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COST LEADERSHIP AND COMPETITIVE ADVANTAGE

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

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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CONTENTS

INSIDE
COVER STORY

16 Enhancing Effectiveness of OFC and IFC FR by Integration of COSO and CMMI

24 Cost Competitiveness-Vitalizing MSMEs for the success of "Make in India"

30 Digital Manufacturing-A Boon to Competitive Edge

36 Empirical Study of Firm Value & Corporate Governance for Select Small Cap Companies

43 The Advantage of Being Big A Study of Manufacturing CPSEs

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48 | **INTELLECTUAL CAPITAL**
Measuring the Immeasurables: The Context of Intellectual Capital

DEMONETIZATION
50 days after the Currency Recall
Have we succeeded? | 55

69 | **ECONOMY**
An Insight into the Dark World of Money
72 | Economy of the Sugar Industry

CSR
Corporate Social Responsibility (CSR) – An Application and implications to SME | 60

79 | **GST**
GST: Implementation and Transitional Issues

COST ACCOUNTING STANDARD
Cost Accounting Standard-Setting in India | 85

100 | **BANKING**
Pre and Post Merger Financial Performance of Kotak Mahindra Bank Ltd And ING Vysya Bank Ltd

Editorial	6
President's Communique	8
ICAI-CMA Snapshots	12
Glimpses of Republic Day Celebration	15
Economy & Tax Updates	95
Institute News	109
From the Research Desk	119
CMA Career Awareness Programme	121

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EDITORIAL

Greetings!!!

Cost leadership is the strategy used by businesses to create a low cost of operation within their niche. In cost leadership, a firm sets out to become the low cost producer in its industry. The sources of cost advantage are varied and depend on the structure of the industry. They may include the pursuit of economies of scale, proprietary technology, preferential access to raw materials and other factors. If a firm can achieve and sustain overall cost leadership, then it will be an above average performer in its industry, provided it can command prices at or near the industry average. Cost leadership is an effective business level strategy to the extent that a firm offers low prices, provides satisfactory quality, and attracts enough customers to be profitable.

Objectives of Cost Leadership:

- Cost control and cost reduction
- Value maximization
- Cost leaders keep their costs low by minimizing advertising, market research, research and development.
- It contrasts differentiation strategies that emphasize quality or high value.
- Using the cost leadership strategy, a business can use its advantages in low-cost operations to either bank more profits at industry average prices or to operate as a low-cost provider to increase customers and volume.

Under a cost-leadership strategy, the company seeks to be the lowest cost provider to most customer segments. If it sells at industry average prices it earns a higher profit than its rivals or it can sell at below these prices to increase market share. The company looks for ways to lower its cost position and these include economies of scale, experience curve effect, improving process efficiencies, and outsourcing.

It is the parallel emphasis on low-cost production activities. Companies that want to use the low-cost strategy must figure out how to optimize costs in each element of the value chain. A retailer, for instance, can use supply chain management and logistics to negotiate the best product prices and run the most efficient inbound and outbound transportation processes. It would also use a modest advertising budget to promote low costs and affordable value to its customers to attract buyers.

Firms operating in this highly competitive environment are always on the move to become successful. To strive in this competitive environment, the firms should have an edge over the competitors. To develop competitive advantage, they should produce good quality products at minimum costs. This means the firms should provide high quality at low cost so that the customer gets the best value for the product he/she is buying. Therefore, it becomes necessary for the firms to have a strategic edge towards its competitors. One such competitive strategy is overall cost leadership, which aims at producing and delivering the product or service at a low cost relative to its competitors at the same time maintaining the quality. Cost leadership strategy takes place through experience, investment in production facilities, conservation and careful monitoring on the total operating costs. To gain competitive advantage, small businesses can focus on different strategies, including leadership in cost, quality, innovation or customer service. Strongest advantage comes through leadership in a factor that is important to customers and difficult for competitors to match.

The intention behind a cost leadership strategy is to be a lower cost producer in comparison to competitors. There are two traditional options for businesses to increase profits, either decreasing costs or increasing sales. In a cost leadership strategy, the concentration is on acquiring quality raw materials at the lowest price. Business owners additionally need to use the best labor to convert these raw materials into valuable goods for the consumers. Thus, this strategy is especially beneficial if the market is one where price is an important factor. Firms can gain competitive advantage through differentiation of their product offerings which provides superior customer value, or by maintaining lowest delivery cost.

