to measure input tax credit with the output tax has been an abiding symbol of the VAT systems across the world. Not to do this would go against the grain of the very VAT system itself and detract from its efficiency and fairness as a VAT. When VAT is levied at every conceivable stage in the trade chain, tax cascading will push up prices beyond common endurance if no input tax credit were provided. The alternative is to levy old-style sales taxes and restrict the stages at which such taxes can be collected. The ancien regime of old-world sales tax is consigned now to history. Of course, the VAT rules would provide that where the taxable items coexist with exempted items, there will be a write-down of tax credits in proportion to the use of tax credited inputs in the sale of exempted products. This is understandable given that the State has made a concession by withdrawing taxes from particulars items and permitting purchase-stage tax relief for such exempted items will be too much to expect the State to stomach. The rule of no correlation between input and output has been noted and enunciated by the Judiciary in many of the judgments. Let us look at the significant and consistent catena of judicial ratios from the Supreme Court of India in this regard:

HMM Ltd Vs CCE, NEW DELHI – 1996(87) ELT 593 (SC)

The earliest approval for the no-correlation principle came from the Supreme Court in 1996 in the case of HMM Ltd Vs CCE, NEW DELHI – 1996(87) ELT 593 (SC). The historical parallel of input tax credits in Union Central Excise duties was to be found in the limited tax credits allowed in the year 1979 under central excise notification no 201/79. In this case, the following principles were stated by the top Court:

> A. Unless the enactment so specified, there is no requirement that credit of tax taken on inputs must be set-off against the tax payable on the goods actually manufactured utilizing these very inputs.
>
> B. There is no exact correlation between input and output.
>
> C. The object underlying the notification is to prevent the cascading effect of duties if levied both on inputs and the finished goods. With a view to make the goods available at comparatively reasonable prices to the consumer, the duty paid on the inputs is deducted out of the duty payable on the finished goods.

The principles laid down in EICHER MOTORS LTD Vs UNION OF INDIA – 1999(106) ELT 3 (SC)

Dealing with the issue of legality of lapsing of tax credit in a situation of input tax credit being more than the tax payable on the final products by creating a new statutory provision in Modvat Credit Rules, the Apex Court laid down the following salutary ratios regarding the tax credits(Ref: Box on the right).

The consistent reiteration of principle of no-correlation by the Supreme Court:

COLLECTOR OF CENTRAL EXCISE Vs DAI ICHI KARKARIA LTD - 1999 (112) ELT 353 (S.C):

In this case, the Apex Court emphasized the following:

> A. The provision for facility of credit is as good as tax paid till tax is adjusted on future goods on the basis of the several commitments which would have been made by the assessees concerned.
> B. If on the inputs the assessee had already paid the taxes on the basis that when the goods are utilised in the manufacture of further products as inputs thereto, then the tax on these goods gets adjusted which are finished subsequently. Thus a right accrued to the assessee on the date when they paid the tax on the raw materials or the inputs and that right would continue until the facility available thereto gets worked out or until those goods existed.

A. Once tax credit is taken on the input, the purchase price of the input has to be reduced to the extent of the tax so credited, to arrive at the cost of the input.
B. Input tax credit once validly taken is an indefeasible right.
C. There is no co-relation of the raw material and the final product; that is to say, it is not as if credit can be taken only on a final product that is manufactured out of the particular raw material to which the credit is related. The credit may be taken against the excise duty on a final product manufactured on the very day that it becomes available.

COMMISSIONER OF CENTRAL EXCISE, AHMEDABAD Vs M/s RAMESH FOOD PRODUCTS - 2004 (174) E.L.T. 310 (S.C):

In this case, while dealing with the question of whether a small-scale manufacturer can simultaneously avail duty-free exemption for some products and duty payment for other products, the Apex Court ruled against the assessee and observed the principle of no-correlation in the following words:

"Further, there is no one to one correlation between the inputs and final products under Modvat Scheme. It would therefore not possible to allow the manufacturer to simultaneously avail Modvat for some products and avail full exemption for others under small-scale exemption scheme".

Though the cases are in the context of the erstwhile MODVAT Credit Rules, there is no difference in the matter of application of basic principles between the Modvat Credit Rules and the Cenvat Credit Rules which have replaced them. This essential proposition was laid down by the top Court in the case of M/s VIKRAM CEMENT Vs CCE, INDORE - 2006 (194) E.L.T. 3 (S.C). It can be said with certain assurance that the principle of no-correlation holds sway even today in the Union Indirect Tax system which is VAT-modelled. The proposition is an essential core of any VAT credit system and without such a foundation, the VAT system itself will be devoid of substance and essence. However, the state VAT systems have paid little heed to such basic principles of VAT and provisions that restrict input tax credit in one way or the other are abundant in the state VAT laws across India.

The issue of selling below cost and Tax consequences

In the well-known case of FIAT India - 2012 (283) E.L.T. 161 (S.C.), the Apex Court had in effect held that the central excise assessable value cannot be less than the cost of manufacture irrespective of any arm's length consideration received from the buyers at less than the cost of production. The Revenue commenced issue of demands wherever the assesses sold at a loss-making price. However in a rare and thankworthy relief to the manufacturers, in the recent Budget, the government reversed the ratio by amending the Central Excise Valuation Rule to permit assessable value to be based on a loss-making price if there was no other consideration involved. The gesture in the Central Excise Valuation Rule 6 is by way of the following proviso:

"*Provided that where price is not the sole consideration for sale of such excisable goods and they are sold by the assessee at a price less than manufacturing cost and profit, and no additional consideration is flowing directly indirectly from the buyer to such assessee, the value of such goods shall be deemed to be the transaction value."* .

The tax effect of loss-making price solely on the ground of trading loss has been withdrawn in the Central Excise arena. But the state VAT laws contain a provision that is aimed at indirectly taxing the 'loss' amount in a loss-making price. The VAT statutes provide that where the output price is less than the purchase price of input, the input tax credit is to be reduced in proportion. In other words, the VAT dealers are to suffer a loss of some amount of input tax credit if they happen to sell the product at a discount or rebate or reduction culminating in a loss-making price. As an example, look at the provisions in some select state Vat laws:

Tamilnadu VAT Act, 2006 – Section19 (20):

"Not withstanding anything contained in this section, where any registered dealer has sold goods at a price lesser than the price of the goods purchased by him, the amount of the input tax credit over and above the output tax of those goods shall be reversed".

Rajasthan VAT Act, 2003 – Section 18(3A):

"Notwithstanding anything contained in this Act, where any goods purchased in the State are subsequently sold at subsidized price, the input tax allowable under this section in respect of such goods shall not exceed the output tax payable on such goods."

Delhi VAT Act, 2004 – Section 10(5):

"Where the goods which have been purchased by a dealer are sold at a price lower than the price at which it was purchased by the dealer, the tax credit on such purchases shall be reduced proportionately in the tax period during which the goods are sold".

U.P VAT Act – Section 13(1) (f):

"Notwithstanding anything to the contrary contained in this sub-section where goods purchased are resold or goods manufactured or processed by using or utilizing such purchased goods are sold, at the price which is lower than–

(i) Purchase price where purchased goods are resold; and

(ii) Cost price of manufactured goods where purchased goods are used in manufacture of such goods, the amount of input tax credit shall be claimed and be allowed to the extent of tax payable on the sale value of goods or manufactured goods:"

These provisions seriously undercut the commercial liberty to sell at business-viable prices by punishing trading loss which will at most be occasional or transient. The loss-seller is thus further disadvantaged by the diminution of his input tax credit. When he sells at a profit price, the extra tax is pocketed by the state. By paying tax on a loss price, the dealer does not cause any loss to the Exchequer. The input tax credit allowed to him is only against the tax paid by another dealer to the state. It is an altogether different issue if the state suspects fraudulent loss-making sales. Such cases have to be investigated by the revenue department and can be distinguished comfortably from genuine cases involving purely commercial reasons. These statutory provisions especially of the U.P type will be difficult to enforce and are guaranteed to cause harassment to the taxpayers and engender rent-seeking by tax babus.

These enactments are in contradistinction to the no-correlation principle which is at the heart of the VAT credit system. The provisions go against the ratio of the judgments of the Supreme Court discussed above. Though the principle has emanated from Cenvat Credit cases, it is of equal application to state VAT systems which share the principle in common with the Cenvat Credit law. The legal challenge to the provision was mounted in Rajasthan High Court in the case of M/s PANWAR

TRADING CORPORATION VS STATE OF RAJASTHAN & OTHERS –TS-538-HC-2014(Raj)-VAT. One of the grounds taken in the case was that the enactment restricting the input tax credit was against the no-correlation principle confirmed by the Apex Court in the Dai Ichi Karkaria caselaw. In a disturbing verdict, the High Court has upheld the enactment on the usual bromides that the State has power to restrict the input tax credit since it was a concession granted to the taxpayers and that the State enjoys wide latitude in the levy of taxation. The Hon'ble Court did not consider that the provision militated against the very of concept of a VAT credit system. The case has come as a boost to the State Vat departments and unless the case is appealed to the Supreme Court, there will be no respite for the assessees who are spared in the matter of Cenvat credit but are penalized in the state VAT systems.

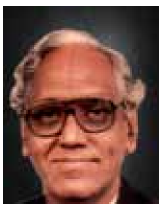
Conclusion

The issue analyzed is one among the many maladies afflicting the Indirect taxation in India both at the Center and in the States. There has been a lot of focus on Union Indirect taxation but not much on the run-away state VAT regulations. The state VAT laws are seen to be unduly harsh on input tax credit and barring the facility of cash refund of excess input tax credit they do not score well when compared to the Cenvat Credit system. The Cenvat Credit system is itself no perfect model either. The tax-assessment variances between Union Indirect taxation and State VAT systems are also a cause for concern. The Indian economy stands at a critical crossing in its history. The Union and the States have to pull together on fiscal issues and there is no luxury of time for the country to witness the states carrying on in the old-fashioned ways in fiscal matters. Federalism need not come in the way of ensuring collective wisdom on tax issues. The GST is eagerly awaited despite its anticipated high tax ticket since it promises a common Indirect tax law for the entire country in the place of a bewildering variety of state-specific tax enactments and policies arrayed against hapless taxpayers. MA

ravinpranaa@gmail.com

LIGHT AT THE END OF THE TUNNEL: TAX EVADED MONEY, STASHED ABROAD

The latest ruling of a Bench of the Income Tax Appellate Tribunal comes as fresh air and gives a boost to the Government of India's efforts to bring home the crime in regular income tax assessments



TCA Ramanujam
Chief Commissioner of Income Tax (retd.), Advocate High Court, Madras

TCA Sangeetha
Masters in Law

THE fight against unaccounted income and wealth stashed abroad is getting more and more intensified. Baba Ramdev'sFast and fight against Black Money resulted in public awareness of the problem. The Supreme Court had set up a Special Investigation Team (SIT) for this purpose in the case of Ram Jethmalany vs. UOI. Foreign governments also woke up to the Reality. Countries figuring under the banner of OECD and G-20 vowed to join the battle and provide the modus operandi- for exchange of information between countries regarding unaccounted funds stashed in secret accounts in foreign jurisdictions. Even if we get information, there are problems in proving that the money represented unaccounted income or wealth and was liable for taxation in India.

In this situation, the latest Ruling of a Bench of the Income Tax Appellate Tribunal comes as fresh air and gives a boost to Government of India's efforts to bring home the crime in regular income tax assessments. This is in the case of Mohan ManojDhupeliavs DCIT (ITAT Mumbai).

Shri Mohan Manoj Dhupeliafiled return of income u/s 139 (1) of the Act on 1st August 2002 showing total income of Rs.1,97,650/-. Obviously the return was accepted. Subsequently, information was received that the assessee is a beneficiary of Ambrunova Trust, having an account in Liechtenstein Bank. The said information contained summary of bank statement as on 31/12/2001 of the said trust in which there was a balance of US $ 24,06,604.90. This information was not disclosed by the assessee in the original return thus notice u/s 148 of the Act was issued on 26/03/2009. The assesse requested the Revenue to treat the return already filed as having being filed in response to the notice issued and served u/s 148 of the Act. The assessee was also supplied with a copy of reasons recorded for reopening of assessment including English translation of the documents. The assessee also denied of any knowledge of trust by further claiming that he/she has not received any money. The AO found that the address/

Nationality, country of domicile was the same as of the assessee as mentioned in India in the return. However, the assessee did not provide any document in support of his statement that he is not connected with this trust. The AO added Rs.2,34,64,398 being 25% of his share out of Rs.11,73,31,988/-The assessment was reopened by the AO on the information received from LGT Bank regarding Ambrunova Trust in which the name of the assessee was appearing as a beneficiary. It was contended by the assessee that the documents so received by the Department regarding the Trust (LGT Bank) were unauthenticated and unverified and thus reopening was incorrect.

The Tribunal took note of the fact that a permanent sub-committee on investigation (Committee on Homeland Security and Governement affairs) was constituted by the United States Senate of which Mr.Caral Levin was the Chairman (Source:www.Frank-cs.org/cms/pdfs/USA/Servile/ Senate_Tax Haven Bank_Exhibits_17.7.08.pdf). As per Article 14 of the Banking Act (Litechtenstein Secrecy laws) the members of the organ of th Bank and their employees as well as other persons, acting on behalf of such banks, are obliged to maintain secrecy of facts that they have been entrusted to or have been made available to them pursuant to their business relations with clients. The obligation to maintain secrecy is limited in time. Such documents were available to the Tribunal.

Authentication of Documents

The Tribunal observed in this regard

" 3.2The contention of the Ld. Counsel for the assesse that such documents were not provided to the assesse is also incorrect as we have discussed in earlier paras of this order that not only the documents, rather theEnglish translated copy of such documents was also provided. Therefore, this assertion of the assesse is also without any basis. Another assertion made by the assesse was that the information was unvouched and not corroborated with any evidence. We note that the said documents were received officially by the Government pursuant to an investigation made by permanent sub-committee on investigation of United States Senate. The copy of exhibit list regarding tax haven banks has already been reproduced by us in earlier part of this order. As we have reproduced in earlier part of this order (Host trust reg.),the distribution to the beneficiaries as well as profits earned are not subject to any further tax and, further, the supreme authority is vested in the settler and is transferrable.

THE APPEAL WAS BITTERLY FOUGHT BY BOTH SIDES. THE APPELLANT CONTENDED THAT REOPENING OF THE ASSESSMENTS WAS BAD... THE TRIBUNAL FOUND THAT REOPENING WAS DONE ON THE BASIS OF INFORMATION SHOWING THAT DHUPELIA WAS A BENEFICIARY OF AMBRUNOVA TRUST

It can be concluded that the Liechtenstein jurisdiction qualifies as an off shore financial centre due to a very modest tax regime, high standard of secrecy laws and further foreign investors had the opportunity to establish companies or trust with "HostTrust registration in the principality of Liechtenstein to enjoy the advantages of off-shore financial centre. Indian investigatingAgencies came across a number of cases where individual or entities from India were detected using banking channels of Liechtenstein to hide their illegal income or stash funds and it was only possible when India became signatory to world-wide convention formulated by OECD, an international policy advisory body which formulated global tax standards to fight tax evasion and concealment of illicit funds. It also provided option to undertake automatic exchange of information. It is a common knowledge that discretionary trusts are created for the benefit of particular persons and those persons need not necessarily control the affairs of the trust. Still the fact remains that they are the sole beneficiaries of the trust. Thus totality of facts clearly indicate that the deposit made in the bank account of the trust represented unaccounted income of the assese, as the same was not disclosed by the assessees in their respective returns in India;, consequently, the addition was rightly made by the Assessing Officer and confirmed by the CIT (A)".

The appeal was bitterly fought from both sides. On behalf of the Appellant, it was contended that reopening of the Assessments was bad and that principles of natural justice were violated. The Tribunal found that reopening was done on the basis of information showing that Dhupelia was a beneficiary of Ambrunova Trust. Information in this regard was not disclosed in the return. The summary of the trust account in LTG Bank found credit balance of Rs.11,60,99,390 in the account. This was not disclosed in the return of income. The Assessing Officer therefore presumed that income had escaped assessments. He showed details regarding information of trust, settler of trusts, purpose of creating trusts, copy of trust deed, asset and bank accounts held by the trusts in India and abroad and benefit received by the Appellant between 2002 and 2008. These facts were enough to uphold the jurisdiction to reopen the assessments.

Conclusion

This is the first official Judicial pronouncement on the issue of txing moneys stashed abroad in secret tax havens. The Tribunal rejected arguments based on the tax effects of discretionary trusts pointing out that these trusts are created for the benefit of particular persons who need not necessarily control the affairs of the trusts, though they may be the sole beneficiaries of the trusts. The deposit in the Bank account of the trusts represented unaccounted income of the assesse since it was not disclosed in the return filed in India.

The Ruling will have far reaching consequences in cases requiring investigation of secret funds stashed abroad. MA

ramanuja@vsnl.com

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TAX TITBITS

CMA S. Rajaratnam
Advocate and Tax
Consultant, Chennai

Ombudsman

Taxpayers have often more grievances in respect of many procedural matters with the Income Tax Department. There is a remedy available in Ombudsman, which can be more expeditious and effective and still not popular, though the Income Tax Department did once advertise in 2010 under an attractive title "Carrying tax worries? Get back your smiles… Meet Income Tax Ombudsman". It is an invitation to the taxpayers to address their grievances to Ombudsman for a solution. It is a remedy which needs to be more popular.

Threshold requirement

There is a preliminary hurdle requiring the complainants to remember that "Ombudsman can be approached only when the complaint has not been satisfactorily addressed by the income tax authorities superior to the one complained against". It, therefore, requires that, where the Assessing Officer or any other authority gives cause for complaint, the complainant should file his complaint to the next higher authority and that Ombudsman would entertain the complaint only, if there is no satisfaction from such authority. There is an apprehension on the part of taxpayers, whether justified or not, of possible adverse reaction of the Assessing Officer in respect of his other matters in the light of the vast powers of the Assessing Officer. The purpose of this requirement is to screen the complaint by the next higher authority. Ombudsman, however, should not make this an inflexible condition where he can set the matters right without insisting on this threshold requirement.

The very first requirement is name, address and Permanent Account Number (PAN) of the complainant. It is understandable, where PAN is required to be obtained under section 139A or notification thereunder, but not in respect of others, who are not required by law to have PAN, but who may have a legitimate complaint. PAN should be necessary only for those complainants, who are expected in law to apply for PAN.

The powers of Ombudsman

The complaint can be against an employee of a rank of an Assessing Officer or below his rank. Ombudsman can ask for information and copies of records relating to grievances of the taxpayer from the Assessing Officer, so that in absence of compliance, he is entitled to draw adverse inference. He is expected to maintain confidentiality and protect individual rights of the taxpayers and give such direction as to remove any undue burden. Apart from redressing the grievance, he will make a report against defaulting persons to the Central Board of Direct Taxes for appropriate action. Ombudsman can mediate between the assessee and the department. Compensation not exceeding Rs. 1,000 can be awarded to the complainant.

Matters covered by its jurisdiction

The list of grievances for which the jurisdiction of Ombudsman can be invoked relate to delay in issue of refund, non-acknowledgement of letters or documents, non-updating of demand and consequent harassment to the taxpayers. Listed items for remedy include lack of transparency in choice and scrutiny of cases, non-communication of reason for selecting the case for scrutiny, delay in disposal of interest waiver petitions, rectification application, orders giving effect to appellate orders, delay in return of seized records and assets when no longer required or permissible for retention, delay in allotment of PAN, non-credit of tax paid including tax deducted at source, and the officers not being available during working hours and their rude behaviour.

These are matters listed at the time of formation of Ombudsman in 2006, but there has not been adequate publicity.

Complaints listed are not exhaustive

TDS: The list of complaints advertised do not include the most common grievances of taxpayers in matters relating to tax deduction at source mostly arise on the mismatch between the Tax Deduction Certificates filed by the assessee and the statements of tax deduction in Form AS26 from deductor. While the discrepancy gets reconciled, recovery procedures are not kept pending.

Regarding such complaints, would the Ombudsman say that it does not fall within the listed obligations on his part. The proper course is to enforce the law against the defaulting deductors and ensure refund, where the Assessing Officer or Ombudsman is satisfied about the deduction. It is presumed that the listed items are not exhaustive.

Budget target: Another class of complaints is the refusal to exercise the power of stay and indiscriminate use of the coercive process of recovery of disputed demands. These again cannot fall within the scope of Ombudsman. But these can certainly fall within the scope of administrative powers of superior powers, but quite often it is they who are responsible for such unreasonable conduct of officers especially in the later part of the financial year with a view to maximise collections to meet pre-set budget targets.

The Central Board of Direct Taxes itself has been responsible for fixing artificial targets for budget collection. Lack of earnestness on the part of the authorities to limit the collections to what is legitimately collectible and not what is refundable is patent from the two circulars in Instruction Nos. 8 of 2006 dated October 31, 2006 and No. 7 of 2009 dated December 22, 2009 cautioning the officers responsible for exercise of jurisdiction under section 197 in issuing non-deduction certificates. These are in the nature of instructions in terrorem. The Ides of March is now approaching in another few months when taxpayers will face the brunt of the targets fixed for the Assessing Officers and Commissioners.

Usual grievances: There are a number of grievances arising out of unacceptable conduct of the Assessing Officers. Taking up assessments only when it is getting time-barred, frequent adjournments, issue of summons for personal presence, where it is not necessary, production of witnesses and documents, where not required and a complete lack of accountability to pass responsible orders are the common grievances of the taxpayers, but most of them may not fall under the jurisdiction of Ombudsman. It is necessary that Ombudsman should at least have advisory jurisdiction in such cases.

What then could be done?

Ombudsmen reportedly function well in other countries. But it is not as popular in the Income Tax Department largely because of the failure of taxpayers to use the institution and because of lack of encouragement on the part of the Income Tax Department itself to popularise it.

The scope of powers of Ombudsman is very wide, but in actual practice it is extremely limited, while the grievances of taxpayers would extend much beyond what could be resolved by Ombudsmen. It is time the Government studies its working and take all steps to activise it. Its jurisdiction has also to be enlarged to ensure accountability not only of the Assessing Officers, but all officers other than Heads of Department. Such a course of action will foster better public relations and improve the image of the Income Tax Department. MA

s.rajaratnam@vsnl.com

TAXING WITH SERVICE TAX

As the law has matured over the years, the enforcement has become stricter. The large number of changes in the law and introduction of new rules for taxation of services necessitate a guide that gives a bird's eye view of all relevant provisions of service tax law

CMA B.N. Agrawal
DGM (Fin-Sales)
Bhilai Steel Plant,
Bhilai

IN a business environment, it is of utmost importance to know the taxation laws as it affects the business directly. Acclimatization of indirect taxation would help in understanding external legal requirements and its importance in smooth operation of the business.

Service tax has assumed significance in recent years as one of the major contributors to the Government exchequer. The law has expanded its reach to cover most transactions of services and now pervades all sectors of the economy. Various reforms have been carried out in the past few years in the prevailing Indirect tax regime, which will pave the path to the eventual transition to Goods and Services Tax. Reforms in the areas of service tax in the last couple of years are definitely an indicator in that direction. As the law has matured over the years, the enforcement has become stricter. The large number of changes in the law and introduction of new rules for taxation of services necessitate a guide that gives a bird's eye view of all relevant provisions of service tax law.

This article is an endeavour to be facilitator and a reference guide to the current law. The provisions reproduced in this article are current as on 1st October 2014. The views are purely personal and based on experience and reference books available on the subject. It has not been aimed at replacing or disregarding the original law, Notifications and Circulars issued from time to time by the Govt of India.

Introduction

Service Tax, it is often said, is a tax on services rendered by one person to another. Therefore, in case there is no service, there can be no service tax. In the background of the growing importance of the service sector and the revenue compulsions, Service Tax was introduced for the first time in the year 1994 and the levy of service tax was confined to just three services in the organized sector viz; Telephone, General Insurance and stock broking. Since then, the Act has been amended year after year, in order to bring more services into the tax net. However, the approach towards taxation continued to be selective. While the revenue expectations were often exceeded in all the years of positive list based taxation, there was also unanimity across a wide section of thinkers that potential of service tax remained huge

Year	Revenue (Rs/Crore)	No. of Services	No. of Assesse
1994-95	407	03	3943
2012-13	132518	119	1712617
2013-14 (Estimate)	180141	All Services except Negative & Exempted Services	NA

and largely untapped. The Finance Act, 2012 ushered a new system of taxation of services; popularly known as Negative List. Effective from 01.07.2012, a paradigm shift was brought about in the manner services are being taxed. The transition involved shift from taxation of about 119 service-specific descriptions to a new regime whereby all services are taxed unless they are covered by any of the entries in the negative list or are otherwise exempted. Therefore, the levy of service tax made comprehensive on all services with effect from 01.07.2012. Chart on previous page would explain the importance of Service Tax revenue as collected by the Exchequer –

The Scheme

- There is no Service Tax Act. Finance Act, 1994 is amended from time to time to make provisions relating to service tax.
- Service tax is payable when service is provided by one person to another (Two persons are required. One cannot provide service to oneself).
- Any activity carried out by a person for another for consideration is 'service'. The word activity would include an act done, a work done, a deed done, an operation carried out, execution of an act, provision of a facility etc. It is a term with very wide connotation. Activity of mere transfer of title in goods or property is not 'service'. Mere transaction in money is not service. Dividend, loans, advances, deposits etc. are mere transaction in money. Service provided by an employee to employer is not a service.
- Service Tax rate is 12% plus education cess of 2% plus higher education cess of 1% i.e. 12.36% wef 01.04.2012. The three component of service tax should be shown separately in invoice and should be accounted for separately for the purpose of Cenvat Credit.
- The Act is administered by the Central Excise Department.
- Unlike Central Excise Act, which extends to the whole of India, the provisions relating to service tax do not extend to the State of Jammu & Kashmir but only extend to the rest of India.
- Till 01.07.2012, service tax was based on positive list i.e. services listed in the Finance Act 1994 were taxed. However, w.e.f. 01.07.2012, service tax is payable on all services excluding those in negative list and exempted services.
- Renting of immovable property, construction, software, temporary transfer of Property Right, hiring, leasing, hire purchase and financial lease, service portion in execution works contract, service portion of supply of food are 'declared services' which are subjected to service tax.
- With effect from 01.07.2012, a threshold limit of Rs. 10 lakhs has been prescribed, up to which value of all taxable services provided by a service provider during a financial year is fully exempt from service tax. Turnover of sale or manufacture of goods is not to be considered for calculating the threshold limit of Rs. 10 lakhs. However, the Service Provider is required to register himself with Service Tax Department if the taxable turnover crosses Rs. 9 lakhs. Further, exemption limit is not applicable when service receiver is liable to pay service tax under reverse charge mechanism.
- Credit of service tax and excise duty has been extended across goods and services with effect from 10.09.2004. In other words, duty of excise paid on inputs and capital goods and service tax paid on input services can be claimed as deduction from the duty of excise on finished goods and service tax on output services. Cenvat Credit can be taken on receipt of invoice. However, if payment is not made within 3 months, the Cenvat credit is required to be reversed. The said Cenvat credit on inputs and input services is to be availed within six months from the date of invoices.
- Service tax would be levied on services and processes, unless otherwise specified in the negative or exemption list, not amounting to manufacture or production of goods carried out by a person for another for consideration. In other words, service tax would not be applicable if the Central Excise is applicable on any activity.
- It is mandatory for every provider of taxable service to maintain certain documents like invoice, bill or challan which shall contain the following particulars –
  a. The name, address and registration number of service provider
  b. The name and address of the person receiving taxable service
  c. Description, classification and value of taxable service provided
  d. The service tax and cess payable thereon.
- Service tax for a month is required to be paid to the Central Excise Department by the 05th of following month/quarter except in the month of March when the said service tax is required to be paid by the 31st day of March itself.
- In case service is provided by a person other than Indian resident or who does not have any establishment

in India, then the service receiver in India is liable to pay service tax.

- Peculiar provision has been made for payment of interest for delayed payment of service tax based on the duration of delay. For the delay upto six months, simple interest @ 18% per annum is payable. However, for the delay beyond six months to one year, the said interest is payable @ 24% per annum and delay beyond one year, the interest would be payable @ 30% per annum.

Service Tax Rates at a glance

Period	Basic Rate %	Education Cess on Basic Rate	Higher Education Cess on Basic Rate	Effective Rate %
01/07/1994 to 13/05/2003	5	0	0	5
14/05/2003 to 09/09/2004	8	0	0	8
10/09/2004 to 17/04/2006	10	2	0	10.2
18/04/2006 to 10/05/2007	12	2	0	12.24
11/05/2007 to 23/02/2009	12	2	1	12.36
24/02/2009 to 31/03/2012	10	2	1	10.30
01/04/2012 to DATE	12	2	1	12.36

Reverse Charge Mechanism in service tax (tax shift)

Normally, service tax is payable by person providing the service. However, provision exists for reverse charge in specified cases i.e. making person receiving the service liable to pay tax (partly or fully). In simple terms, Reverse Charge Mechanism means the mechanism under which the liability of payment of service tax on specified services has been shifted from service provider to the specified class of service receiver. There is lot of confusion with regard to Reverse Charge Mechanism particularly the partial reverse charge mechanism. Though most of us wonder as to why has the Government come up with such tedious and complicated provisions, the intention behind this particular amendment is to catch hold of service providers who are collecting service tax but not paying it. The Government may be of the opinion that with these new provisions they will be able to better govern these tax evaders since they will get information from two sources about a particular service that suffers service tax. The salient features of Reverse Charge Mechanism are as under –

- The small service provider exemption of Rs. 10 lakhs is not available when tax is payable under reverse charge.
- Service provider should charge only his part of service tax. Service receiver is liable for only his part and not entire amount, even if service provider does not charge his portion of service tax. A statutory liability cannot be shifted by mutual agreement. If statutory liability is of service receiver, he alone is liable.
- In some services (e.g. Goods Transport Agency, renting or hire of motor vehicle designed to carry passengers), the abatement is subject to condition of non-availment of Cenvat credit by service provider (not by service receiver). A certificate should be obtained from the service provider about non-availment of Cenvat credit.
- In some cases, reverse charge is applicable only when service receiver is business entity registered as 'body corporate'. 'Business entity' means any person ordinarily carrying out any activity relating to industry, commerce or any other business or profession. Thus, Government and charitable organization are not 'Business entity'.

Partial Reverse Charge Mechanism in Service Tax

Under the Service Tax Law, till 30TH June 2012, there was limited applicability of "Reverse Charge Mechanism" in Service Tax, where the Service Receiver was to pay the Service Tax. Service Receiver was to pay 100% of the Service Tax that was payable on the taxable services received by him from a Service Provider, as per the prevailing provisions of the Service Tax Law. From 1st July 2012, under the new Service Tax regime, another interesting development has taken in the earlier concept of "Reverse Charge". It is the introduction of "Partial Reverse Charge" mechanism. Under "Partial Reverse Charge" (PRC) the Service Recipient (SR) is to pay Service Tax partially instead of 100%. Services, where the Service recipient has to bear the Service Tax partially are –

(a) Renting of motor vehicle designed to carry passengers on non-abated value to any person who is not engaged in a similar business

(b) Supply of Manpower for any purpose
(c) Service portion in execution of Works Contract
However, applicability of these provisions does not depend only on the nature of service, but equally important is to consider to "who" and by "whom" these services are provided and received. Following three factors are important for determining applicability of Partial Reverse Charge -
a) Nature of the service
b) Status of Service Provider (SP) and
c) Status of Service Recipient (SR).

Service Tax payable by SR is determined by the status of the SP in following two ways :

• Nature of entity of the SP (Individual, HUF, Partnership firm – whether registered or not, Association of Persons, Body Corporate, Company etc) – Partial Reverse Charge is applicable to services provided by Proprietary firm, Partnership firm, Association of Persons. It is not applicable to the same type of services provided by corporate bodies.
• The nature of SP with respect to applicability of Service Tax-

What we need to see here is, whether SP is a Small Service Provider (SSP) or not. If it is SSP, there will not be any tax liability for him. A question then arise here, as how will the Partial Reverse Charge mechanism work ? If SP is not required to pay Service Tax, naturally there is no question of SR paying the Service Tax. However, it is not so. According to Government, even in such cases, SR will have to pay Service Tax for availing such services. Read carefully the following explanation by Central Board of Excise & Customs (CBEC) in this regard -

Para 10.1.3 of Guidance Note issued by CBEC "The liability of the service provider and service recipient are different and independent of each other. Thus, in case the service provider is availing exemption owing to turnover being less than Rs 10 lakhs, he shall not be obliged to pay any tax. However, the service recipient shall have to pay service tax which he is required to pay under the partial reverse charge mechanism."

Thus, from above it can be seen that the tax liability of SP and SR are different and independent. However, in what respect it is independent is not explained by CBEC. For the valuation of Services for determining the Service Tax liability of SR, the SR can have his own valuation method irrespective of the method that the SP may have

Easy Understanding of Reverse Charge Mechanism of Service Tax

Sl. No.	Description of service	Provided		Liability of	
		By	To	Service Provider	Service Receiver
1	Insurance	Insurance Agent	Any person carrying on insurance business	Nil	100%
2	Transportation of goods by road	Goods Transport Agency (GTA)	Any person other than individual	Nil	100%
3	Sponsorship	By any person	Anybody corporate or partnership firm	Nil	100%
4	Arbitral Service	Arbitral Tribunal	Any business entity	Nil	100%
5	Legal service	Individual Advocate or firm of advocates	Any business entity	Nil	100%
6	Service of Director	Director	Its company	Nil	100%
7	Support Services	Government or local authority	Any business entity	Nil	100%
8	Hiring of vehicle on abated value	Non-Corporate Entity	Corporate Entity.	Nil	100%
	Hiring of vehicle on non-abated value	Non-Corporate Entity	Corporate Entity.	50%	50%
9	Supply of manpower & Security Service	Non-Corporate Entity	Corporate Entity.	25%	75%
10	Works Contract	Non-Corporate Entity	Corporate Entity.	50%	50%

used for determining his (SP's) Service Tax liability. This is going to create venues for confusion and litigation in future.

An insight into the works contract

The definition of works contract as given in the Finance Act reads as follows:-

"Works Contract means a contract wherein transfer of property in goods involved in the execution of such contract is leviable to tax as sale of goods and such contract is for the purpose of carrying out construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, alteration of any movable or immovable property or for carrying out any other similar activity or a part thereof in relation to such property."

Thus, the definition includes the services related to movable properties also. The definition of works contract service encompasses a wide range of services like construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, alteration and other such services. Some of these activities are purely related to immovable properties like construction, erection, installation, etc. However, some of these activities can be carried out on both movable and immovable properties like the repairs, renovation, maintenance, etc. Therefore, the definition of works contract required three important parameters (a) Performance of work (b) on client property & (c) transfer of goods. The same is explained pictorially as under :

Under the negative list, the specified categories have been demolished and scope of the works contract has been enhanced so as to include movable properties also. Now, many of the services related to movable properties under current scheme involving the material therein like Authorized service station, repairs and maintenance services, Photography services, etc. will fall under works contract service in the negative list scheme. This will cover cases where the authorized service station does the repairing of a car and supplies any part thereof. Hence it is a composite contract where both service and material value is involved and as such will be covered under the works contract. Thus, the Comprehensive Maintenance Contracts involving the material alongwith service will also fall under the purview of works contract under negative list and will be chargeable to service tax.

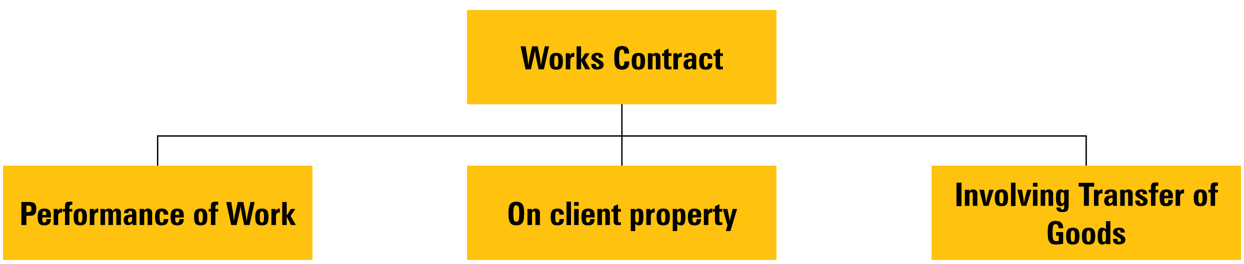
Valuation of works contract service -

In the new scheme of negative list, the valuation of Works Contract is to be done in accordance with the Service Tax (Determination of Value) Rules, 2006. For this purpose, Valuation Rule specifies the steps for valuing the works contract service. This rule lays down following fundamentals for its valuation :-

- Value of Works Contract = Gross amount charged – Value of transfer of property in goods. However, Value Added Tax (VAT) or Sales Tax is not includible in the value of material supplied.
- Value of Works contract service shall include the labour charges, amount paid to sub-contractor for labour and services, charges for planning, designing and architect's fees, hire charges for machinery and tools, cost of consumables like water, electricity, fuel, etc., cost of establishment of contractor relatable to supply of labour and services, profit earned in relation to supply of labour and services.
- In the cases where VAT has been paid on actual value of transfer of property in goods, then this value will considered while calculating the value of Works Contract.
- If the VAT is not paid on the actual value, "the person liable to pay tax on service portion involved in the execution of works contract" will calculate the same as follows:-

(i) In, works contract for original works, service tax will be payable on 40 % of total amount charged;

Original Works means all new constructions; additions



and alterations to abandoned or damaged structures on land that are required to make them workable; erection, commissioning or installation of plant, machinery or equipment or structures, whether pre-fabricated or otherwise.

(ii) In other works contracts for maintenance/repairs/ reconditioning/ restoration/servicing of any goods, service tax will be payable on 70 % of total amount charged.

(iii) In case of other works contract (like maintenance, repair, completion and finishing services such as glazing, plastering, floor and wall tiling, installation of electrical fittings of an immovable property) not covered in above two clauses, service tax will be payable on 60 % of total amount charged.

The above rate of service tax was applicable till 30.09.2014. However, wef 01.10.2014, the valuation in case of works contract would be as under –

Nature of Works Contract	Presumed Value
Original Works	40% of the Total Amount
Other Works Contract	70% of the Total Amount

For the purpose of valuation -

Total amount = Gross amount charged for works contract + fair market value of goods and services supplied free of cost under same/any other contract – Amount charged for such goods and services –VAT/Sales tax

Under works contract, the option of paying service tax on the basis of a fixed percentage is only available if the VAT has not been paid on the material on actual basis. If this condition is satisfied only then, the assesse can pay the service tax on a fixed percentage over the total amount charged. The manner of arriving at the 'total amount charged' is explained with the help of the following pertaining to works contract for execution of 'original works'.