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

PRESIDENT'S COMMUNIQUÉ

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

Success is not a destination, but the road that you're on. Being successful means that you're working hard and walking your walk every day. You can only live your dream by working hard towards it. That's living your dream.
-- Marlon Wayans

My Dear Professional Colleagues,

Namaskar.

Insolvency Professional Agency of Institute of Cost Accountants of India (IPA ICAI)

I am happy to inform members that there were large number of awareness programs on "Insolvency and Bankruptcy Code 2016" by the Institute, Regional Councils and Chapters during January 2017. It is heartening to know that members of the Institute are actively participating in these programs. These Seminars were conducted at Kolkata, Mumbai, Bengaluru, Nagpur, Lucknow, and Aurangabad. One of the Seminars at Kolkata on 12th January 2017 was organized by the Institute in association with Confederation of Indian Industry (CII), which addressed by galaxy of speakers including Dr. M.S. Sahoo, Chairperson, Insolvency and Bankruptcy Board of India, and Mr. Vijay Pratap Singh, Member- NCLT.

I am thankful to Dr. M.S. Sahoo, Chairperson, Insolvency and Bankruptcy Board of India (IBBI) for being Chief Guest at "Seminar on Insolvency and Bankruptcy Code 2016" organized by EIRC at Head Quarters of the Institute at Kolkata on 13th January 2017.

I compliment Regional Councils and Chapters for organizing seminars and awareness programs towards capacity building of members of the Institute to enable them taking up a challenging profession to function as Insolvency Professionals under the Insolvency and Bankruptcy Code 2016. Members of the Institute are aware that a member of the Institute, who is having a minimum ten years' of experience, can become "Insolvency Professional" after passing 'Limited Insolvency Examination' being conducted by the Insolvency and Bankruptcy Board of India. I urge members to become Insolvency Professional after passing the said examination and take up the opportunity to serve the Nation in its socio economic pursuit with their experience, skills and knowledge.

Cost & Management Accountants Labs (CMA Lab)

I am pleased to inform you that the Institute has planned to set up a state-of-the-art **Cost & Management Accountants Labs (CMA Lab).** The setting up of CMA Lab was announced on 3rd January 2017 at Coimbatore by me. CMA H Padmanabhan Member ICAI Council was Guest of Honour for the function. The mission of the CMA Lab is to support the members and students of the Institute through various modes of technical and applied knowledge, skill development, capacity building, knowledge up-gradation and innovation in an IT enabled platform in order to make them professionally equipped and market ready. The Institute has decided to open such Labs at its all chapters in a phased manner, which will also function as help desks for traders and government officials in their endeavour towards National building. The main objective of this concept is to provide one point support to Members regarding professional avenues, standards, law of land, tools and knowledge repositories through IT enabled services. It will encourage shared learning.CMA Lab will provide opportunities for collaborative research, training, workshop, seminars, round table discussions in contemporary issues in finance, costing, taxation, corporate laws etc. with other functional disciplines such as operations management, information technology etc. It will also serve as help desk for traders, MSME units,Government officials and all other stakeholders in their endeavour towards National building.

Observance of Cost Synergy Week

I wish to inform you that the Institute is organising "Cost Synergy Week" across the country for Members and Industry during 1st to 7th February 2017 with an objective of looking beyond the Cost Management Activities and targeting for an integrated unidirectional approach that would foster a synergistic impact from the combination to strengthen the cost management structure in the Public and Private sector. CMA fraternity has a role to address this issue in order to bring products and services at affordable prices with optimum quality. Friends, this is our core area and we need to propagate this properly for capacity building of the Nation. The Regional Councils and Chapters will organise events to publicize the concept and to make this initiative a grand success.

One District one CMA Centre

I wish to inform the members that in order to enhance the visibility of the Institute and profession, the Institute is planning to open one CMA centre in every district of the Country. This initiative will also facilitate as helpdesk to MSMEs and other stakeholders. More details will be available shortly on the website of the Institute.

Signing of MoU with 100 Universities

I wish to inform the members that in order to make the college students aware of our Institute, role played by CMA profession, available professional avenues and contribution of CMAs in various sectors of economy, the Institute is planning to sign up MoUs with atleast 100 Universities across India. This will enhance not only the visibility and improve branding of the Institute & profession but also the student intake. This initiative will help the College level students of these universities enhance their employability as capsule courses on the important topics such as e-filing etc. will be designed for these students by the Institute. Further details will be available shortly on the website of the Institute.