S.N.	Particulars	Amount (Rs)
1	Gross amount received excluding taxes	95,00,000
2	Fair market value of goods supplied by the service receiver excluding taxes	10,00,000
3	Amount charged by service receiver for above supply	5,00,000
4	Total amount charged (1=2-3)	1,00,00,000
5	Value of service portion (40% of 4 for original works)	40,00,000

Reverse charge mechanism extended to works contract - Along with changes in the spirit of works contract, the reverse charge method has also been extended to the works contract service. It provides for payment of service tax partially by service provider and partially by service receiver when the recipient is the body corporate. This can be further explained as under –

Status of Service Provider	% of Service Tax payable by Service Provider	% of Service Tax payable by Service Receiver
Individual, HUF, partnership firm or Association of persons	50%	50%
Body Corporate	100%	Nil
Govt Authorities	Nil	100%

The wide definition of works contract alongwith the reverse charge provision and multiple valuation rules is expected to have widespread implication in practical life as large numbers of transactions are in the nature of works contract. Service receiver has to be cautious to make sure that no transaction of works contract is escaped from payment of service tax under reverse charge and also to ensure that the correct rate applicable to the transaction is discharged. Further the following points must also be noted –

- If pure labour services are provided, then the same won't be covered under this category ;
- If only material is provided, then again it would not be covered under this category as not being a service contract.
- If separate divisible contracts are issued for supply of material and supply of services, the same is not a works contract and again it won't be covered under the said category. However, supply of services may fall within the ambit of service tax depending upon the nature of services.
- In many cases, consumables are used alongwith labour by the Service Provider. The doubt is raised whether such contracts would get covered under the Works Contract Service. The test here would be as to ascertain whether any property in goods is transferred in such cases. If the answer is affirmative, the contract would be the one for Works Contract Service. For example, if the consumables like fuel, cleaning materials, oil and grease etc are used for the purpose of cleaning of equipments, it would be simply a service contract and

not the works contract. Due care must be exercised to ascertain the nature of goods to ascertain as to whether the same is getting transferred to the Service Receiver as property or the same is in the nature of consumable and gets consumed in providing the service without transfer of the same to the Service Receiver.

- Service receiver has the option to choose the valuation method as per choice irrespective of the valuation method adopted by the service provider.
- Adoption of valuation on fixed percentage basis (i.e. 40% or 70%) is to be resorted only when the actual value of transfer of property in goods alongwith the Sales Tax thereon is not ascertainable. In case of valuation on fixed percentage basis, due care needs to be taken for including the fair market value of goods and services supplied free of cost under the same/any other contract. In other words, if actual transfer of property in goods is ascertainable and Sales Tax is clearly shown in the invoice by the Service Provider, then fair market value of goods and services supplied free of cost under the same/any other contract is not includible in the gross value of the contract.

Negative List of Services

There have always been disputes about taxability of a particular activity and also its classification under a particular service tax head. In order to mitigate the administrative difficulty in defining a service, the concept based on negative list of services has been floated in the year 2012. The shift from positive list to negative list approach has simplified and resolved the issues relating to whether any particular service is liable to be taxed or not. Accordingly, Service Tax will be leviable on all services provided in the taxable territory by a person to another for a consideration other than the services specified in the Negative List. The services specified in the Negative List therefore go out of the ambit of chargeability of service tax. The services that have been specified in the Negative List are as under –

a) Services by Government or a local authority excluding certain services to the extent not covered elsewhere. These are as follows :

(i) Services by the department of post, by way of speed post, express parcel post, life insurance and agency services provided to a person other than Government,

(ii) Services in relation to a vessel or an aircraft inside or outside the precincts of a port or an airport,

(iii) Transportation of goods or passengers,

(iv) Support services other than those covered above to the business entities.

b) Services by Reserve Bank of India;

c) Services by foreign diplomatic mission located in India;

d) Certain services in relation to agriculture or agriculture produce by way of,

- agricultural operations directly related to production of any agricultural produce including cultivation, harvesting, threshing, plant protection or testing;
- supply of farm labour;
- processes carried out at an agricultural farm including tending, pruning, cutting, harvesting, drying, cleaning, trimming, sun drying, fumigating, curing, sorting, grading, cooling or bulk packaging and such like operations which do not alter the essential characteristics of agricultural produce but make it only marketable for the primary market;
- renting or leasing of agro machinery or vacant land with or without a structure incidental to its use;
- loading, unloading, packing, storage or warehousing of agricultural produce;
- agricultural extension services;
- services by any Agricultural Produce Marketing Committee or Board or services provided by a commission agent for sale or purchase of agricultural produce;

e) Trading of goods;

f) Any process amounting to manufacture or production of goods;

g) Selling of space for advertisements in print media;

h) Services by way of access to a road or a bridge on payment of toll charges;

i) Betting, gambling or lottery;

j) Admission to entertainment event or access to amusement facilities;

k) Transmission or distribution of electricity by an electricity transmission or distribution utility;

l) Services by way of;

- Pre-school education and education up to higher secondary school or equivalent;
- Education as a part of a curriculum for obtaining a qualification recognised by any law for the time being in force;
- Education as a part of an approved vocational education course.

m) Services by way of renting of residential dwelling unit for use as residence;

n) Services by way of –

(i) extending deposits, loans or advances for interest or discount;

(ii) Inter se, sale or purchase of foreign currency amongst banks or authorised dealers;
o) Services of transportation of passengers with or without accompanying belongings by,
- a stage carriage;
- railways in a class other than first class; or an air-conditioned coach;
- metro, monorail or tramway;
- inland waterways;
- public transport, other than predominantly for tourism purpose, in a vessel between places located in India; and
- metered cabs or auto rickshaws;

p) Services by way of transportation of goods by road except the services of a goods transportation agency or a courier agency or by an aircraft or a vessel from a place outside India to the customs station of clearance in India or by inland waterways;
q) Funeral, burial, crematorium or mortuary services including transportation of the deceased.

General Exemptions

There is paradigm shift in the levy of service tax from 01st July 2012 wherein negative list based levy is introduced in place of selective levy. Service Tax is now chargeable on all activities defined in the law except the activities given in the negative list and the activities given in exemption list. The purpose behind giving a separate exemption list over and above the negative list is that the exemptions can be amended or deleted by issue of Notifications whereas amendment to the negative list requires parliamentary approval. Exemptions from payment of service tax have been provided. In addition to Negative List, there is a huge list of services which have been exempted as Mega Exemption. These are as under -
1. Services provided to the United Nations or a specified international organization;
2. Health care services by a clinical establishment, an authorized medical practitioner or para-medics;
3. Services provided by cord blood banks by way of preservation of stem cells or any other service in relation to such preservation;
4. Services provided by operators of the Common Bio-medical waste treatment facility to a clinical establishment by way of treatment or disposal of bio-medical waste or the processes incidental thereto;
5. Services by a veterinary clinic in relation to health care of animals or birds;
6. Services by an entity registered under section 12AA of the Income tax Act, 1961 (43 of 1961) by way of charitable activities;
7. Services by a person by way of-
(a) renting of precincts of a religious place meant for general public; or
(b) conduct of any religious ceremony;
8. Services by a specified organisation in respect of a religious pilgrimage facilitated by the Ministry of External Affairs of the Government of India, under bilateral arrangement;
9. Services provided by-
(a) an arbitral tribunal to -
(i) any person other than a business entity; or
(ii) a business entity with a turnover up to rupees ten lakh in the preceding financial year;
(b) an individual as an advocate or a partnership firm of advocates by way of legal services to -
i) an advocate or partnership firm of advocates providing legal services ;
(ii) any person other than a business entity; or
(iii) a business entity with a turnover up to rupees ten lakh in the preceding financial year; or
(c) a person represented on an arbitral tribunal to an arbitral tribunal;
10. Services by way of training or coaching in recreational activities relating to arts, culture or sports;
11. Services provided –
(a) by an educational institution to its students, faculty and staff;
(b) to an educational institution, by way of –
(i) transportation of students, faculty and staff;
(ii) catering including any mid-day meals scheme sponsored by the Government;
(iii) security or cleaning or house-keeping services performed in such educational institution;
(iv) services realting to admission to or conduct of examination by such institution;
12. Any services provided by –
(i) the National Skill Development Corporation set up by the Government of India;
(ii) a Sector Skill Council approved by the National Skill Development Corporation;
(iii) an assessment agency approved by the Sector Skill Council or the National Skill Development Corporation;
(iv) a training partner approved by the National Skill Development Corporation or the Sector Skill Council in relation to (a) the National Skill Development Programme implemented by the National Skill Development Corporation; or (b) a vocational skill development

course under the National Skill Certification and Monetary Reward Scheme; or (c) any other Scheme implemented by the National Skill Development Corporation.
13. Services provided to a recognised sports body by-
(a) an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organized by a recognized sports body;
(b) another recognised sports body;
14. Services by way of sponsorship of sporting events organised,-
(a) by a national sports federation, or its affiliated federations, where the participating teams or individuals represent any district, state, zone or country;
(b) by Association of Indian Universities, Inter-University Sports Board, School Games Federation of India, All India Sports Council for the Deaf, Paralympic Committee of India or Special Olympics Bharat;
(c) by Central Civil Services Cultural and Sports Board;
(d) as part of national games, by Indian Olympic Association; or
(e) under Panchayat Yuva Kreeda Aur Khel Abhiyaan (PYKKA) Scheme;
15. Services provided to the Government, a local authority or a governmental authority by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of -
(a) a civil structure or any other original works meant predominantly for use other than for commerce, industry, or any other business or profession;
(b) a historical monument, archaeological site or remains of national importance, archaeological excavation, or antiquity specified under the Ancient Monuments and Archaeological Sites and Remains Act, 1958 (24 of 1958);
(c) a structure meant predominantly for use as (i) an educational, (ii) a clinical, or (iii) an art or cultural establishment;
(d) canal, dam or other irrigation works;
(e) pipeline, conduit or plant for (i) water supply (ii) water treatment, or (iii) sewerage treatment or disposal; or
(f) a residential complex predominantly meant for self-use or the use of their employees or other persons specified in the Explanation 1 to clause 44 of section 65 B of the said Act;
16. Services provided by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of,-
(a) a road, bridge, tunnel, or terminal for road transportation for use by general public;
(b) a civil structure or any other original works pertaining to a scheme under Jawaharlal Nehru National Urban Renewal Mission or Rajiv Awaas Yojana;
(c) a building owned by an entity registered under section 12 AA of the Income tax Act, 1961(43 of 1961) and meant predominantly for religious use by general public;
(d) a pollution control or effluent treatment plant, except located as a part of a factory; or a structure meant for funeral, burial or cremation of deceased;
17. Services by way of construction, erection, commissioning, or installation of original works pertaining to,-
(a) an airport, port or railways, including monorail or metro;
(b) a single residential unit otherwise than as a part of a residential complex;
(c) low-cost houses up to a carpet area of 60 square metres per house in a housing project approved by competent authority empowered under the 'Scheme of Affordable Housing in Partnership' framed by the Ministry of Housing and Urban Poverty Alleviation, Government of India;
(d) post-harvest storage infrastructure for agricultural produce including a cold storages for such purposes; or
(e) mechanised food grain handling system, machinery or equipment for units processing agricultural produce as food stuff excluding alcoholic beverages;
18. Services provided by way of Temporary transfer or permitting the use or enjoyment of a copyright –
(a) covered under clauses (a) of sub-section (1) of section 13 of the Indian Copyright Act, 1957 (14 of 1957), relating to original literary, dramatic, musical, artistic works; or
(b) of cinematograph films for exhibition in a cinema hall or cinema theatre;
19. Services by a performing artist in folk or classical art forms of (i) music, or (ii) dance, or (iii) theatre, excluding services provided by such artist as a brand ambassador;
20. Services by way of collecting or providing news by an independent journalist, Press Trust of India or United News of India;
21. Services by a hotel, inn, guest house, club or campsite, by whatever named called, for residential or lodging purposes, having declared tariff of a unit of accommodation below rupees one thousand per day or equivalent;
22. Services provided in relation to serving of food or beverages by a restaurant, eating joint or a mess, other than those having the facility of air-conditioning or central air-heating in any part of the establishment, at any time during the year;
23. Services provided in relation to serving of food or beverages by a canteen maintained in a factory covered

under the Factories Act 1948 (63 of 1948), having the facility of air-conditioning or central air-heating at any time during the year.
24. Services by way of transportation by rail or a vessel from one place in India to another of the following goods –
(a) relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap;
(b) defence or military equipment;
(c) newspaper or magazines registered with the Registrar of Newspapers;
(d) railway equipments or materials;
(e) agricultural produce;
(f) foodstuff including flours, tea, coffee, jaggery, sugar, milk products, salt and edible oil, excluding alcoholic beverages; or
(g) chemical fertilizer, organic manure and oilcakes;
(h) cotton, ginned or baled.
25. Services provided by a goods transport agency by way of transport in a goods carriage of –
(a) agricultural produce;
(b) goods where gross amount charged for the transportation of goods on a consignment transported in a single goods carriage does not exceed one thousand five hundred rupees;
(c) goods, where gross amount charged for transportation of all such goods for a single consignee does not exceed rupees seven hundred fifty;
(d) foodstuff including flours, tea, coffee, jaggery, sugar, milk products, salt and edible oil excluding alcoholic beverages;
(e) newspaper or magazines registered with the Registrar of Newspapers;
(f) relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap; or
(g) defence of military equipments;
(h) cotton, ginned or baled.
26. Services by way of giving on hire –
(a) to a state transport undertaking, a motor vehicle meant to carry more than twelve passengers; or
(b) to a goods transport agency, a means of transportation of goods;
27. Transport of passengers, with or without accompanied belongings, by –
(a) air, embarking from or terminating in an airport located in the state of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, or Tripura or at Bagdogra located in West Bengal;
(b) non-airconditioned contract carriage other than radio taxi, for transportation of passengers, excluding tourism, conducted tour, charter or hire; or
(c) ropeway, cable car or aerial tramway;
28. Services provided to Government, a local authority or a governmental authority by way of –
(a) water supply, public health, sanitation conservancy, solid waste management or slum improvement and upgradation; or
(b) repair or maintenance of a vessel;
29. Services of general insurance business provided under following schemes –
(a) Hut Insurance Scheme;
(b) Cattle Insurance under Swarnajaynti Gram Swarozgar Yojna (earlier known as Integrated Rural Development Programme);
(c) Scheme for Insurance of Tribals;
(d) Janata Personal Accident Policy and Gramin Accident Policy;
(e) Group Personal Accident Policy for Self-Employed Women;
(f) Agricultural Pumpset and Failed Well Insurance;
(g) premia collected on export credit insurance;
(h) Weather Based Crop Insurance Scheme or the Modified National Agricultural Insurance Scheme, approved by the Government of India and implemented by the Ministry of Agriculture;
(i) Jan Arogya Bima Policy;
(j) National Agricultural Insurance Scheme (Rashtriya Krishi Bima Yojana);
(k) Pilot Scheme on Seed Crop Insurance;
(l) Central Sector Scheme on Cattle Insurance;
(m) Universal Health Insurance Scheme;
(n) Rashtriya Swasthya Bima Yojana; or
(o) Coconut Palm Insurance Scheme;
30. Services of life insurance business provided under following schemes –
(a) Janashree Bima Yojana (JBY);
(b) Aam Aadmi Bima Yojana (AABY);
(c) Life micro insurance product as approved by the Insurance Regulatory and Development Authority, having maximum amount of cover of fifty thousand rupees;
31. Services provided by an incubatee up to a total turnover of fifty lakh rupees in a financial year subject to the following conditions, namely:-
(a) the total turnover had not exceeded fifty lakh rupees during the preceding financial year; and
(b) a period of three years has not been elapsed from the date of entering into an agreement as an incubatee;
32. Service by an unincorporated body or a non- prof-

it entity registered under any law for the time being in force, to its own members by way of reimbursement of charges or share of contribution –
(a) as a trade union;
(b) for the provision of carrying out any activity which is exempt from the levy of service tax; or
(c) up to an amount of five thousand rupees per month per member for sourcing of goods or services from a third person for the common use of its members in a housing society or a residential complex;
33. Services by the following persons in respective capacities –
(a) sub-broker or an authorised person to a stock broker;
(b) authorised person to a member of a commodity exchange;
(c) mutual fund agent to a mutual fund or asset management company;
(d) distributor to a mutual fund or asset management company;
(e) selling or marketing agent of lottery tickets to a distributer or a selling agent;
(f) selling agent or a distributer of SIM cards or recharge coupon vouchers;
(g) business facilitator or a business correspondent to a banking company or an insurance company, in a rural area; or
(h) sub-contractor providing services by way of works contract to another contractor providing works contract services which are exempt;
34. Carrying out an intermediate production process as job work in relation to –
(a) agriculture, printing or textile processing;
(b) cut and polished diamonds and gemstones; or plain and studded jewellery of gold and other precious metals, falling under Chapter 71 of the Central Excise Tariff Act ,1985 (5 of 1986);
(c) any goods on which appropriate duty is payable by the principal manufacturer; or
(d) processes of electroplating, zinc plating, anodizing, heat treatment, powder coating, painting including spray painting or auto black, during the course of manufacture of parts of cycles or sewing machines upto an aggregate value of taxable service of the specified processes of one hundred and fifty lakh rupees in a financial year subject to the condition that such aggregate value had not exceeded one hundred and fifty lakh rupees during the preceding financial year;
35. Services by an organiser to any person in respect of a business exhibition held outside India;
36. Services by way of making telephone calls from –
(a) departmentally run public telephone;
(b) guaranteed public telephone operating only for local calls; or
(c) free telephone at airport and hospital where no bills are being issued;
37. Services by way of slaughtering of animals;
38. Services received from a provider of service located in a non-taxable territory by –
(a) 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;
(b) an entity registered under section 12AA of the Income tax Act, 1961 (43 of 1961) for the purposes of providing charitable activities; or
(c) a person located in a non-taxable territory;
39. Services of public libraries by way of lending of books, publications or any other knowledge- enhancing content or material;
40. Services by Employees' State Insurance Corporation to persons governed under the Employees' Insurance Act, 1948 (34 of 1948);
41. Services by way of transfer of a going concern, as a whole or an independent part thereof;
42. Services by way of public conveniences such as provision of facilities of bathroom, washrooms, lavatories, urinal or toilets;
43. Services by a governmental authority by way of any activity in relation to any function entrusted to a municipality under article 243 W of the Constitution.
44. Services by way of loading, unloading, packing, storage or warehousing of rice, cotton, ginned or baled;
45. Services received by the Reserve Bank of India, from outside India in relation to management of foreign exchange reserves;
46. Services provided by a tour operator to a foreign tourist in relation to a tour conducted wholly outside India.