MOU with Indian Railways

I am happy to share with you all that ICWAI Management Accounting Research Foundation (ICWAI MARF), a Section 8 Company, promoted by the Institute of Cost Accountants of India and Indian Railways entered into a path breaking MOU on 30th January 2017 wherein the ICWAI MARF will undertake a comprehensive study of existing Costing System in Indian Railway and develop a suitable up-gradation of the existing system to ensure managerial analysis of costing data for efficiency improvements in key performance areas. This opportunity will be a step forward for the Institute to continuously strive to develop the Cost and Management Accountancy function as a powerful tool of management control in all spheres of economic activities of the country. This MoU will go a long way in providing necessary inputs to Indian Railways in terms of Costing of Railway Services. The MoU was signed in the presence of Shri Shahzad Shah, Financial Commissioner - Indian Railways, Shri B N Mohapatra, Additional Member, Finance - Indian Railways, CMA Sanjay Gupta, Vice President of the Institute and other senior officials from the Indian Railways.

Meeting with VIPs

- ***Meeting with Minister GoK for Skill Development and Minority Affairs***
  On behalf of the Institute I presented a submission for Skill Development Projects and Institute Association for Nation Building Process especially for the State of Kerala to Shri KT Jaleel, Hon'ble Minister GoK for Skill Development and Minority Affairs at Kerala Kondotty Kozhikode on 2nd January 2017. CMA H Padmanabhan, Member ICAI Council organised and addressed on Institute's role in Skill Development in Kerala and for the Country under Additional Skill Acquisition Program (ASAP, GoI projects).

- ***Meeting with Hon'ble Union Minister for Finance & Corporate Affairs***
  I along with the Vice President of the Institute met Shri Arun Jaitley, Hon'ble Union Minister for Finance & Corporate Affairs on 9th January 2017 to discuss the pending issues like Accountant definition and Institute's Name change. Institute's representations in this regard were also presented to him.

Signing of a Non-Disclosure Agreement (NDA) with M/s. GSTN

I am pleased to inform you that on behalf of the Institute, I signed a Non-Disclosure Agreement (NDA) with M/s. Goods and Services Tax Network (GSTN) on 23rd January 2017. GSTN is engaged in a project to set up the information technology and communications infrastructure for enabling implementation of Goods and Services Tax in India and it has been agreed by both the parties to constitute a structured mechanism for regular exchange of valid membership data between GSTN and ICAI. The NDA will ensure confidentiality of the exchanged information. The NDA was signed in presence of Sr. Director (CAT & Administration), Addl Director (IT) and Joint Director (PR) of the Institute and officials of M/s GSTN at New Delhi office of M/s GSTN.

Digital Class by CIMSME and Institute

In order to promote the Digitisation and Cashless Economy, the Chamber of Indian Micro Small & Medium Enterprises in association with the Institute organised a DIGITAL CLASS at Indira Gandhi Kala Kendra, Noida on 5th January 2017. I along with the Vice President of the Institute, Institute's officials and other dignitaries attended the class.

Round Table discussion at IIM Kozhikode

I attended a Round table discussion on future joint programs between IIM Kozhikode Management Development Centre and Institute along with CMA H Padmanabhan Member ICAI Council and IIM officials on 2nd January 2017.

PRESIDENT'S COMMUNIQUÉ

Celebration of 68th Republic Day

The 68th Republic Day ceremony was hosted at the HQ wherein I hoisted the national flag which was followed by National Anthem. The occasion was graced by CMA Biswarup Basu, Central Council Member, CMA Avijit Goswami, Central Council Member and Chairman, Research, Journal & IT Committee and CMA Kaushik Banerjee, Secretary of the Institute as well as other Institute Officials.

41st International Kolkata Book Fair, 2017

The Institute put up a book stall at the 41st International Kolkata Book Fair, 2017 being held during 25th January to 5th February, 2017 at Milan Mela Prangan, Kolkata. The Stall was inaugurated on 25th January, 2017 by the eminent dignitaries in the presence of me, CMA BiswarupBasu, CCM and CMA Kaushik Banerjee, Secretary of the Institute as well as other Institute Officials. The response was highly vibrant and laudable. The Institute presented Prospectus, Study Materials, Books on Professional Development, Research & Journal Publications, etc. Moreover, thousands of students had approached for career counselling and showed interest for enrolling themselves in the various stages of CMA course.