CENVAT Credit

Cenvat Credit refers to the concept of allowing credit of duty paid on inputs and capital goods and service tax paid on input services used for the manufacture of final products and providing output services. In other words, we may deduct the duty on inputs, capital goods and service tax on goods and services received from others against the duty of excise and service tax payable on our output and output services. Some of the relevant provisions are as under –

- Credit of duty can be utilized for payment of duty leviable on the final products.
- For a person to claim Cenvat Credit, he has to be either a manufacturer of excisable goods or a provider of taxable services.
- Cenvat Credit is available on service tax on input services which are used by a manufacturer for manufacture of final products and also includes services used in relation to modernization, renovation or repairs of a factory or an office relating to such factory, advertisement or sales promotion, market research, storage upto the place of removal, procurement of inputs, accounting, auditing, financing, recruitment and quality control, coaching and training, computer networking, credit rating, share registry, security, business exhibition, legal services, inward transportation of inputs or capital goods and outward transportation upto the place of

Sl. No.	Description of taxable service	% Abatement	% Taxable	Conditions
(1)	(2)	(3)	(4)	(5)
1	Services in relation to financial leasing including hire purchase.	90	10	Nil.
2	Transport of goods or passengers by rail	70	30	Nil.
3	Bundled services by way of supply of food or any other article of human consumption or any drink, in a premises (including hotel, convention center, club, pandal, shamiana or any other place, specially arranged for organizing a function) together with renting of such premises	30	70	CENVAT credit on any goods used for providing the taxable service has not been taken.
4	Transport of passengers by air	60	40	CENVAT credit on inputs and capital goods, used for providing the taxable service, has not been taken.
5	Renting of hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes.	40	60	Same as above.
6	Services of goods transport agency in relation to transportation of goods by Road.	75	25	CENVAT credit on inputs, capital goods and input services, used for providing the taxable service, has not been taken.
7	Services provided in relation to chit Fund.	30	70	Same as above.
8	Renting of motor cab	60	40	CENVAT credit on inputs and capital goods used, for providing the taxable services, has not been taken.
9	Transport of passengers by a contract carriage other than motorcab.	60	40	CENVAT credit on inputs, capital goods and input services, used for providing the taxable service, has not been taken.
10	Transport of goods in a vessel.	50	50	Same as above.
11	Services by a tour operator in relation to,- (i) a package tour	75	25	(i) CENVAT credit on inputs, capital goods and input services, used for providing the taxable service, has not been taken. (ii) The bill issued for this purpose indicates that it is inclusive of charges for such a tour.

	(ii) a tour, if the tour operator is providing services solely of arranging or booking accommodation for any person in relation to a tour	90	10	(i) CENVAT credit on inputs, capital goods and input services, used for providing the taxable service, has not been. (ii) The invoice, bill or challan issued indicates that it is towards the charges for such accommodation. (iii) This exemption shall not apply in such cases where the invoice, bill or challan issued by the tour operator, in relation to a tour, only includes the service charges for arranging or booking accommodation for any person and does not include the cost of such accommodation.
	(iii) any services other than specified at (i) and (ii) above.	60	40	(i) CENVAT credit on inputs, capital goods and input services, used for providing the taxable service, has not been taken. (ii)The bill issued indicates that the amount charged in the bill is the gross amount charged for such a tour.
12.	Construction of a complex, building, civil structure or a part thereof, intended for a sale to a buyer, wholly or partly except where entire consideration is received after issuance of completion certificate by the competent authority – (c) For a residential unit satisfying both the following conditions – (i) The carpet area of the unit is less than 2000 sq. feet and (j) The amount charged for unit is less than Rs. One Crore. (d) For other than (a) above	75 70	25 30	(i) CENVAT credit on inputs used for providing the taxable service has not been taken. (ii)The value of land is included in the amount charged from the service receiver. Same as (i) & (ii) above

"The art of taxation consists in so plucking the goose as to obtain the largest amount of feathers with the least amount of hissing." (Jean-Baptiste Colbert)

removal.

- Cenvat Credit is not available on service portion of construction or execution of works contract of a building or a civil structure or part thereof or laying of foundation or making structures for support of capital goods.
- Cenvat Credit is also not available on services provided by way of renting of a motor vehicle.
- Similarly, Cenvat credit is also not available on services in relation to outdoor catering, health services, membership of a club, travel benefits extended to employees.
- Cenvat Credit is to be availed within six months from the date of invoice in case of inputs and input services. The said restriction does not apply to Cenvat credit claimed in respect of capital goods. Accordingly, we need to be very careful at the time of availing Cenvat credit to ensure that Cenvat credit on inputs and input services does not lapse owing to the fact that the date of invoice is more than six month old on the date of availment of Cenvat credit.
- Generally, Cenvat credit is not available in respect of goods and services received and utilized in respect of different areas in Township, Medical Departments and other welfare kind of activities as it may not have linkages with the manufacture of final products.

Abatement in Service Tax

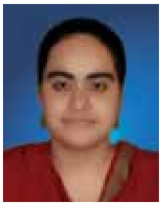
Dictionary meaning of the word 'Abatement' is 'reduction', 'decrease', 'discount' or 'rebate'. With reference to Service Tax, this term is used for amount liable to be reduced from the value of taxable service. Abatement gives an option to the assesse to pay taxes on the net amount after deducting the abatement percentage (i.e. part of tax is exempted). Generally it is assumed that if abatement is availed then the service provider cannot claim Cenvat credit, but this is not always correct. Thus one has to check all the conditions placed against the abatement rules. Following taxable services are eligible for abatement from the gross amount in the table on previous page. MA

bnagrawal@sail-bhilaisteel.com

MOVING TOWARDS GOODS AND SERVICE TAX IMPACT AND IMPLICATIONS

The article covers broadly the impact of implementation of GST in India. The study also analyses the various tax regimes presently prevalent in India that result in distortions in the international competitiveness of the various GDP contributing sectors The idea behind the study is to analyze the different tax regimes presently prevalent in India thus creating distortions in the international competitiveness of the different GDP contributing sectors.

CMA Rakesh Bhalla
General Manager
Finance- SML Isuzu Ltd, Punjab
Former Chairman
NIRC-ICAI



Rubneet Kaur
Junior Manager-Finance
SML Isuzu Ltd, Punjab

Goods and Service Tax-A dual tax system proposed in the report submitted by the Joint Working Group of the Empowered Committee of the State Finance Ministers in November 2007, was to be implemented in April 2010,one for the Centre and other for the states replacing the state VAT and Cenvat. However the decision on the time of its implementation is still pending.

GST is a value added tax to be levied on both goods and services, except the exempted goods and services. The tax will be levied on the value of the product or service sold. The taxes levied at the multiple stages such as CENVAT, Central sales tax, State Sales Tax, Octroi etc will be replaced by GST to be introduced at Central and State level.

> As the new Govt is already in place, a definite road map for flawless implementation ogf GST can be expected. It can be said that a faded dream of having single market nation can now be expected to turn into a reality.

Present taxation structure prevailing in India	
Event	**Tax levied**
When goods are imported	Basic Custom duty
When goods are manufactured	Excise Duty
When services are provided	Service tax
When goods are sold in the other state	Central Sales Tax
When goods are sold within the state	State level VAT

Limitations if Existing Tax Structure-

- Cascading effect of taxes not eliminated completely (CST, additional customs duty, surcharges, luxury tax, entertainment tax, etc. etc.,)
- Tax on Tax - CENVAT loaded on the goods remains included in the value of goods to be taxed under State VAT.
- Cross utilization of input tax i.e. CENVAT (Excise & Service Tax) and (VAT etc.) set-off out of reach.
- Value-added chain in the distribution trade

below the manufacturing not captured fully.
- Multiplicity of taxes
- Selective taxation of services; only "service" need to be taxed
- High cost of compliance and difficult to administer.
- Lack of IT infrastructure

Why GST- How GST will be better than existing tax structure

The single comprehensive tax is expected to give following advantages over and above the existing tax structure-
- Dual model GST under federal structure i.e. CGST & SGST,
- Elimination of cascading effects of the taxes,
- CGST & SGST to be charged on same price,
- Set-off relief fully captured,
- Destination based tax structure,
- Free movement of goods & service through out the country,
- Applicable to all transactions of Goods & Services with some exceptions,
- Input tax credit (ITC) for the CGST/SGST and could be utilized for payment of CGST/SGST, but cross utilization not allowed, except IGST
- Inter State GST (IGST) –new model for Interstate transactions
- Refund for unutilized ITC will be discouraged
- Threshold limits will be on higher side
- Common Returns formats for CGST & SGST
- No exemption/Remission of Tax to Industry
- State will be empowered to Tax Services
- It will also improve the International cost competitiveness of native Goods and Services.

Progress of GST in India

Year	Event
2000	Vajpayee Government started discussion on GST by setting up an empowered committee
2002-04	Kelkar Task Force Report recommended unification of all State & Centre Taxes,
April 2007	CST phase out started
May 2007	Joint working committee formed by SC
Nov 2007	Joint working committee submitted report
Feb 2008	FM announced introduction of GST from 01/04/10
April 2008	Empowered committee finalized views over GST
July 2009	FM announced commitment to introduce GST from 01/04/10
Nov 2009	First discussion paper released by EC
Dec 2009	Task force constituted by FC released its report
Feb 2010	GST to be introduced in April 2011- mentioned in the speech of then FM Mr. Pranab Mukherjee
March 2011	The Constitution 115th amendment bill introduced in Lok sabha for levy of GST on all goods or services except for the specified goods.
March 2012	drafting of model legislation for Centre and State GST in concert with States under progress
2013	Four Committees have been constituted by the Empowered Committee of State Finance Ministers (EC) to deal with the various aspects of work relating to the introduction of GST
Till date	Govt hopes to approve the legislative scheme which enables the introduction of GST.

Pending – To be done

The dream can be turned into reality once the Parliament approval is there and the harmonization of the conflicts and apprehensions of the state can be made.

(Although as per the statement given by Mr. Arun Jaitley on 9th Nov 2014, Govt is on final stages in consultation with

GOODS AND SERVICE TAX

CENTRAL LEVEL

It may subsume-
- **Central Excise Duty**
- **Additional Excise Duty**
- **Service Tax**
- **Counterveiling Duty**
- **Additional Duty of Customs**
- **Surcharge**
- **Education cess/ SHEC**

On the basis of the recommendations of Task Force Committee & Empowered committee

STATE LEVEL

It may subsume-
- **VAT/ Sales tax**
- **Purchase Tax**
- **Entertainment Tax**
- **Luxury Tax**
- **State surcharge & cesses**

different states for implementing GST)

The basic principal for subsuming of taxes in GST is provided as follows:

a. Those taxes which commences with import / manufacture /production of goods or provision of services at one end and the consumption of goods and services at other end.

b. The taxes, levies and fees which are not related to supply of goods & services should not be subsumed under GST

Levy of Tax under GST framework (@ 10%)

Suppose a manufacturer purchases a X commodity for Rs. 200 and adds a value of Rs. 80 into it thus creating the X of Rs. 280.

GST paid by manufacturer will be- Rs. 8 i.e.(Tax on output- Rs. 28 minus Tax paid on input –Rs. 20)

Now the second party in the chain, the wholesaler will get this X for Rs. 280 and supposing the value addition by him is Rs. 60.

GST paid by wholesaler will be- Rs. 6 i.e.(Tax on output- Rs. 34 minus Tax paid on input –Rs. 28)

The retailer buys the X for Rs. 340 and added a value of Rs. 100 to it.

GST paid by retailer will be- Rs. 10 i.e.(Tax on output- Rs. 44 minus Tax paid on input –Rs. 34)

Total GST paid-Rs. 24

Introduction of GST- resulting into

Simpler and Broader Taxation system

With the replacement of the multiple taxation system, the whole structure will definitely get simpler and easy to be operationalized. the accounting will be comparatively simpler and the ultimate result will be saving in time and money both.

Removal of Cascading Effects

The different state and central level taxes will be removed and one uniform tax GST will be introduced.

Increased Compliance consequential to reduction in transaction costs

Better degree of compliance can be expected and achieved from the simple taxation structure and thus creating a compliant taxation system

Higher Tax Revenues in state and centre

As per the recent report of CRISIL , GST is the country's best bet to achieve the fiscal consolidation. The increase in GDP is directly link with the corresponding reduction in the fiscal deficit of eth country and as per the experts, the implementation of the GST will consequently raise the GDP by at least 1-2%.

Reduction in the tax outflows in the hands of the consumers

This commonly leviable tax on goods and services will offset the taxes levied at the multiple stages and finally resulting into lowering the taxation burden of the final consumer.

Increase in the consumption pattern of the consumers.

Lower tax rates will boost the purchasing power of the consumer. the consequential effect of the same will be increase in the consumption pattern and the manufacturers will again be benefitted.

Enhancement in the Competitiveness of exports

The already prevailing lower tax structures in eth foreign market have always badly affected the domestic exporters while fixing their prices. but with the implementation of GST the lower priced domestic market will gain a competitive edge over the other markets thus increasing the exports of the country and creating a niche in the foreign market.

> Exports will be zero-rated and imports will be levid the same taxes as domestic goods and services adhearing to the destination principle.

GST- a cushion for Make in India movement

After the grand launch of Make in India campaign by Prime Minister Narendra Modi, where the global firms were spurred to manufacture their products in the country' s domestic market, the introduction of GST has been considered as the most critical reform for boosting the manufacturing sector in India by none other than, the World Bank. The main factor considered while opining the above statement was that the implementation will gradually remove the cascading effect creating a better place for investing and free from the threats of multiple taxation.

According to the estimates, halving the delays due to road blocks, tolls and other stoppages could cut freight times by 20-30% and logistics costs by an even higher 30-40%."This alone can go a long way in boosting the competitiveness of India's key manufacturing sectors by 3 to 4% of net sales, thereby helping India return to a high growth path and enabling large-scale job creation….as per India Development update by World Bank.

Flawless GST- How?

However it would be unrealistic to expect a flawless GST. In fact such a GST structure does not exist in any country where both the centre and states are empowered to levy the tax(Bird and Gendron 2010). Every country has to adopt the structure it can administer, it is neither a Gorilla, nor a chimpanzee, but a genius like a primate(Rao 2010).

- The base should be extended to all goods and services including immovable property, Banking Services, goods & passengers;
- There should be a single low rate;
- The tax should be destination based;
- The tax should be designed on invoice-credit method;
- Full and immediate input tax credit in respect of capital goods;
- The GST must replace all transaction based taxes on goods and services and factors of production;
- There should be seamless flow of the tax through all stages of production and distribution so as to stick on "final" consumption;
- The exports should be zero rated and imports should be fully taxed;
- There should be a threshold exemption for small dealers;
- Full computerization of the compliance and administrative systems

IT WOULD BE UNREALISTIC TO EXPECT A FLAWLESS GST. IN FACT SUCH A GST STRUCTURE DOES NOT EXIST IN ANY COUNTRY WHERE BOTH THE CENTRE AND STATES ARE EMPOWERED TO LEVY THE TAX. EVERY COUNTRY HAS TO ADOPT THE STRUCTURE IT CAN ADMINISTER, IT IS NEITHER A GORILLA, NOR A CHIMPANZEE, BUT A GENIUS LIKE A PRIMATE

Challenges ahead

Majority of the parties and state governments is the biggest challenge in front of the present Govt for implementing the GST as the proposed legislation needs to be passed by a two-third's majority in both houses of parliament and ratified by more than half of the state assemblies.

- The differences in the structure of the economy and sales tax revenue
- Central Government's refusal to compensate the states for the loss of revenue arising from reduction in the rate of CST.
- Reluctancy of states to bring certain taxes(such as tax on motor spirit and high speed diesel oil etc) under the ambit of GST.
- Revenue neutral rates of GST at central and state level both.
- Consensus on the exemption list of goods and services considering revenue neutrality and consumer benefit as well.
- Treatment of taxes on services with inter state coverage(such as services related to transportation of passengers or goods in railways or telecom etc)
- Harmonisation of administrative processes with uniform systems, forms and procedures.

However we should not forget that India has always proved her as a golden region for investments and with economic reforms gaining momentum, prospects for growth and sustainable development in the long term remains bright. For fulfilling the agenda set for reforms, India needs to continue making progress on its domestic front and subsequently encourage investments.

(The figures/ data presented in the article have been taken from the information available on the respective websites of the bodies, the statements given have been produced as given in the press.) MA

nancybhalla@yahoo.com
rubneet@gmail.com

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DIRECT TAXES

Case Laws

- **No TDS liability of bank under sec. 194A on interest accrued on FD made by litigant on directions of Court -** Where litigant deposited FD with the bank on directions of Court, he ceased to have any control or proprietary right over those funds. Although FD was drawn in the name of the Registrar General, he was neither the recipient of the amount credited to that account nor the recipient of interest accruing thereon. There was no assessee to whom interest income from the FD could be ascribed, thus, bank was not liable to deduct tax under section 194A on interest accrued on such FD - *UCO Bank* v. *Union of India* [2014] 51 taxmann.com 253 (Delhi)

- **Consent fee paid to SEBI without admitting alleged violation by broker couldn't be held as penalty; deduction allowed -** Where SEBI accepted consent application (settlement application) without admitting or denying guilt by assessee-stock-broker, resultant consent fee paid to SEBI could not be equated with a "penalty". The fee was paid for purpose of business to settle a dispute with SEBI and to be able to conduct business without interruption. Thus, consent fee was allowable as business expenditure under section 37 – *ITO* v. *Reliance Share & Stock Brokers (P.) Ltd.* [2014] 51 taxmann.com 215 (Mumbai - Trib.)

- **ITAT allows benefit of second proviso to sec. 40(*a*)(*ia*) in case of payment to NR; Non-discrimination clause invoked -** Rigour of disallowance of payment under section 40(*a*)(*ia*) is relaxed in case of payment to a resident if recipient pays taxes on such sum and files return of income. It would be contrary to scheme of DTAA and discriminatory if similar relaxation is not allowed under section 40(*a*)(*i*) in case of payment to non-resident without withholding of taxes, if such non-resident pays taxes on such sum and files return of income - *Mitsubishi Corporation India (P.) Ltd.* v. *Dy. CIT* [2014] 50 taxmann.com 379 (Delhi - Trib.)

- **AO can't disregard ITAT's stay order to collect pending tax on basis of consent letter from assessee -** If Tribunal grants stay of recovery of demand, the Assessing Officer cannot collect the pending amount from assessee even after obtaining a consent letter from him - *Johnson & Johnson Ltd.* v. *ACIT* [2014] 51 taxmann.com 1 (Mumbai - Trib.)

Statutes

- **Cap on investment in FD raised to Rs. 1,50,000 to keep it in sync with revised limit of sec. 80C -** The Central Government has amended the Bank Term Deposit Scheme, 2006 to raise the maximum limit of investment in fixed deposit for purposes of deduction under section 80C from Rs. 1,00,000 to Rs. 1,50,000 - Notification No. 63/2014, F. No.142/09/2014-TPL

- **Principal CITs/CITs get power to grant sec. 10(23C) approval; CITs get more time for deciding on sec. 80G approvals -** The CBDT has amended the income-tax Rules. The key changes are as follows:

  (*a*) Under the existing Rule 2C of the Income-tax Rules, the CBDT had prescribed the Chief Commissioner or Director General as the authority, to whom the application was to be furnished under sub-clauses (*iv*) and (*v*) of clause (*23C*) of section 10 by a fund, trust or institution. Now the CBDT has provided that on or after the specified date the Principal Commissioner or the Commissioner shall be the authority, to whom the application has to be furnished under sub-clauses (*iv*) and (*v*) of clause (*23C*) of section 10 by a fund, trust or an institution.