CMA Support Centre at Ananda Chandra College of Commerce, Jalpaiguri, West Bengal

I wish to inform that the Institute in association with Ananda Chandra College of Commerce, Jalpaiguri set up a CMA Support Centre in the College premises on 14th January, 2017. I along with Prof. (Dr.) Siddhartha Sarkar, Principal, Ananda Chandra College of Commerce inaugurated the centre in the presence of Senior Director (Studies, Administration & HR), and Director (Research & Journal and Examination) of the Institute. Around 200 Students and Teachers participated in this auspicious event. This event got a wide media coverage. The CMA Support Centre has already started functioning well with immense support by the college for promoting the academic course of the Institute there. Many students have approached and got them registered to the academic course of the Institute.

Initiatives by various departments of the Institute

International Affairs

- ***MoU with CIPFA***
  I am pleased to inform you that the Institute has entered into a Memorandum of Understanding with the Chartered Institute of Public Finance Accountants (CIPFA) on 25th January 2017. CMA Sanjay Gupta, Vice President and CMA H Padmanabhan, Chairman, WTO, International Affairs & Sustainability Committee represented the Institute and its fraternity in the presence of President, CIPFA and Chief Executive. They also attended a Global Round the Table Meeting.

- ***Association with International Skill Development Corporation***
  I am pleased to share that CMA Sanjay Gupta, Vice President and CMA H Padmanabhan, Chairman, WTO, International Affairs & Sustainability Committee have been invited by the International Skill Development Corporation (ISDC) to have an association with the institute to promote their MBA International Business & Finance validated by the University of the West of Scotland. This is great opportunity for the CMA Qualified professionals who are looking for a PG Qualification or Academic Qualification to enhance their career opportunities in the leadership and management and this is also from a most modern, highly reputed UK University. Due to Recognition of Prior Learning (RPL) in place, they are in position to complete the qualification in six months and it is a global benchmark in terms of acceptance and relevance. CMA Sanjay Gupta, Vice President delivered the International Special Address in the Global Launch Program during the Education Innovation Conference in London on 24th January 2017 in the Campus of ISDC.

- ***SAFA Events in Bangladesh***
  The South Asian Federation of Accountants (SAFA) hosted events at Dhaka, Bangladesh during 27th - 29th January 2017, where CMA Niranjan Mishra, CCM attended the meeting of the Committee on Auditing Standards &Quality Control and also represented the Institute in the 46thSAFA Board and 83rd Assembly Meeting. CMA Niranjan Mishra representing the Institute was honoured by having given the Chairman of the SAFA Committee at Dhaka. This is a special recognition for the first time to ICAI and Council Member ICAI.

Professional Development Directorate

- ***Seminar on Sugar Industry***
  I thank all the participants of Full Day Seminar on Sugar Industry, on 19th January 2017 in Pune for not only participating in large numbers but actively involving in making the seminar a grand success. Further, I am glad to inform you that Tax Information Network (TIN) of Income Tax Department has now made the 'Electronic Furnishing of Return of Income Scheme, 2007' operational for Cost Accountants also. Our members can register with NSDL to act as e-Return Intermediary. For more details members are advised to visit https://tin.tin.nsdl.com/eri/Agreement.html

- ***Feedback on ITD services***
  Recently, Income Tax Department (ITD) has made lot of improvements in the area of faster processing of refunds, TDS Alert Systems (SMS to deductees) and Online Grievance Redressal System (E-Nivaran). On their request, PD Directorate has invited feedback on these services from Members. The feedback so received is being compiled and same shall be sent to the ITD. I

thank you for providing your valuable feedback which, I am sure, would be helpful in further betterment of the Income Tax services.

- ***Representation with Government, PSUs, Banks and Other Organizations:***
  Due to the representations made by the PD Directorate, Deposit Insurance and Credit Guarantee Corporation, Export Inspection Agency-Delhi, Indian Rare Earths Limited, Central Cottage Industries Corporation of India Ltd. included Cost Accountants in EOIs. Further, the eminent organizations like Coal India Limited, REC Power Distribution Company Limited, IRCON International Limited, Chhattisgarh State Beverages Corporation Limited, National Aluminum Company Limited, DNP Ltd, Indian Rare Earths Limited, Artificial Limbs Manufacturing Corporation of India, Madhya Pradesh Power Transmission Company Limited, The Hutti Gold Mines Company Limited, IIM-Bangalore, State Bank of India, and Brahmaputra Cracker and Polymer Limited recognized CMA profession in their Tenders/EOIs.

- ***Professional Avenues for Cost Accountants:***
  PD Directorate has compiled the information on Professional Avenues for 'Cost Accountants in Practice' in a tabular form. The same has already been shared with the members over email. I hope you would find the compilation of Professional Avenues helpful and would look forward to your comments and suggestions.

Research and Journal Department

I wish to inform that I attended the inaugural session of the Golden Jubilee Commemorative International Conference on 'Emerging Issues in Accounting, Finance and Taxation' organized by Research & Publication Cell, P.G Department of Commerce, Bhawanipur Education Society College, Kolkata in collaboration with the Institute on 4th January 2017 at the college premises itself. The sessions were taken by eminent professors and dignitaries, who discussed on the concerned theme enriching the conference. The program was attended by more than three hundred students and faculty members from various colleges. A good interaction also took place during the sessions and there was an overwhelming response from the audience.

Initiatives by Regions &Chapters

- The Coimbatore Chapter of the Institute organised a press meet on Capacity Building – Role of CMAs on 3rdJanuary 2017 at Coimbatore. I was invited to address the press and media. The concept of CMA Lab was announced in the event.
- EIRC of the Institute conducted CEP on Cost Governance – Key to Success to mark the Cost Governance Week at the Seminar Hall at the EIRC premises on 3rd January 2017. Shri Alok Samantarai, Regional Director (East), MCA was the Chief Guest while Shri B. Mohanty, ROC-Kolkata was the Guest of Honour for the program.
- The Eastern India Regional Councils of Institute of Cost Accountants of India, ICSI & ICAI together under the aegis of Ministry of Corporate Affairs, Government of India organized a "CSR Sensitization Workshop" at J.N. Bose Auditorium, CMA Bhawan, Kolkata on 7th January 2017 to create conscience among the professionals and practitioners that CSR approach can help improve corporate governance, transparency, accountability and ethical standards. Important dignitaries including Ms. Seema Rath, Deputy Director, MCA; Shri Alok Samantarai, Regional Director-Eastern Region, MCA; Shri B. Mohanty, ROC Kolkata, MCA; CMA Bibekananda Mukhopadhyay, Chairman, EIRC and many more graced the event, which was attended by around 240 professionals.
- I was invited as Chief Guest of the International Conference on 12th January 2017 on the theme "Sustainability : Innovations, Emerging Trends and Practices" jointly organised by the Institute, Central Tool Room & Training Centre (CTTC), Ministry of MSME, Govt. of India and Institute of Management, & Information Science (IMIS), Bhubaneswar.
- The Ukkunagaram Chapter organised a two days Seminar on 21st& 22nd January 2017 at Ukkunagaram on the theme 'Changes in Economic Scenario – Role of CMAs" to commemorate the occasion of completing 25 years of its constitution this year. Shri Kambhampati Hari BabuI, Member of Parliament from Vishakhapatnamwas the Chief Guest of the event. I attended the inaugural event and congratulatedthe Management Committee of the Chapter on achieving this milestone. A press meet was also organised by the Chapter on the occasion.
- The Nagpur Chapter of Cost Accountants organised its Annual Seminar on 22nd January 2017 at Nagpur on the theme "Sustainability of Indian Economy in the present Scenario", which was attended by members in large number.
- The Vijayawada Chapter of the Institute organised Regional Student Convention on 28th January 2017 at Vijayawada.

I wish prosperity and happiness to members, students and their families on the occasion of Vasant Panchami, Ravidas Jayanti, Dayanand Saraswati Jayanti &Maha Shivaratri and pray for the success in all of their endeavours.

With warm regards,

(CMA Manas Kumar Thakur)
1st February 2017

ICAI-CMA SNAPSHOTS

President of the Institute, CMA Manas Kumar Thakur and Vice-President, CMA Sanjay Gupta, felicitating Shri Arun Jaitley, Hon'ble Union Minister for Finance and Corporate Affairs

Vice President, CMA Sanjay Gupta deliberating at Insurance-Industry Partnership organised by CII on December 16, 2016 at Hotel Taj Gateway, Kolkata

Mrs. Vijayalaxmi R Iyer, Whole Time Member (Finance & Investments) Insurance & Regulatory Development Authority of India, Mr. K Sanath Kumar Chairman-cum-Managing Director National Insurance Company Ltd., Mr Santanu Mukherjee, Managing Director State Bank of Hyderabad and others were among other eminent dignitaries present in the programme

President of the Institute, CMA Manas Kumar Thakur being felicitated at ''State Level Students' Convention'' named Mayukha-2k17 conducted by Vijayawada Chapter of the Institute on January 28, 2017

CMA Manas Kumar Thakur, President of the Institute, CMA Sanjay Gupta, Vice President, and CMA V Murali, Chairman, SIRC distributing prizes to the winners at ''State Level Students' Convention'' named Mayukha-2k17 conducted by Vijayawada Chapter of the Institute on January 28, 2017.