  (*b*) Under the existing Rule 11AA of income-tax Rules, the time-limit within which the Commissioner was required to pass an order, either granting the approval or rejecting the application under section 80G(5)(*vi*) could not exceed six months from the date on which application was made. Now the CBDT has given more time to the Commissioner to pass such order. The time-period within which he is required to pass such order shall not exceed six months from the end of the month in which application has been made - Notification No. 61/2014 [F.No.142/5/2014-TPL]/SO 2874(E), Dated 10-11-2014

SERVICE TAX

Case Laws

- **Distributors buying and selling lottery tickets on principal-to-principal basis aren't liable to ST -** Sale and purchase (including 'on sale or return') of lottery tickets, which are actionable claims does not amount to service, if distributor was not acting as agent of Government and therefore, said activity was not liable to service tax - *Tashi De Lek Gaming Solutions (P.) Ltd.* v. *UOI* [2014] 51 taxmann.com 9 (SIKKIM)

- **Tax paid on or after 1-3-2013 eligible for VCES benefit; circular taking contrary view was held invalid -** As per section 105(1)(e) of Finance Act, 2013 'tax dues' means service tax : (a) for period between 1-10-2007 to 31-12-2012 and (b) not paid before 1-3-2013; hence, tax paid on or after 1-3-2013 would be eligible for VCES even if paid before 10-5-2013; circular dated 8-8-2013 (point 8) taking contrary view was held invalid - *Sadguru Construction Co.* v. *UOI* [2014] 51 taxmann.com 3 (Gujarat)

- **Refund claims can't be denied without granting personal hearing to assessee -** Refund claims cannot be rejected/denied or an adverse order in that matter cannot be passed without first giving a personal hearing to assessee; hence, order denying personal hearing on pretext of delay was quashed - *General Mills India (P.) Ltd.* v. *UOI* [2014] 50 taxmann.com 380 (Bombay)

- **Presence of price variation clause doesn't make assessment 'provisional' -** Where assessee : (*a*) was clearing cylinders under price variation clause, (*b*) had not opted for provisional assessment and (*c*) was paying differential duty on supplementary invoices, said self-assessment by assessee was not provisional but final assessment - *CCE* v. *Sri Balaji Cylinders (P.) Ltd.* [2014] 50 taxmann.com 388 (Madras)

- **Customs section 149 does not permit change in export promotion scheme -** Sec. 149 of Customs Act applies only to simple amendment in shipping bills; it does not permit conversion of shipping bills from one export promotion Scheme to another - *CC* v. *Suzlon Energy Ltd.* [2014] 50 taxmann.com 401 (Madras)

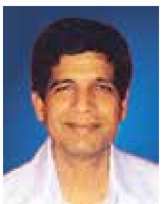
- **Works contract composition scheme – No VAT on pure labour contracts even under composition scheme -** Where a works contractor was engaged in 'pure labour contract' as well as 'composite contracts' and had choosen to pay tax at compounded rate, there was no obligation to pay compounded tax for 'pure labour work' - *Geogy George* v. *State of Kerala* [2014] 50 taxmann.com 391 (Kerala)

Statutes

- **Pre-deposit mandatory under new law; clarifies CESTAT -** Pre-deposit under amended section 35F is mandatory and admits of no exception. Hence, appeals without any pre-deposit are directed to be listed before senior member for disposal - CESTAT Circular [F.NO.15/CESTAT/GENERAL/2013-14]

COMPARATIVE ANALYSIS OF LIFE CYCLE COST OF THERMAL AND SOLAR POWER PLANT IN INDIA

The study found that the life cycle cost (LCC) of a typical solar power project is 61% less compared to a thermal power project. The use and application of LCC could help governments take effective decisions on sustainable energy systems


Ajit Kumar
ED (Commercial),
NTPC Delhi

Dr Kamal Vagrecha
Assistant Professor,
IGNOU, New Delhi

Dr A.P. Dash
Sr Faculty, Power Management
Institute, NTPC, Noida

Life Cycle Costing(LCC) - An Introduction

Due to lifecycle stages, often the real costs of the project or equipment is not reflected in traditional approaches. The payback method generally focuses on how quickly the initial investment can be recovered, and as such not a measure of long term economic performance or profitability. The payback method ignores all costs and savings occurring after the payback threshold is reached. It also does not differentiate between project alternatives having different lives thus ignoring the time value of money when comparing the future stream of savings against the initial investment cost.

Life-cycle cost analysis (LCCA) is a method for assessing the total cost of system/facility or equipment ownership. It takes into account all costs of acquiring, operating, maintaining and disposing of a system (Barringer, 2003; Fuller, 2008; Hunkeler et al., 2008). Often the purchase price or initial cost does not reflect the real cost, either to the decision maker or cost bearer. This is due to the life-cycle stages, up and downstream from purchasing to production, contributing to the cost of ownership (Hunkeler et al., 2008).

Introduction: Indian Power Sector

In India, the energy has become as a "strategic commodity' and any uncertainty about its supply can threaten the functioning of the economy. Achieving energy security in this strategic sense is of fundamental importance not

only to India's economic growth but also for the human development objectives that aim at alleviation of poverty, unemployment and a reasonable standard of living. Holistic planning for achieving these objectives requires not only availability of adequate energy that is able to address the issues related to energy demand, energy poverty and environmental effects of energy growth but also a clear picture to take decision on investments in various forms of energy resources.

Country like India has a mix of all the resources available from conventional sources of fossil fuels, hydro energy and also from the renewable resources. The present availability of energy is dominated by thermal power & availability of coal is likely to continue in foreseeable future in the energy mix. At present India's coal dependence is borne out from the fact that 59.5 % of the total installed electricity generation capacity is coal based and around 80% of the capacity planned to be added during the 12th Five year Plan period 2012-17 is thermal power based. Furthermore, over 65 % of the electricity generated is from coal based thermal power utilities. The sources of renewables such as wind and solar represent approximately 12.70 % share of the Indian fuel mix. Nuclear holds around 1.9% share. (Energy Statistics Reports, 2013 & Five Year Plan Document, Planning Commission, Govt. of India)

While, on capacity expansion requirements, it is felt that large power capacity requirement translates into an overall estimated capacity of 778 GW for 8% GDP growth and 960 GW for 9% growth by 2032. Thus the massive investments are envisaged in the power sector (about Rs. 15 lakh crore in the Twelfth Plan). As per the Planning Commission, the twelfth plan capacity addition target has been set at about 88,500 MW. The LCC analysis allows a utility to examine projected life cycle costs for comparing competing capital and O&M project solutions and allows for appropriate comparison of alternatives of different capital values, and lengths of time. Given the condition of the utility's assets, the amount of capital available from the budget, and historical evidence, the project manager must decide which project alternatives will have least life cycle costs over the life cycle of the projects. (Central Electricity Authority, (2013))

Benefits available from LCC

LCC is an economic model over the project life span & is an important economic analysis used in the selection of alternatives considering both present and future costs and then minimising it.

The information generated by a life-cycle cost analysis can assist managers at various stages in the life of an asset or a project, which may include planning and analysis of alternative solutions, selection of preferred options, securing funding, and review of predicted and actual outcomes. Based on results, significant changes can be made for least life cycle cost. At later stages of the project where significant costs are sunk and locked in, there is little scope to do amendments. To achieve the maximum benefit available during initial stage of the project it is important to explore:

a. a range of alternative solutions

b. the cost drivers for each alternative

c. the time period for which the asset will be available for use

d. the maintenance and/or operating arrangements and costs and

e. quantification of future cash flows.

This paper has been divided in to six parts. First (1) section describes the introductory part. Second (2) section describes the literature review of the technique, research gaps and objectives of the paper. Section three (3) describes the detailed research methodology indicating the selection of data and the scope of the paper. Section four (4) highlights the possibility of application of LCC in Indian power and energy sector. Fifth section (5) summarizes the concluding remarks, and last section, i.e sixth (6), ends up with the limitation, and future scope of LCC in the sector.

Literature Review, Gap & Objectives

The life cycle costing (LCC) technique has been widely used since long back in the history. The term LCC and its application are found mainly in the United States and developed countries. The literature and international studies show that its applications and modeling are of greater importance in the energy sector worldwide. It is also seen that because of the understanding of the technique and the dependency of the accuracy of the data, the previous studies have tried to emphasis on assessment of LCC in the various energy options including the renewables. While there has been a considerable research on LCC approaches, bulk of literature on LCC is largely conceptual in nature. There is less data available on LCC approaches and applications which are being used in the power sector. Instead, the focus is on potential benefits of LCC and technical aspects. While doing preliminary research on the subject, some of the literature documents in different aspects of its applications have been listed in the following paragraphs. The review of previous literature involved study and applications of the technique that includes many research areas which includes, procurement (Ryan, W. J. 1968), appraisal of models (Marks et al.1978), estimation of proposals and contracts (Schmidt, B. A. 1979), designing cars with alternative fuels for engines (Joan M. Ogden et al. 2002), electric power generation (Roth, et al. 2004), evaluating the brick deck (G.A. Koeleianet al. 2005), asset management (Priscilla Bloomfield 2006), distributed power (Mathew S. Orosz & Amy Mueller 2007), Green House Gasses estimations (C. Richard Donnelly et al. 2010), sustainability assessment (Erwin M. Schauet al. 2011), design of commercial buildings (M.L. Marceau and L. Bushi 2012) and the comparative analysis of energy cost of energy technologies (Michael Dale 2013).

The next section discusses the research gaps, data sources, and methodological framework.

Gaps in the literature

Based on extensive review, following gaps have been identified.

a) First issue is related to the financial returns. After the long continuing debate on global warming worldwide, there is consensus among project developers to consider the socio-economic costs also in the investments. It is seen that traditional pay back method completely ignores this critical aspect. Such gains need to be demonstrated for wider acceptability of LCC method over the pay back method.

b) Second issue is related to repair and maintenance (R&M) cost incurred during the project life. In the traditional pay back method, the focus is on the time period when the entire costs are recovered i.e. the pay back threshold. However, for assets like generation assets, efficiency is often enhanced to design value during the lifetime by undertaking regular repair and maintenance (R&M) of the assets. Such costs are very important but generally ignored. Hence, there is need to introduce LCC methodology in valuing different power-generating alternatives like thermal, hydro, Solar & Other renewable resources.

c) No study on analyzing the investment options among various energy resources including the power sector of the country has been carried out.

Objective of the paper

The objective of this paper is to compare the LCC of a thermal and grid connected solar power project. For this purpose, present value of different cost component of the project comprising cost of plant and equipments including environment cost, running costs like operation and maintenance (O&M) cost, renovation and modernization (R&M), & inbuilt variables like interest on loan, interest on working capital, etc are also considered which are significant contributors to the project cost.

The nature and source of data for analysis

It is always found that the outcome and assessment from the results depends on accuracy of the data. The methodology and technique itself is critical but depends on the availability and quality of the appropriate data. It is therefore essential to discuss about the nature, sources, adequacy, and limitations of the data that one may encounter in empirical analysis. This paper considers the data of a national power utility. The calculations have been done to assess its life cycle cost based on parameters fixed by the Central Electricity Regulatory Commission (CERC) and tariff regime fixed by Ministry of Power, Govt. of India. On the other hand, for making comparative scenarios between the investment options for energy from thermal and solar power plant, grid connected 5 MW solar plant has also been studied which is operated by the same power utility. All the data has been taken from utility detailed project report & feasibility report.

Methodology

LCC as a technique is used to calculate costs of all plants & equipments and its operation etc over life cycle especially for large investments to support decision-makers in procurement and investments with a rigorous focus on future costs. In this methodology, future costs, such as operation and maintenance costs associated with an item have also to be discounted to their present values before adding them to the item's acquisition or procurement cost. Over the years, many formulee have been developed in the area of economics for converting money from one point of time to another. Such formulee are considered indispensable in LCC. This section presents various aspects of economics considered useful in performing LCC studies. The power sector in India is currently in the developing stage, and supports the growth of various sectors, such as infrastructure, manufacturing, commercial enterprises and railways. Therefore, it is a key enabler for India's economic growth, and has historically shown higher growth trends as compared to the economy. For the sake of better investment decisions, the cost components of a typical thermal power plant situated in the northern part of the country is taken for estimating its total LCC value. The different cost component like capacity charges, variable charges and significant cost of operations and maintenance has been calculated at the present value over the regulatory –life of the plant (Sum of NPV of all components of a project life cycle give the total value of LCC). *(Sources: Roth, Ian F., Ambs, Lawrence L. (2004); "Incorporating Externalities into a Full Cost Approach to Electric Power Generation Life-Cycle Costing", Energy Volume 29, pp 201- 214)*

The general LCC formula may be modeled according to the different issues and priority of the models in considerations. Depending upon the cost components in the thermal power and solar power project the following formula has been considered and accordingly the financial model has been developed to estimate the LCC values.

Life Cycle Cost = Initial investment cost (including the environmental protection measures cost) + Present values of Running cost (Life-time operating & maintenance costs + Repair and Modernization Cost + Salvage value)

Present Value = Future Value/ (1+r) ^n

Where,

FV is the amount to be spent or received at a point in the future,

(n) is the number of intervals between the present and the future transaction

(r) is the discount rate applicable for the chosen intervals.

Life cycle costing of a thermal & solar plant

LCC of a typical thermal and solar power plant have been estimated based on the project details and assumption made on the following parameters.

(A) Project details

a) Project Timing (Gestation Period)
b) Project Size (No. of Units & MW/ Unit= Installed Capacity)
c) Project Cost (Cost per MW, Escalation Cost, Life of the Project –As per Central Electricity Regulatory Commission)
d) Operation Parameters (Availability, Plant Load Factor, Station Heat Rate, Calorific Value of coal, Blending of Coal (domestic & imported), O&M Cost etc.)
e) Taxes & Depreciation (as per CERC & as per Income Tax Act)
f) Debt & Equity
g) Coal Cost Calculations (Blending of Coal)

- (Average of zero to 30% of import coal & 70-100% of domestic coal)
- CV of Blended Coal

h) Energy Generation (MW to MU) & Projection over life time
i) Project Life (25 years)

(B) Costing & Cost Projection

j) Revenue generation
k) Cost components – Capacity Charges & Energy Charges
l) Capacity Charges based on its sub-components i.e

- ROE (Return on Equity)
- Depreciation
- Interest on loan
- Interest on Working Capital (Receivables calculations)
- O&M cost
- Secondary fuel oil cost

m) Cost of Primary Fuel (Energy Charges)
n) Discounting factor
{13%, & it depends on
i) WACC= f(cost of equity, cost of debt),
ii) Cost of equity formula = Rf, Rm & Beta,
iii) Cost of debt =f (interest rate & tax rate)}
o) Revenue Projection (Tariff calculation- fixed & variable)

The LCC of a thermal power plant managed by the utility has been estimated as in the table (1). The table highlights the two major components initial and running cost. The initial cost includes the details of investments done on plant & equipments & the environment pro-

Table (1): LCC components of a Thermal Power Project (1000 MW)

Sr. No.	Cost Components	Amount (in INR Cr)	Cost Per MW (in INR Cr)
I	Initial Cost	4,269.76	4.27
(i)	Project Capital Cost	3,693.64	3.69
(ii)	Environmental Protection Cost (EPC)	576.12	0.58
II	Running Costs	9,948.59	9.95
(i)	O&M Cost	690.81	0.69
(ii)	Coal Cost	7,670.37	7.67
(iii)	Oil Cost	82.09	0.08
(iv)	Interest on Term Loan	939.08	0.94
(v)	Interest on WC Loan	482.94	0.48
(vi)	R&M Cost	135.83	0.08
(vii)	PV of Salvage Value	15.14	0.02
	Total LCC (INR Rs Cr)	14,255	14.25

Table (2): Assumption taken for calculating the LCC in table (1)

Assumptions (%)	
Output	**Growth Rate (YoY)**
Station Heat Rate	0.00%
O&M Escalation	5.72%
Import Coal Cost Escalation	5.00%
Domestic Coal Cost Escalation	6.62%

Table (3): LCC components of a Solar PV Power Project (on 1000MW base)

LCC Cost Components	Amount (in INR Cr.)
Initial Project Capital Cost	6,120.00
Running Costs	2,586.19
O&M Cost	680.04
Interest on Term Loan	1,740.11
Interest on WC Loan	166.04
PV of Salvage Value	38.29
Total LCC (INR Rs. Cr.)	8,667.89

Table (4): Assumption taken for calculating the LCC in table (3)

Assumptions (%)	
Return on Equity	20%
Return on Equity after 20 years	24%
Depreciation rate	5.78%
Cost of capital for depreciation	90%
Interest on working capital	13.2%
O&M Cost	11.63%

tections measures. Running cost includes the cost components as per CERC allowed Regulations for tariff on normative parameters, the R& M investment over the useful life of the project. Table (2) lay downs the basic assumptions taken while calculating running cost of the project. *(Sources: Central Electricity Regulatory Commission (2013); "Approach Paper for Terms and Conditions of Tariff)*

Concluding Remarks

The results show the cost comparison of thermal & solar plant based on LCC. It is found that LCC of a typical solar power project managed by same utility is 61% less as compared to thermal power project. Using and application of LCC could increase propagation of knowledge for taking effective decision towards sustainable energy systems and help enable governments to enact long-term energy policies. The importance and benefits of such methodology in using sustainable energy systems are clear but creating a policy framework to achieve these goals remains a challenge. These challenges may include the complex tariff structure and cost components and lack of knowledge to handle the new technologies. The limitation of the paper is that the accuracy of LCC analysis diminishes as it penetrates into the future and is time consuming. However, for projecting and comparing the nearest LCC values, one can have the simulation-based approach, but again LCC is a complex concept for power plant applications and has to be applied carefully & diligently. (Sources: Michael Dale (2013); "A Comparative Analysis of Energy Costs of Photovoltaic, Solar Thermal, and Wind Electricity Generation Technologies", Applied Sciences, Volume, 3, pp. 325-337.), *(Sources: Pelzeter. A. (2007); "Building Optimization with Life Cycle Costs- the influence of Calculations Methods", Journal of Facilities Management, Volume 5, pp 115- 128)*

In the case of power from Solar plant, sometimes the direct normal irradiance in the prominent states has been questioned which is dominating factor for estimating the generation cost from the module. Many governments view the energy industry as a key player in managing the technological and behavioral change needed to realize sustainable energy systems. By providing information about evolving energy options, the cost of energy, the benefits of new technologies, and the need to foster energy efficiency, the clear cut investment approach in alternative energy resources can support this transformation. *(Sources: Renewable Global Status Report (2013); Renewable Energy Network, France)*

Lastly, this paper may be useful for development of guidelines for the detailed & comparative study. These guidelines define LCCA, explain their relevance to the utilities, projects, and advise utilities/ project teams on their implementation to adopt least energy cost and further this may provide techni-cal inputs for preparing LCCA studies in India.

Limitation and Future Scope of Work

Due to no clear demonstrations of the subject, developers are not able to use LCC to make more sustainable and strategically advantageous decisions. The analysis highlights that the decision makers are carried away by immediate gains and if more practical and mathematical findings on benefits (including the risk analysis) of LCC are established, they will be able to make more informed and financially viable investment decisions. It is also felt that, the importance and benefits of such methodology in using sustainable energy systems are clear but creating a policy framework to achieve those goals remains a challenge. Few software such as @Risk (Palissde), Solver (Excel), Model Risk, SIM Tool, etc can be used for LCC analysis with risk factors. But understating the concept of LCC and reliability of the data questions the output from these kinds of modeling and simulating work. Thus, future course of research work, the economic evaluations of the risk factors, could be incorporated in the assessment of LCC to have clear cut demarcations on least cost investments and to identify sources as optimal use of energy. *(Sources: Soni V., Singh S.P., Banwet, D.K. (2014); "Life Cycle Costing Analysis of Energy Options: In Search of Better Decision towards Sustainability in Indian Power & Energy Sector", Global Journal of Management and Business Research, Volume 14 Issue 1.)*

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THIS PAPER MAY BE USEFUL FOR THE DEVELOPMENT OF GUIDELINES FOR A DETAILED AND COMPARATIVE STUDY. THESE GUIDELINES DEFINE LCCA, EXPLAIN THEIR RELEVANCE TO THE UTILITIES, PROJECTS, AND ADVISE UTILITIES/PROJECT TEAMS ON THEIR IMPLEMENTATION TO ADOPT LEAST ENERGY COST AND FURTHER THIS MAY PROVIDE TECHNICAL INPUTS FOR PREPARING LCCA STUDIES

dr.apdash@gmail.com

IFRS – 15: REVENUE FROM CONTRACTS WITH CUSTOMERS

A NEW PARADIGM IN REVENUE RECOGNITION

Implementing IFRS 15 needs a change in the accounting system followed and needs a restatement of all open contracts

CMA K. Ch. A. V. S. N. Murthy
Former Chairman
SIRC, Hyderabad

The need for a new standard

Recent advancements in technology have posed challenges in recognizing revenues as was the case previously. Cloud Computing (also called SaaS – Software as a Service), newer telecom policies and offerings, new business models in construction and real estate etc. have all compelled the world for a revision of the existing accounting practices, policies and standards. The revenue recognition requirements in International Financial Reporting Standards (IFRS) differed from those of US Generally Accepted Accounting Principles (US GAAP) which resulted in different accounting, and there by differences in margins, profits, financial ratios and taxation aspectsof entities computed under both methods with similar business transactions.

The accounting standards IAS 18 (Revenue) and IAS 11(Construction Contracts) offered only a limited guidance and could not be applied for complex transactions. The US GAAP offered broader revenue recognition concepts for industries and transactions in particular and is conflicting to an extent. The emerging concept "Multiple-Element Arrangement" was not fully covered by these accounting standards. Most of today's transactions are bundled i.e., involve the performance obligation of delivery of goods and services over a period of time and involve multiple elements. The points – 'How companies record revenue from customer contracts that are delivered over time?', 'How is the allocation of consideration done in a multi-element customer contract done?' have seen answers with sufficient guidance only after the emergence of IFRS-15 in May 2014. The International Accounting Standards

Board (IASB) and Financial Accounting Standards Board (FASB) have together issued the new standard that puts a halt to several accounting inconsistencies in place so far.

IFRS 15 will replace the following standards and interpretations:

- IAS 18 Revenue,
- IAS 11 Construction Contracts
- SIC 31 Revenue – Barter Transaction Involving Advertising Services
- IFRIC 13 Customer Loyalty Programs
- IFRIC 15 Agreements for the Construction of Real Estate and
- IFRIC 18 Transfer of Assets from Customers

IFRS 15 also offers guidance for issues like contract modifications, service revenue, multiple-element arrangements, non-cash and variable consideration, rights of return and other customer options, seller repurchase options and agreements, warranties, principal Vs agent, licensing intellectual property, breakage, non-refundable upfront fee, consignment and bill-and-hold arrangements. This standard is effective from 1st January, 2017. However, an early application is also encouraged.

Indian GAAP does not give any specific guidance in respect of multiple-element arrangements. However, the practice of the same in India is similar to that of IFRS.

Five-step Model Framework

To comply with IFRS 15, the below steps are to be followed.

Step-1: Identify the contract with a customer

- IFRS 15 defines a contract as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Under IFRS 15, approval may be evidenced in writing, orally or in accordance with other customary business practices.

Step-2: Identify the performance obligations

- A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- The cornerstone of IFRS 15 is the fact that revenue is recognized upon satisfaction of distinct performance obligations rather than the contract as a whole.
- Unlike US GAAP, the presence or absence of VSOE (vendor-specific objective evidence) of fair value will not impact the deliverables.

Step-3: Determine the performance obligations

- The transaction price is the amount of consideration (for example, payment) to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Under IAS 18, the focus is on the measuring the fair value of the consideration to be received, while under IFRS 15 the objective is to recognize revenue equal to the price the customer would have paid had he paid in cash.

Step-4: Allocate the transaction price to the performance obligations

- For a contract that has more than one performance obligation, an entity should allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for satisfying each performance obligation.
- When an entity determines that a contract has more than one performance obligation, it is required to allocate the transaction price to each performance obligation based on the relative stand-alone prices.
- For cloud service entities analogizing with US GAAP in this area, the hierarchy of VSOE of fair value, third party selling price (third party evidence –TPE) and management's best estimate of selling price no longer exists.

Step-5: Recognize revenue when the performance obligations are satisfied.

Implications of Implementing

The experts opine that the biggest impact of IFRS 15 will be felt by software development, telecom and real estate and industries with long term contracts. We will see how the new standard impact the revenues of telecom and software firms in the next section.

Telecom Service – an example

After enough background of the new standard, let us take an example of telecom prepayment plan to understand this better.

I enter into a 12 month telecom plan with my operator, say Airtel. The terms of the plan are

- Fixed fee of Rs. 100 per month and
- I will be given a handset at the beginning of the contract.

Airtelsells the same handset for Rs. 300 and the same prepayment plan without handset for Rs. 140.

The revenue recognition as per IAS 18 and IFRS 15 is as under.

Parameter	IAS-18	IFRS-15
Revenue from sale of handset	Rs. 0 (as it is given free; this is treated as customer acquisition cost and debited to P&L account)	Rs. 182 (workings given below)
Revenue from monthly plan	Rs. 100 a month	Rs. 1018 (workings given below)

Workings for IFRS-15 based revenue recognition	
Step-1: Identify the contract	12-month plan
Step-2: Identify all performance obligations	1. Deliver Handset 2. Deliver network services for 12 months
Step 3: Determine Transaction price	= Rs. 100 * 12 = 1200
Step-4: Allocate transaction price	Revenue for hand set = Rs. 182 Revenue for service = Rs. 1018
Step-5: Recognize revenue when Airtel satisfies performance obligations	1. Recognize Rs 182 when handset is given 2. Recognize network charges of Rs. 1018 in 12 months (monthly bill charges)

Performance obligation	Stand-alone selling price	% on Total	Revenue (=relative selling price *% calculated)
Handset	300.00	15.2%	182.00
Network services	1680.00 (=140*12)	84.8%	1018.00
Total	**1980.00**	**100.0%**	**1200.00**

SaaS Arrangement

What elements a SaaS arrangement has:

Cloud computing is a growing sector in the technology industry that offers customers online access to a multitude of Web-based hardware and software solutions. Vendors offering these services have several challenges in developing an appropriate revenue recognition model. Typically all SaaS arrangements provide hosted access to software applications with a subscription fee, a non-refundable up-front fee and additional implementation, training, and consulting services are provided to customers in bundled arrangements.Many SaaS arrangements also involve set-up or "activation" fees, which typically are charged in addition to the subscription fee for the related hosting service. Activation fees generally do not involve the provision of a service other than simply "activating," or permitting a customer to access the hosted software application.

Identify the deliverables

The first step in accounting for a multiple-element SaaS arrangement is to identify the deliverables, as discussed above, in the arrangement and check which of the elements qualifies as a separate unit of accounting.But, the term 'deliverable' is not defined; SaaS vendors may need to exercise judgment in identifying elements of a multiple-element arrangement that represent deliverables.Determining whether a deliverable has stand-alone value is a critical component in this regard. If a vendor does not sell a particular element or service separately, then comes the need to check if other vendors do so.Factors like the kind of services being sold by the other vendor, the price charged, the method of delivery, and target customers have to be considered.

Allocating Consideration to Each Deliverable

After identifying the elements involved, the consideration received is allocated to each of those units on the basis of the units' selling price or the stand-alone selling price. To determine the selling price of each unit, vendors first resort to finding out a vendor-specific objective evidence (VSOE) of fair value; it this is not available, the they prefer a third-party evidence (TPE). If both of these are not available, the best estimate of the selling price (BESP) is determined.The BESP is arrived by wither adding a margin to the estimated cost or a valuation done. Market factors also play a role while doing valuation.

IF CONTRACTS HAVE MULTIPLE ELEMENTS, IT IS NEEDED TO ESTABLISH THE STAND ALONE PRICE OF EACH OF THESE ELEMENTS INDEPENDENTLY TO DETERMINE THE REVENUE UNDER THIS STANDARD

Example

Vendor V enters into a SaaS arrangement with Customer C. Under the arrangement, V provides C with access to a hosted Debtor Management (DM) software application on a subscription basis. Customer C is charged an annual Rs. 100,000 fee for use of the DM software over a five-year period. Also, Customer C pays a one-time nonrefundable up-front fee of Rs. 50,000 for the following services:

(1) Application set-up services to be performed within the first 2 months of the arrangement. (not sold separately by any vendor)

(2) Customization services that configure certain aspects of the software to perform tasks that are necessary to meet the specific needs of Customer C. (not sold separately by any vendor)

(3) Consulting services are provided to C on the basis of the information processed through the DM application. (these services are not necessary for the operation of DM)

Question: which of these units have stand-alone value and may be treated as separate units of accounting ?

Answer: Since the services described in (1) and (2) above are not sold separately by any vendor and are always provided together with access to the hosted DM application, they would not be considered to have stand-alone value and would be combined with the hosted CRM application and treated as a single unit of accounting. The consultancy services in (3) above have standalone value since they are sold separately by other vendors too and they are not needed for C operating the DM.

Question: Vendor V determines that the BESP for the hosted DM application, set-up, and customization services together is Rs. 535,000, and TPE indicates that the stand-alone selling price of the consulting services is Rs. 25,000. How should Vendor V recognize revenue from the Rs. 500,000 (hosted DM) and the Rs. 50,000 up-front fee charged for services (1), (2), and (3)?

Unit of Accounting	Selling Price	Relative %	Allocated Amount
Hosted CRM + setup+ customization services	535,000	95.5%	525,250
Consulting services	25,000	4.4%	24,750
Total	560,000	100%	550,000

Answer: The total fixed consideration of Rs. 550,000 is allocated as follows.

In case, setup and customization activates also have a standalone value and are capable of being provided by other vendors, the revenue allocation will be as below.

Unit of Accounting	Selling Price	Relative %	Allocated Amount
Hosted CRM	500,000	89.3%	491,150
Setup services	15,000	2.7%	14,850
Customization services	20,000	3.6%	19,800
Consulting services	25,000	4.4%	24,200
Total	560,000	100%	550,000

For the hosted CRM service Rs. 491,150 should be recognized over the contract term of 5 years (i.e., Rs. 98,230 per year). Usually such revenues are recognized on a straight line basis.For setup services the Rs. 14,850 allocation should be recognized over the period in which the services are performed (i.e., 2 months).For customization services Rs. 19,800 should be recognized over the period in which the services are performed, typically before or at the time Customer C begins to use the hosted CRM service.Rs. 24,200 allocated to the consulting services should be recognized on a straight-line basis over the period in which the services are provided.

Deferred revenue — In year 1, revenue of Rs. 98,230 (Rs.491,150 ÷ 5) would be recognized in relation to the hosted DM service. In addition, since the other services are delivered within year 1, the total revenue of Rs.58,850 allocated to such services would also be recognized in full during that year. Thus, total revenue recognized in year 1 would be Rs.157,080. However, Vendor V receives only Rs.150,000 during that period. As a result, the realization of the excess Rs.7,080 (Rs. 157,080 – Rs.150,000) in revenue to be recognized in year 1 is effectively contingent on the continued delivery of the hosted DM service in the future. Accordingly, the Rs.7,080 in revenue would be deferred and recognized over the remainder of the contract as the contingency is resolved (i.e., Rs. 1,770 (Rs.7,080 ÷ 4) per year for the remaining four years). This will result in the recognition of Rs.100,000 (Rs.98,230 + Rs.1,770) in revenue for year 2 through year 5.

Classification and Presentation

It is needed that revenues be displayed separately in the income statement when certain criteria are met. In certain SaaS arrangements, however, there may be instances in which elements in an arrangement that includes both software products and services cannot be separated for revenue recognition purposes. The challenge in these situations is determining how revenues from such arrangements should be presented in the income statement.One acceptable method would be to present the revenues related to both the software products and the services on a combined basis in a separate income statement line item. Revenues from such arrangements would then be reported separately from other products and services revenues.

Impact of IFRS-15

The profit reporting patterns of companies change due to the implementation of the said standard. In the telecom example above, if IAS 18 is adopted, Airtel reports a loss at the beginning(as handset is freely given) and income starts flowing in only at the end of the month. But as per IFRS 15, income on sale of handset is Rs. 182 and the remaining starts flowing in as a network service charge for the next 12 months. Under both methods, the total collection remains the same but the revenue accounting pattern is different.

Implementing IFRS 15 needs a change in the accounting system followed and needs a restatement of all open contracts. In case the contracts have multiple elements like software upgrades, professional consultancy, employee training, warranties and other related services, it is needed to establish the stand alone price of each of these elements independently to determine the revenue under this standard.

References:

1) *http://www.ifrsbox.com/ifrs-15-vs-ias-18/*
2) *http://www.bpmcpa.com/RevRecCloud/*
3) *http://ifrs.wiley.com/standards/13359_IFRS15_Standard_Website.pdf*
4) *http://www.iasplus.com/en/standards/ifrs/ifrs15*
5) *http://www.iasplus.com/en-us/publications/us/industry-spotlight/tech/issue-5/file* MA

kandala.murthy08@gmail.com

ASSOCHAM – ICAI-CMA
2ND SMEs EXCELLENCE AWARD - 2014
19TH NOVEMBER, 2014, NEW DELHI

The Associated Chambers of Commerce and Industry of India (ASSOCHAM) in association with The Institute of Cost Accountants of India composed its second SMEs Excellence Award – 2014 on 19th November, 2014 in New Delhi.

Shri Kalraj Mishra, Hon'ble Minister for MSME, Government of India made his auspicious presence as the Chief Guest and inaugurated the summit. He also conferred the second ASSOCHAM – ICAI SMEs Excellence Award – 2014 to the winners.

CMA Dr. A.S. Durga Prasad addressed the participants and elaborated upon the theme of the Awards. Other dignitaries present at the occasion included S/s Arun Kumar Agarwal, Managing Director & CEO, SBI Global Factors Limited, Yashpal Gupta, Chief General Manager, IDBI Bank Limited, N.D. Sharma, Deputy General Manager, Canara Bank, Rajesh Bang, Senior Vice President, Resurgent India Limited, Manguirish Pai Raiker, Co-Chairman, National Council for SMEs, ASSOCHAM and U.K. Joshi, Director, ASSOCHAM. They all shared their thoughts with the participants.

Some very important presentations were made by the officials from leading companies such as IDBI Bank Limited, Canara Bank, CRISIL, Resurgent India Limited, and SBI Global Factors Limited.

The event was well appreciated among all the participants and Government circle. The event was attended by more than 250 delegates. The list of the awardees is in the table.

S. No.	Category	Winner	Runner-up
1	Innovation	Maharani Paints Private Limited, Faridabad	Spectross Digital Systems (P) Ltd., New Delhi
2	Green Business	G P Tronics Private Limited, Kolkata	Indian Products Limited, Bangaluru
3	Cost Competitiveness	Godavari Polymers Pvt. Ltd., Secunderabad	Mohani Tea Leaves Private Limited, Kanpur
4	Fair Business Practices	Kerala Dinesh Beedi Workers' Central Co-operative Society Ltd., Kannur	ServiceMax Facility Management Pvt. Ltd., Noida
5	SME of the Year	Forbes Technosys Limited, Thane	HD Fire Protect Pvt. Ltd., Thane
6	Most Promising Brand	Indian Institute of Logistics Pvt. Ltd., Chennai	Holiday Merchants, Gurgaon
7	Women Entrepreneur	VNS Accessories Private Limited, Gurgaon	Ramarson Technology Developers LLP, Trichy

The Institute of Cost Accountants of India

(Statutory Body under an Act of Parliament)

Ref. No.: DOS/09/09/2014-15 September 9, 2014

CIRCULAR

Sub: Payment of student fee through STATE BANK OF INDIA

In order to extend a wide reach to students for payment of fee through banks, Institute has entered into an agreement with State Bank of India to facilitate collection of Course fees from applicants (i.e. new entrants) to the CMA Course as well as from CMA students presently pursuing the Course.

The fees shall be either collected in Cash at all its Branches or may even be made on-line - either through Net Banking or through Debit/Credit Card of any Bank. A Guidance Manual - showing the Process flow is attached herewith for information, guide and ready reference.

All concerned are requested to make appropriate communication to attach wide publicity of the same amongst applicants/new entrants to the CMA course as well the existing students pursuing the CMA Course, who may avail this facility also. This is besides the existing partners - Punjab National Bank (PNB), Industrial Development Bank of India (IDBI) and Central Bank of India (CBI).

The following are the summary of facility /convenience charges to be collected per transaction by SBI, furnished for information: (Annexure in Page 2 provides detailed information of charges)

a) NET BANKING thru SBI	Rs. 10 + ST = **Rs. 11.24**
b) NET BANKING thru OTHER BANK	Rs. 15 + ST = **Rs. 16.85**
c) SBI ATM cum Debit Card	Rs. 10 + ST = **Rs. 11.24**
d) OTHER BANK Debit Card	Rs. 170 + ST = **Rs. 191.01**
e) Credit Card	Rs. 170 + ST = **Rs. 191.01**
f) CASH through SBI Branches	Rs. 50 + ST = **Rs. 56.00**
** ST = Service Tax @12.36%	

(Chiranjib Das)
Joint Director, Head - Academics & Tax Research Department
& In-Charge of Directorate of Studies

CMA DOSSIER

A directory of some research papers on 'Human Resource Management' that appeared in various journals/periodicals/magazines across the world is presented below for the reference of readers. The articles are available at the link provided next to them.

Name of the topic	Author	Reference with date	Link
A Study on Human Resource Accounting In Corporate Sectors	Madhumalathi R. Lina George Madhumathi T. K.	Vol 3, No 1 (2014)	http://www.pezzottaitejournals.net/index.php/IJOBMP/article/view/1095
Human Resource Accounting: An Essential Management Tool for the Service Sectors	Dr. Bhatnagar Abhinn Baxi	Asian Journal of Research in Business Economics and Management Year : 2014, Volume : 4, Issue : 11	http://www.indianjournals.com/ijor.aspx?target=ijor:ajrbem&volume=4&issue=11&article=006
Human Resource Accounting Disclosure Practices in Indian Companies	Surinder Kaur A. Venkat Raman Monica Singhania	The Journal of Business Perspective September 2014 vol. 18 no. 3 217-235	http://vis.sagepub.com/content/18/3/217.short
Human Resource Accounting: the concept and its practices in India	Dr. Nirankar Nath Pandey	JIMQUEST, Vol. 10, No. 1, Jan. - June 2014	http://jaipuria.edu.in/jim/files/2014/08/JIMQUEST_2014.pdf#page=33
Human Resource Accounting (HRA) – Meaning and Relevance	Dr. Sharma C S Lama Sameer	International Journal of Research in Social Sciences Year : 2014, Volume : 4, Issue : 2	http://www.indianjournals.com/ijor.aspx?target=ijor:ijrss&volume=4&issue=2&article=039
Human Resource Management and Accounting as Strategies for Achieving Global Competitiveness and Vision 2020 in Nigeria	Oyewo Babajide Michael, Faboyede Olusola Samuel and Fakile Adeniran Samuel	Journal of South African Business Research Vol. 2014 (2014)	http://www.ibimapublishing.com/journals/JSABR/2014/826622/826622.pdf
Impact of Human Resource Accounting on Bursary Staff Effectiveness: Implication for Measurement and Evaluation of Human Capital in Federal Universities, Nigeria	Odigwe, Franca N, Eluwa, Idowu	Vol 4, No 6 (2014)	http://www.iiste.org/Journals/index.php/PPAR/article/view/13681
A Study on Impact of Human Resource Accounting In Educational Institutions – With special Reference to Bangalore City Colleges	Merlin Ingrid, L. Augustin Amaladas	ESJ September 2014 /SPECIAL/ Edition Vol.1	http://eujournal.org/index.php/esj/article/view/4091
Measurement Models of Human Resource Accounting: With Especial Reference to Indian Companies HR Practices	Parijan Khadijeh Khodabakhshi Naderian Arash	Asian Journal of Research in Social Sciences and Humanities Year : 2014, Volume : 4, Issue : 3	http://www.indianjournals.com/ijor.aspx?target=ijor:ajrssh&volume=4&issue=3&article=010
Factors Affecting the Level of Human Resource Accounting Disclosure in the Financial Reports of Banks in Jordan	Ina'am Zwaylef	Vol 10, No 1 (2014)	https://journals.ju.edu.jo/JJBA/article/view/5836
Human Resource Accounting: a frame work for better Financial Accounting and Reporting	Dr. A. Lakshmana Rao	Journal of Business and Management Volume 16, Issue 4. Ver. II (Apr. 2014)	http://www.iosrjournals.org/iosr-jbm/papers/Vol16-issue4/Version-2/O016428690.pdf
Human Resource Accounting: A New Approach in Modern Accounting	Aliakbar Biniaz Elham Dadras Moghaddam Zahra Hosseini Zadeh Nazanin Jafarzadeh	Applied mathematics in Engineering, Management and Technology 2 (6) 2014	http://amiemt.megig.ir/test/vol2-6/8.pdf

Name of the topic	Author	Reference with date	Link
Human Resource Accounting and Decision Making in Post-Industrial Economy	Enyi Patrick Enyi Adebawojo Oladipupo Akindehinde	American International Journal of Contemporary Research Vol. 4 No. 2; February 2014	http://www.aijcrnet.com/journals/Vol_4_No_2_February_2014/15.pdf
Human Resources Accounting: Accounting for the most important resource of the enterprise	Nour elhouda HADDAD	International Journal of Arts and Commerce Vol. 3 No. 8 October, 2014	http://www.ijac.org.uk/images/frontImages/gallery/Vol._3_No._8/1.pdf
Metode Valuasi Human Capital Dalam Konsep Human Resource Accounting (HRA) Dan Pengungkapannya	Fardiantye bella cendika Tjiptohadi sawarjuwono	SNA 17 Mataram, Lombok Universitas Mataram 24-27 Sept 2014	http://multiparadigma.lecture.ub.ac.id/files/2014/09/057.pdf
Human Resource Accounting	Masoud Ghorban Hosseini	Journal of Business and Management (IOSRJBM) Volume 2, Issue 5 (July-Aug. 2012)	http://www.iosrjournals.org/iosr-jbm/papers/vol2-issue5/B0250610.pdf
Firms Financial Performance and Human Resource Accounting Disclosure in Nigeria	Leyira Christian Micah Clifford O. Ofurum John U. Ihendinihu	International Journal of Business and Management; Vol. 7, No. 14; 2012	http://www.ccsenet.org/journal/index.php/ijbm/article/viewFile/16212/12458
Determining The Contribution Of Human Resource Accounting (HRA) On Financial Statement Of Nigerian Banks Using The Mantel Test Analysis	Ijeoma, N., Bilesanmi, A. O., Aronu, C. O.	International Journal of Scientific & Technology Research Volume 2, Issue 10, October 2013	http://www.ijstr.org/final-print/oct2013/Determining-The-Contribution-Of-Human-Resource-Accounting-Hra-On-Financial-Statement-Of-Nigerian-Banks-Using-The-Mantel-Test-Analysis.pdf
Human Resource Accounting and Its Effect on Organizational Growth : (A Case Study of Steel Authority of India Ltd.)	Dr. Ankita Chaturvedi	International Indexed & Refereed Research Journal, April- May (Combind),2013 VOL-IV * ISSUE 43-44	http://www.ssmrae.com/admin/images/0d1772893b085dd6e1efcd-9f17da0a0e.pdf
A Study on Human Resource Accounting Methods and Practices In India	Dasari. Pandurangarao Dr.S. Chand Basha Devarapalli. Rajasekhar	International Journal of Social Science & Interdisciplinary Research IJSSIR, Vol. 2 (4), APRIL (2013)	http://www.indianresearchjournals.com/pdf/ijssir/2013/april/11.pdf
A Study of Horticulture Sector of North East Region with special reference to Assam	Mudoi Diganta Kr.	Asian Journal of Research in Business Economics and Management Year : 2014, Volume : 4, Issue : 8	http://www.indianjournals.com/ijor.aspx?target=ijor:ajrbem&volume=4&issue=8&article=016
An analytical study of human Resource accounting Practices –An Indian Experience	Mamta Ratti	Integral Review - A Journal of Management Volume 5, No. 2, Dec.-2012	https://www.integraluniversity.ac.in/12052010/IRJM_Paper4_dec2012.pdf
Human Resource Accounting: Recognition and Disclosure of Accounting Methods & Techniques	Dr. Md. Amirul Islam, Md. Kamruzzaman, Md. Redwanuzzaman	Vol 13, No 3-D (2013): Global Journal of Management and Business	http://www.journalofbusiness.org/index.php/GJMBR/article/view/985
Human Resource Accounting in India: an overview	Brajesh Kumar Tiwari	International Journal of Management Prudence Vol 4, No 2 (2012)	http://www.i-scholar.in/index.php/ijmp/article/view/38793
Prevailing Practices of Human Resource Accounting: A Case Study of IT Industries of India	Sandeep Ojha	Journal of Business and Economics, December 2013, Volume 4, No. 12	http://m.academicstar.us/UploadFile/Picture/2014-3/201431912359492.pdf
Challenges of human resource accounting (HRA) in India-An exploratory study	Dr. Sarkar Durlav	EXCEL International Journal of Multidisciplinary Management Studies Year : 2012, Volume : 2, Issue : 9	http://www.indianjournals.com/ijor.aspx?target=ijor:xijmms&volume=2&issue=9&article=014

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)

EXAMINATION TIME TABLE & PROGRAMME – DECEMBER 2014

	PROGRAMME FOR SYLLABUS 2008		PROGRAMME FOR SYLLABUS 2012	
Day, Date & Time	**Intermediate – 2008** 9.30 A.M. to 12.30 P.M.	**Final – 2008** 2.00 P.M. to 5.00 P.M.	**Intermediate – 2012** 9.30 A.M. to 12.30 P.M.	**Final – 2012** 2.00 P.M. to 5.00 P.M.
Wednesday, 10th December, 2014	-----	Capital Market Analysis & Corporate Laws	Financial Accounting	Corporate Laws and Compliance
Thursday, 11th December, 2014	Financial Accounting	Financial Management & International Finance	Laws, Ethics and Governance	Advanced Financial Management
Friday, 12th December, 2014	Commercial and Industrial Law & Auditing	Management Accounting – Strategic Management	Direct Taxation	Business Strategy & Strategic Cost Management
Saturday, 13th December, 2014	Applied Direct Taxation	Indirect & Direct – Tax Management	Cost Accounting & Financial Management	Tax Management & Practice
Sunday, 14th December, 2014	Cost & Management Accounting	Management Accounting – Enterprise Performance Management	Operation Management and Information Systems	Strategic Performance Management
Monday, 15th December, 2014	—	Advanced Financial Accounting & Reporting	Cost & Management Accountancy	Corporate Financial Reporting
Tuesday, 16th December, 2014	Operation Management and Information Systems	Cost Audit & Operational Audit	Indirect Taxation	Cost & Management Audit
Wednesday, 17th December, 2014	Applied Indirect Taxation	Business Valuation Management	Company Accounts and Audit	Financial Analysis & Business Valuation

EXAMINATION FEES

Group (s)		Final Examination	Intermediate Examination
One Group	(Inland Centres) (Overseas Centres)	₹1400/- US $ 100	₹1200/- US $ 90
Two Groups	(Inland Centres) (Overseas Centres)	₹2800/- US $ 100	₹2400/- US $ 90

1. (a) **Students can login to the website www.icmai.in and apply online through payment gateway by using Credit/Debit card.**
   (b) Application Forms for Intermediate and Final Examinations are available from Institute's Headquarters at 12, Sudder Street, Kolkata, Regional Councils and Chapters of the Institute on payment of ₹50/- per form. In case of overseas candidates, forms are available at Institute's Headquarters only on payment of US $ 10 per form.
   (c) Students can also download the Examination Form free of cost from ICAI Website at www.icmai.in.
   (d) **Students can also pay their requisite fee through payfee module of IDBI.**
   (e) Examination fees can also be paid through **Bank Demand Draft** drawn in favour of **"The Institute of Cost Accountants of India"** and payable at Kolkata.
2. **Last date for receipt of Examination Application Forms without late fees is 30th September, 2014 and with late fees of ₹300/- is 10th October,2014. In case of online Examination Application with payment gateway by using Credit/Debit Card, the late fees of ₹300/- will be waived if applied within 10th October, 2014.**
3. Students may submit their Examination Application Forms (Hard copy) along with the fees at ICAI, CMA Bhawan, 12, Sudder Street, Kolkata 700016 or Regional Offices or Chapter Offices. Any query in this regard may be addressed the Examination Directorate at 12, Sudder Street, Kolkata – 700016.
4. **Finance Act 2013, involving Assessment Year 2014-2015 will be applicable for the Subjects Applied Direct Taxation, Applied Indirect Taxation and Indirect & Direct Tax Management under Syllabus 2008 and Direct Taxation, Indirect Taxation and Tax Management & Practice under Syllabus 2012 for the purpose of December 2014 term of Examination.**
5. **The provisions of the Companies Act 2013 – on Notified Sections are applicable in December 2014 Examinations. Supplementary Study Materials for both Intermediate & Final under Syllabus 2008 and Syllabus 2012 is uploaded in the website of the Institute. Students are requested to take a note of this and visit the students portal.**
6. **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.**
7. **Examination Centres**: Adipur-Kachchh(Gujarat), Agartala, Ahmedabad, Akurdi, Allahabad, Asansol, Aurangabad, Bangalore, Baroda, Berhampur(Ganjam), Bhilai, Bhilwara, Bhopal, Bhubaneswar, Bilaspur, Bokaro, Calicut, Chandigarh, Chennai, Coimbatore, Cuttack, Dehradun, Delhi, Dhanbad, Durgapur, Ernakulam,Erode, Faridabad, Ghaziabad, Guwahati, Hardwar,Hazaribagh, Howrah, Hyderabad, Indore, Jaipur, Jabbalpur, Jalandhar, Jammu, Jamshedpur, Jodhpur, Kalyan, Kannur, Kanpur, Kolhapur, Kolkata, Kota, Kottayam, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Naihati, Nasik, Nellore, Neyveli, Noida, Panaji (Goa), Patiala, Patna, Pondicherry,Port Blair, Pune, 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.
8. **A candidate who is fulfilling all conditions specified for appearing in examination will only be allowed to appear for examination.**
9. **Probable date of publication of result : Inter & Final – 21st February 2015.**

A. Das
Director (Examination)

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(Statutory Body under an Act of Parliament)
IMPORTANT ANNOUNCEMENT

Ref. No: BOS/01-05/14-15

Dated: Kolkata, 27th May, 2014

Applicability of The Companies Act, 2013 for December 2014 CMA Examinations (Intermediate Course and Final Course)

It is hereby notified for general information that the ***Sections*** of ***The Companies Act,2013 as specified in Annexure I for Intermediate Course and Annexure II for Final Course, along with its Rules framed thereunder shall be applicable for the CMA Intermediate Course and CMA Final Course Examinations respectively for December,2014 Examination. Supplementary Study Material containing detailed on relevant sections would also be hosted in the website by 10th June,2014.***

Accordingly, there will arise corresponding change in the following papers in the Chapter/s specified hereunder :

Syllabus 2012		
Course	Paper/Subject	Chapter/s
Intermediate	Paper 5 – Financial Accounting (FAC)	5,8
	Paper 6 - Laws, Ethics & Governance (LEG)	5, 7
	Paper 12- Company Accounts & Audit (CAA)	3, 4, 7, 8,10, 15,16,17,18
Final	Paper 13 - Corporate Laws & Compliance (CLC)	1, 2,9
	Paper 18 - Corporate Financial Reporting (CFR)	1, 2, 3
	Paper 19 - Cost Audit & Management Audit (CMAD)	6,10
Syllabus 2008		
Course	Paper/Subject	Chapter/s
Intermediate	Paper 5 - Financial Accounting (FAC)	7, 8, 10
	Paper 6 – Commercial & Industrial Law & Auditing (CIA)	6, 7
Final	Paper 16 - Advanced Financial Accounting & Reporting (AFAR)	1, 2, 3
	Paper 17 - Cost Audit & Operational Audit (COA)	5

Note:

(i) The provisions of the Companies Act, 1956 which are still in force would form part of the syllabus till the time their corresponding or new provisions of the Companies Act,2013 are enforced.

(ii) If new legislations are enacted in place of the existing legislations, the syllabus would include the corresponding provisions of such new legislations with effect from a date notified by the Institute.

(iii) For reference and benefit of CMA students, the Department would release relevant material.

(iv) For applicability of Companies Act,2013 for June 2015 examinations would also be notified in due course and appropriate reading material would also be made available to students well in advance before examinations.

(v) The sections notified for December 2014 Examination were notified by MCA,GOI w.e.f.12.9.2013.

Institute reserves the right to modify applicability of sections of the Companies Act,2013. All concerned are hereby requested to note this announcement/clarification and facilitate to make a proper and wide publicity to meet the concern of stakeholders on the stated subjects.

This issues with an approval of the competent authority.

CMA Chiranjib Das
Joint Director, Head - Academics Department (Board of Studies)
Secretary to the Board of Studies Committee

theMANAGEMENT ACCOUNTANT
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Guidelines for Submitting Articles

1. Contributors are requested to send soft copies (in MS Word format) to The Editor, The Management Accountant at ***editor@icmai.in.***

2. In case of theme article, the soft copy to be mailed to the above stated mail ID latest by 1st of the preceding month in which the article is sought to be published. That is, for an article to be published in February, the same may be forwarded by 1st of January, at least.

3. The articles must be relevant to the economy, society and the nation.

4. The articles should be around 1500 to 2000 words and must be an exclusive contribution for the Journal.

5. The cover page should contain the title of the paper, author's name, designation, official address, contact phone numbers, e-mail address and an abstract of not more than 150 words.

6. References should be given at the end of the manuscript and should contain only those cited in the text of the manuscript.

7. The contribution must be original in nature and is neither published nor under consideration for publication anywhere else. A scanned copy of signed Declaration by the author is to be attached with the article. The format of the declaration is given below.

8. A scanned passport size photograph (at least, 600 dpi) of the author and in case of joint authorship of all the authors should also be mailed along with the soft copy of the article.

9. Figures and tables should be numbered consecutively and should appear near the text where they are first cited. **The figures must be in editable format.** Captions of the figures and tables are to be given at the bottom and at the top respectively. Headlines of the sections sand sub-sections should start from the left-hand margin

10. The final decision on the acceptances or otherwise of the paper rests with the competent authority / editorial board and it depends entirely on its standard and relevance. The final draft may be subjected to editorial amendment to suit the Journal's requirements.

11. If an article is not published within 4 months from the date of submission, the author(s) may withdraw the article with prior permission from the Editor **OR** keep the article with the Institute for future publication, unless it is **accepted/rejected.**

12. The copyright of the contributions published in the Journal lie with the publishers of the Journal.

Declaration

I/We affirm that the article titled '____________' is my/our original contribution and no portion of it has been copied from any other source, and it would not be sent elsewhere for publication. The views expressed in this article are not necessarily those of the Institute or the Editor of the Journal.

Date:
Place:

(Signature)
Name:
Designation:
Organization:
E-mail ID:
Contact No:

All authors are requested to keep to the word limit of 1500–2000 words for articles.

Eastern India Regional Council

Hazaribagh Chapter of Cost Accountants

On November 18, 2014 CMA Raj Kamal Prasad Singh, Chairman of the Chapter and CMA R. Shyam, Secretary of the Chapter met Shri Jayant Sinha, State Finance Minister, Govt. of India at his residence. Shri Sinha was apprised with the present activities of the chapter and its future plans to enroll fresh students and assured his full support.

South Odisha Chapter of Cost Accountants

On November 16, 2014 the Chapter conducted a student's awareness programme detailing about the ICAI course, its establishment, prospectus, fee structure etc. Shri N.C. Kar, Chairman of the chapter, Shri J. Anil Kumar, member and Shri Rajalinga Achary, Accounts officer of the Chapter deliberated in the seminar.

Rajpur Chapter of Cost Accountants

The Chapter organized a students counselling programme on November 8, 2014 at Baruipur. Shri M.M. Jana, commerce faculty of Sushil Kar college, Champahati highlighted the importance of such programmes for school leaving and college students for their guidance in present competitive market. He welcomed the chapter to hold a special counselling programme for students of his college readily accepted by the chapter. Head Masters of schools present also tried to convince the students about the effectiveness of CMA qualification as the best alternative for higher studies. CMA Manas Kumar Thakur, Central Council Member along with Regional Council Members, CMA Pallab Bhattacharya and CMA Saswata Dasgupta were present to advise the students on their educational and career prospect. They also held an interactive session well accepted by students.

Bhubaneswar Chapter of Cost Accountants

The Chapter organized one Career Awareness Programme on October 25, 2014. CMA Shyamsundar Sonthalia, past Chairman, EIRC highlighted in brief about the career prospects in Cost Accountancy profession. CMA Manas Ranjan Lenka, Chairman of the Chapter deliberated in detail about the Cost Accountancy course and career prospects through power point presentation. Prof. Nimain Charan Jena, ex-HOD commerce and Dr. Prafulla Kumar Parida, HOD commerce, SCS autonomous college encouraged and motivated the students for building a better professional career through Cost Accountancy course. Prof. Jagannath Pattnaik, Prof. Mahendra Kumar Mishra and Prof. Satya Narayan Sahoo were present and encouraged the students for a better professional career. CMA P.K. Kuanar, faculty of Bhubaneswar and ex-students of SCS autonomous college extended formal vote of thanks and advised the students to complete the CMA course and grab the opportunities.

Northern India Regional Council

Jaipur Chapter of Cost Accountants

The Chapter organised two batches of communication and soft skills training programme of 3 days each for Intermediate students during September 2014. The first batch was inaugurated by Shri Pramod Derewala, Chairman, Derewala Jewellers Industries Ltd. He addressed for getting success in life, effective communication, hard work, discipline, punctuality are very necessary and also explained the role of CMAs in the reduction of and controlling the cost. Chief Guest Shri Bachnesh Agrawal, RAS, Addl. Collector and District Magistrate emphasised on setting the goal and hard work and made continued efforts to achieve the goal. In second batch Chief Guest was Justice A.K. Singh, former High Court Judge and presently Sr. Advocate in Supreme Court. In his address he emphasized on contribution of CMAs in the development of society and world at large. The performance was judged by panel of judges, CMA Sharad Gupta, CMA Vinita Baraya, CMA Subhash Chandra Arora and CMA Swapnil Bhandari. On September 16, 2014 the chapter organised Industry Oriented Training Programme of six days for Final Course students inaugarated by Shri Shailendra Sharma, Joint Commissioner, Income Tax (Central) and emphasized to spare some time for physical exercise also regularly besides studies. The Chapter organized a seminar on Investors Awareness on September 20, 2014 inaugurated by Shri Amar Pratap Singh, Members, UPSC, and former director of CBI. He played an important role in investigation of big fraud like 2G Spectrum case etc. Shri Sandeep Jain and Shri Nitin Jain, Directors in Trade Swift Broking Pvt. Ltd. the key speakers detailed presentation on investment in Equities. They explained how to analyse and obtain maximum returns. Asstt. Registrar of Companies Shri Anil Yadav and Shri I.S. Siddique being present explained the role of Ministry of Corporate Affairs in the protection of investors' interest and various steps taken by the Govt. in this regard.

Southern India Regional Council

Trivandrum Chapter of Cost Accountants

On October 19, 2014 the Chapter conducted a Professional Development Programme held on the theme 'Indirect Taxation-Impact of Finance Act 2014'. Guest Speaker CA Sreeganesh Practicing Chartered Accountant discussed the changes inculcated by Finance Act 2014 in relevant sections of Central Excise, Service Tax, Customs and Cenvat Laws and also clarified queries raised by members and students. CMA Joseph Louis, Chairman of the chapter in his presidential address emphasized the need for updating the taxation laws for members in practice and employment and also for students appearing in examinations. CMA Isackutty M.K., PD Committee Chairman of the chapter welcomed the gathering. On November 9, 2014 the chapter conducted another Professional Development Programme on the theme 'Project Management – Challenges – Expecting and Un expected' led by Dr. Anuradha Balaram, IES, Member Secretary, Chief Economic Advisor & Director, Kerala State Planning Board, Trivandrum. Dr Anuradha elaborately discussed project identification, project implementation, risk forecasting, successful completion and commissioning of projects etc. In the presidential speech the Chairman of the chapter CMA Joseph Louis discussed about Cost Effective Project Management which is an area where CMAs can play an active role.

Cochin Chapter of Cost Accountants

During the month of October 2014, the chapter celebrated 'All Kerala CMA Students' Fest – 2014', where CMA H. Padmanabhan, Chairman, SIRC inaugurated the occasion by lighting of the lamp. Shri Jiljo Jose, Chairman, Students' Committee, Ms. Leemol, Vice Chairperson, Students' Committee, CMA Padmanabhan C.S., Chairman of the Chapter, CMA Ch. Venkateswarlu, Vice Chairman, SIRC, Chennai, CMA Santhosh Kumar V., Past Chairman of the Chapter, CMA K. Sanyasi Rao, Treasurer, SIRC and CMA Sunil Chacko, Past Chairman, SIRC were among the other members present in the occasion.

Coimbatore Chapter of Cost Accountants

Tamilnadu Students State Level Convention 'COSMA fest 2014' had been organized by CMA students of the Chapter on behalf of SIRC. The program was very successful and appreciable and it enhanced the Brand Image of the Institute in two major Industrial Associations viz. The Southern India Engineering Manufacturing Association- Engineering and The Southern India Mills Association – Textiles. A MoU with Cheran Foundation Trust, Coimbatore operating Satellite Centre for Foundation Course at their Educational Institutions

was signed by the chapter on September 5, 2014. The chapter organized a PD programme on 'Board Management under Companies Act 2013' on 30 September, 2014. The speaker CS Madhusudhanan C.V gave a vivid lecture on the said topic. The Chapter conducted various orientation programmes on different dates of September and October 2014 and these were conducted by CMA A.R. Ramasubramania Raja, chairman of the chapter. A 7-days Industry Oriented Training Programme was conducted at the chapter since October 4, 2014 for Final Students as per the prescribed syllabus. On October 28, 2014 CMA Vishwanath Bhat, Chairman, Bangalore Chapter conducted a PDP meeting on the topic 'Internal Audit – by CMAs'. The chapter organized the inaugural ceremony of 79th batch of oral coaching on October 29, 2014. Chairman of the chapter, CMA A.R. Ramasubramania Raja, Secretary of the chapter, CMA A. Hariharasubramanian and CMA G. Jawahar Babu, faculty addressed the students.

Thrissur Chapter of Cost Accountants

The Chapter conducted a Professional Development Programme on 19 October 2014. The theme of the seminar was 'Management Accounting Perspective to Risk Management' and the technical paper was presented by CMA Sankar. P. Panickar, partner BBS & Associates.

Mysore Chapter of Cost Accountants

A seminar on 'Cost Management and Business Sustainability' had been organized by the Chapter jointly with the SDM Institute for Management Development on November 8, 2014. CMA Dr. N R Parasuraman, Director of the SDM Institute and CMA H. Padmanabhan, Chairman SIRC presided over the seminar. First Technical Session on 'Cost Management and Business Sustainability' had been presented by CMA A R Krishnamurthy, Ex. General Manager, Bharat Electronics Ltd., while Second Technical Session on 'Cost Management & Business Decisions' was addressed by Mr. Viswaprasad Alva, Managing Director, SKANRAY (manufacturers of medical equipment). CMA B R Prabhakar, Member SIRC and Dr. Mousumi SenGupta, Professor OB/HRM, SDMIMD presided over the first and second session respectively. CMA Jagan Mohan Rao, Central Council Member and CMA G N Venkatraman, Past President ICAI, were also present in the seminar.

Hyderabad Chapter of Cost Accountants

On October 2, 2014 following the occasion of 'Swachh Bharat Abhiyan' Chairman of the Chapter CMA Radha Krishna Komaragiri, Managing Committee Members and others took an oath at CMA Bhavan. Two Career Counsellling Programmes had been

organized by the chapter on October 11 and 17, 2014 conducted by CMA A. Vijay Kiran, Vice Chairman of the chapter and CMA C. Sudhir Babu, Past Chairman of the chapter respectively. On October 18, 2014 the chapter organized an evening talk on Forensic Audit and CA Kranthi Kumar Kedari, FCA, D.I.S.A, Certified in FAFD (ICAI) being the speaker deliberated about the tools available which will help the practitioners in unearthing frauds, inconsistencies in data. The Chapter organized a full day seminar on 'Business Analytics for Competitive Advantage' on October 26, 2014 and the chief guest was CMA T Mohan Rao, Practise Lead, NCS, Singapore who shared his experience of using business analytics /huge data in various businesses. The program was divided into five technical sessions with the first being 'Business data mining & Business Intelligence' which was facilitated by Mr. Satish Raghavendran, Vice-President-FAS Analytics, Deloitte. The second session held on the theme 'Marketing Analytics' facilitated by Ms. Gayatri Choda, Founder & CEO, Datapub & Digitant. She explained the benefits of marketing analytics to businesses and shared a few case studies on the subject. The first session post lunch was on 'Financial Analytics' facilitated by Mr. Prem Kumar Balasubramanian, Finance / Performance Lead, Strategy & Analytics, IBM, Bengaluru and he covered about the requirement for financial analytics, how organizations perceive it in today's scenario, components of financial analytics and benefits. The next session on 'Big Data' was facilitated by Mr. Abhijit Kamthe, Strategy Consultant, IBM. On October 28, 2014 the chapter held a joint programme on 'Corporate Social Responsibility' and Shri E.S.L.

Narasimhan, Governor of Andhra Pradesh & Telengana, Swami Jnanadanandaji, Swami Bodhamayananda were the chief guests of the occasion. Dr. K.I.Varaprasad Reddy, CMD Shanta Biotech Ltd. and Sri Nrupendra Rao, Chairman, Pennar Industries Ltd delivered their key note addresses. CS Mahadev Tirunagari, Practicing Company Secretary, Sri B.N. Harish, Regional Director, MCA, CA K.Ch.A.V.S.N. Murthy, Practicing Chartered Accountant, Sri T. Diwakar Prasad, IRS, Additional Commissioner, Income Tax were the speakers who deliberated on the themes viz. 'The Companies Act Provisions for CSR', 'The Legal Consequences – Companies Act Provisions', 'Accounting and Financial framework for NGOs', 'Income Tax Act Provisions - NGOs' respectively. Prof K.V. Achalapathi, Director of Placements, Osmania University, CMA Radha Krishna Komaragiri, Chairman of the chapter, Ms. Swathi, CSR coordinator, Managing Trustee, Think about Neighbour Foundation, N. Srinivasan, Director, Propart Solutions India P Ltd., Prof.V. Usha Kiran, Department of Commerce, Osmania University, CS Balachandran Sunku, Founder, Abhayan Foundation, Sri T. Gopal Rao, IAS Rtd., Former Vice Chairman, Go and NGOs Association were the programme coordinators.

Western India Regional Council

A full day workshop on Service Tax was conducted by the Region jointly with Navi Mumbai Chapter on November 15, 2014 at Vashi, Navi Mumbai. Dr. Umair Mir, Asstt. Commissioner of Customs, Mumbai Zone I, inaugurated the workshop. CMAs Ashok B Nawal, CMA V.S. Datey and CMA Amit Sarker was the speaker of the workshop. Around 75 members participated in the workshop.

Pune Chapter of Cost Accountants

On September 25, 2014 the Chapter held a CEP seminar on 'ERP Systems & Basics of product costing through SAP'. Key Speaker CMA Neeraj D Joshi explained the basic concept of ERP and said that ERP is a platform facilitating the database control in a company. He further discussed that ERP assists to integrate the data in an organization under one common platform. The CEP was very interactive and all members actively participated in the seminar. On October 11, 2014 a Half Day seminar had been held by the Chapter on 'Tax Audit under Income Tax Recent Development'. CMA Amit Apte, Central Council Member felicitated the honorable speaker, CA Chandrashekhar Chitale and he explained about the changes made in the formats & Tax Audit Report. He also deliberated in details the amended provisions of section 44AB of the Income Tax Act 1961, changes made in Form 3CA, Form 3CB & Form 3CD of the Tax Audit Report. The chapter celebrated the Student Day Program on October 12, 2014. Chief Guest Air Cmde (Retd) Madhukar Marathe, Central Council Members CMA Dr. S.R. Bhargave and CMA Amit Apte were among the dignitaries attending the programme. The Chief Guest in his inspiring speech explained the costing techniques in Air Force and in industries of various countries, role of CMA in the industries, importance of communication & management skills etc. On November 8, 2014 the chapter organized a full day seminar on 'SAP CO Module: Concepts & Overview'. CMA Neeraj Joshi, CMA Chaitanya Mohrir, CMA Pravin Ambeskar, CMA Vaibhav Joshi, Mr. Parisheel Wakalkar, Mr. Vikas Jain were the speakers for the seminar who explained about the concept of Cost Center Accounting & Cost Center Hierarchy, Integration points of CO Module with other modules, FI, MM, PP, SD etc, Concept of Assessment & distribution cycle, Concept of costing run, Concept of material ledger, overview of profit center accounting etc.

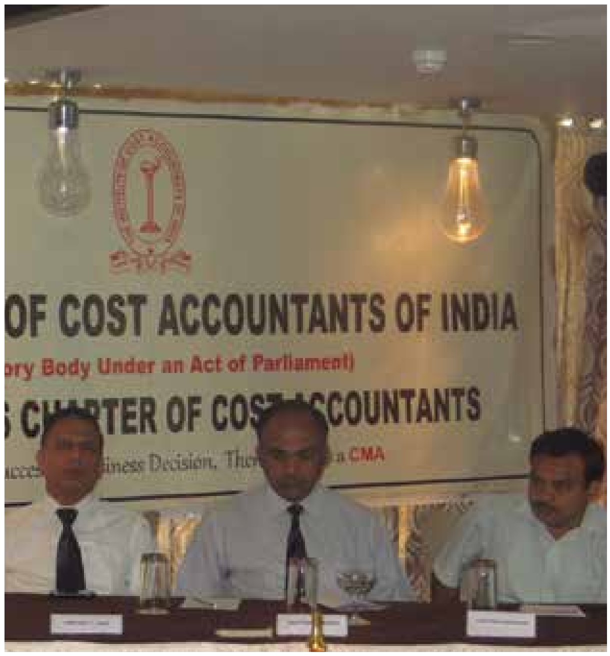
Ahmedabad Chapter of Cost Accountants

The Chapter arranged campus placement on 10 & 11 Oct 2014. Leading companies like Tata Motors, QxKpo Ltd, Crystal Research Analysis Ltd and Befree Company participated for selection of the recently final qualified students. On Oct 19, 2014 the chapter arranged industrial visit for the Final students under industry oriented training program at Solar Plant of Abellon Cleaning Energy – Rameshwar Kampa, Modasa. CMA R B Kothari, Chairman of the chapter, CMA Mitesh Prajapati, along with 35 final students visited solar plant & Botany Park.

Pimpri-Chinchwad-Akurdi Chapter of Cost Accountants

The Chapter organized a seminar on 'Costing in Construction Industry' on October 18, 2014 at CMA Bhawan. CMA Laxman Pawar, Chairman of the chapter welcomed the guest speakers CMA Ashish Deshmukh, Practicing Cost Accountant and Shri Shyam Deshpande, MD – Zero Degree North Pvt. Ltd. CMA Ashish Deshmukh explained the accounting and costing process followed in the construction industry and Shri Shyam Deshpande explained in detail the technical aspects and their effects on costing of various processes. The session was well attended by members in practice and from industry.

Indore- Dewas Chapter of Cost Accountants



On October 12, 2014 a seminar was organized by the Chapter on 'Career Orientation for CMA Profession'. CMA Vijay P. Joshi, Regional Council Member, WIRC highlighted the theme of the seminar and delivered a brief speech on 'Career Planning'. CMA Dr. Niranjan Shastri, Treasurer & Ex Chairman of the chapter discussed the importance of 'Time Management'. CMA Pankaz Raizada, Chairman of the chapter guided the students on the theme 'Industry Experience' and CMA Shailendra Jain, Secretary of the chapter discussed the importance of 'Practical Training'. Prof. Madhavi Dhabolkar organized a workshop on communication & other soft skills.

Notification

It is hereby notified vide Notification Nos. 18-CWR (4786 - 4802)/2014 dated 2nd June 2014, 18-CWR (4803 - 4885)/2014 dated 4th June 2014, 18-CWR (4886 – 4902)/2014 dated 6th June 2014, 18-CWR (4903 – 4930)/2014 dated 10th June 2014, 18-CWR (4931 – 4965)/2014 dated 18th June 2014, 18-CWR (4966 – 4994)/2014 dated 23rd June 2014, 18-CWR (4995 – 5042)/2014 dated 2nd July 2014, 18-CWR (5043 – 5058)/2014 dated 4th July 2014, 18-CWR (5059 – 5078)/2014 dated 11th July 2014, 18-CWR (5079 – 5096)/2014 dated 14th July 2014, 18-CWR (5097 – 5114)/2014 dated 25th July 2014, 18-CWR (5115 – 5129)/2014 dated 28th July 2014, 18-CWR (5130 – 5156)/2014 dated 30th July 2014, 18-CWR (5157 – 5166)/2014 dated 4th August 2014, 18-CWR (5167 – 5180)/2014 dated 5th August 2014 and 18-CWR (5181 – 5206)/2014dated 5th August 2014 in pursuance of Regulation 18 of the Cost and Works Accountants Regulations, 1959 that in exercise of the powers conferred by Regulation 17 of the said Regulations, the Council of the Institute of Cost Accountants of India has restored to the Register of Members, the names of members, details of which are uploaded on the Institute's website www.icmai.in

OBITUARY

The Institute and its members deeply mourn the demise of CMA Dr. P. Bhaskara Narayana, a member of the Institute, Director & Chief Financial Officer, NATCO Pharma Limited, who left for his heavenly abode on October 21, 2014

May his family have the courage and strength to overcome the loss.

The Institute of Cost Accountants of India

(Statutory Body under an Act of Parliament)

CLARIFICATION

Ref. No: BOS/01-04/14-15

Dated: Kolkata, 1st April,2014

Clarification on applicability of Finance Act, 2013 and CAR 2011, CARR 2011 and CASs for CMA Examinations

It is clarified for general information of all concerned that:

(A) Finance Act, 2013 shall be made applicable involving Assessment Year 2014-15 for the following papers in June 2014 and December 2014 terms of Examinations of the Institute:

Syllabus 2008	Syllabus 2012
Paper 7 - Applied Direct Taxation	Paper 7 - Direct Taxation
Paper 10 - Applied Indirect Taxation	Paper 11 - Indirect Taxation
Paper 14 - Indirect and Direct Tax Management	Paper 16 - Tax Management & Practice

This is also clarified in the Examination Notification issued by the Directorate of Examination of the Institute (http://icmai.in/examination/notification)

(B) Cost Accounting Record Rules 2011, Cost Audit Report Rules 2011 and Cost Accounting Standards - 1-17 will also be applicable for the following papers for June 2014 term of Examination:

Syllabus 2008	Syllabus 2012
Paper 17 - Cost Audit and Operational Audit	Paper 19 - Cost and Management Audit

(C) It is further clarified for general information that the provisions of "***The Companies Act,2013***" ***shall not be applicable for the CMA Intermediate and Final Course Examinations for June,2014 term of Examination. (Clarified vide*** BOS/01-08/13-14, on 26th August,2013 and reiterated vide **BOS/01-12/13-14 on 18th December, 2013). Applicability of provisions of The Companies Act,2013 for Examinations of the Institute would be notified in due course.**

All concerned are hereby requested to note this clarification and facilitate to make a proper and wide publicity to meet the concern of stakeholders on the stated subjects.

CMA Chiranjib Das
Joint Director, Head - Academics Department (Board of Studies)
Secretary to the Board of Studies Committee

The Institute of Cost Accountants of India

(Statutory Body under an Act of Parliament)

Ref. No.: DOS/8/11/2014-15 Kolkata, November 19,2014

CIRCULAR

Sub: Simplification of Admission/Registration/Enrolment procedures to the CMA Course by:

(1) Revision in cut-off dates for admission/registration/enrolment:

Notified for general information amendments relating to Revision in time period for admission/registration/enrolment to the CMA Foundation/Intermediate/Final Course.

(A) Foundation Course:

Course	Existing Time Period	**Revised Time Period**
Foundation	At least 150 days prior to the date of examination	*at least **four** months prior to the month in which examination is held"*

Accordingly the revised time line for Foundation Course are:

For March Examination of the next calendar year	31st October
For June Examination of the same calendar year	31st January
For September Examination of the same calendar year	30th April
For December Examination of the same year	31st July

Example:

For June 2015 Examination	31st January,2015
For September 2015 Examination	30th April,2015
For December 2015 Examination	31st July,2015
For March 2016 Examination	31st October,2015

Note: For March 2015 term of Foundation Examination, students admitted upto 21/10/2014 shall be considered, based on the time period of 150 days. The same was notified vide DOS/8/07/2014-15 dated July 28,2014.

(B) Intermediate and Final Course:

Course	Existing Time Period	**Revised Time Period**
Intermediate / Final	at least **six** months prior to the month in which examination is held	*at least **four** months prior to the month in which examination is held"*

Accordingly the revised time line for registration/enrolment to the Intermediate and Final Course are:

For June term Examination	31st January
For December term Examination	31st July

Hence, for June 2015 term, the existing cut-off date of 30th November,2014 is revised to 31st January 2015 for Registration to Intermediate Course and enrolment to Final Course.

Example:

For June 2015 Examination	31st January,2015
For December 2015 Examination	31st July,2015

(2) Increase in time period for Provisional Admission/Registration

Provisional Admission to the	Existing Time Period	Revised Time Period
Foundation Course	Six (6) months	Thirty six (36) months
Intermediate Course	Six (6) months	Eighteen (18) months

All concerned are requested to take a note of this amendment and attach wide publicity to the stakeholders.

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Ref. No.: DOS/8/11-02/2014-15 Kolkata, November 24,2014

-contains**(B) CMSCs (Revised Guidelines) w.e.f.01.11.14**	http://eicmai.org/CMA-Support-Centre/Index.aspx

(Chiranjib Das)
Joint Director, Head - Academics & Tax Research Department
& In-Charge of Directorate of Studies

Distribution to:

1) All Regional Councils of the Institute- for information and necessary action
2) All Chapters of Institute – for information & necessary action
3) All CMA Support Centers of the Institute
4) Secretariat, for kind information and records
5) All HODs in Headquarters including Delhi Office, Hyderabad Center of Excellence - for kind information.
6) Notice Boards
7) IT Dept - requested to upload this information in the website as appropriate.

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