Inauguration of Institute's stall in 41st Kolkata International Book Fair

CIPFA and the Institute entered into an MoU signed by CMA Manas Kumar Thakur, President of the Institute and CMA Kaushik Banerjee, Secretary of the Institute and had been handed over by CMA Sanjay Gupta, Vice President and CMA H Padmanabhan Council Member to President and Chief Executive CIPFA at London on January 25, 2017

CMA Niranjan Mishra, Council Member of the Institute attended the 46th SAFA Board Meeting and 83rd SAFA Assembly Meeting on January 29, 2017 in Dhaka

CMA Niranjan Mishra, Council Member of the Institute along with other delegates chaired SAFA Committee Meeting on 27th January 2017 at Dhaka

CMA Sanjay Gupta, Vice President & CMA Amit Anand Apte, Council Member met the newly elected President CS (Dr.) Shyam Agrawal of The Institute of Company Secretaries of India along with Shri Vijay Kumar Jhalani, Govt. Nominee, ICAI & ICSI

ICAI-CMA SNAPSHOTS

The Institute in a joint program with CII on Insolvency and Bankruptcy Code 2016 at JW Marriott, Kolkata on 12th January 2017

CMA Manas Kumar Thakur, President presenting ICAI submission for Skill Development Projects and Institute Association for Nation Building Process especially for the State of Kerala to Honorable Shri K.T Jaleel Minister GoK for Skill Development and Minority Affairs at Kerala Kondotty Kozhikode on January 2, 2017. CMA H Padmanabhan Council Member of the Institute was also present in the programme

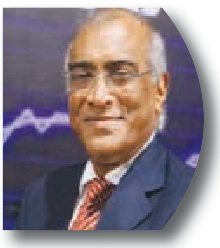
CMA Manas Kumar Thakur, President deliberating at the inaugural session of the Golden Jubilee Commemorative International Conference on 'Emerging issues in Accounting, Finance, and Taxation' organized by Research and Publication Cell, PG Dept. of Commerce, The Bhawanipur Education Society College, Kolkata in collaboration with the Institute on January 4, 2017 at the college premises

CMA H Padmanabhan Council Member, CMA V Murali Chairman SIRC and Resource Persons during the PD Program on January 18, 2017 on the topic 'PMGKY Scheme 2016, Availing Loans from Banks and CIT Appeals and ITAT Preparation and Presentation'

CMA H Padmanabhan, Council Member inaugurating the PD Program on 'New Role of the Board of Directors under the Companies Act 2013 and Cashless Transaction in Digital Age & Demonetisation'. Chairman SIRC and other speakers look on

Glimpses of Republic Day Celebration
Headquarters, Kolkata, January 26, 2017

ENHANCING EFFECTIVENESS OF OFC AND IFC FR BY INTEGRATION OF COSO AND CMMI



CMA Dr. Paritosh Basu
Sr. Professor
NMIMS University School of Business Management
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Lasya Priya Desiraju
Scholar
NMIMS University School of Business Management
Mumbai

Business performance management through financial controls of operations, and ensuring reliability offinancial information have witnessed multifaceted evolutions through decades since World War II. More recently, after the failure of Enron, Satayam's disgrace and global financial crisis of 2008, these have assumed further critical importance.

At its last leg in India, the Companies Act 2013has significantly expanded the scope and assigned critically defined responsibilities on audit committee, independent directors, collectively board of directors and statutory auditors. This in turn has also significantly expanded the gamut and dimensions for operational and financial risks management. The Directors, in addition to laying down, are also responsible for asserting that systems and processes for internal financial controls for reporting are functioning effectively.

With continuing multidimensional turbulence in business ecosystem, coupling effects of international events, and elements of each component in VUCA, viz., Volatility, Uncertainty, Complexity and Ambiguity; are increasingly unfolding with ever changing critical dimensions like a chameleon. Therefore, providing relevant and analytical information to all stakeholders ensuring reliability and transparency have become an absolute imperative. Again, this is also essential to gain competitive advantages.

About this Paper and Objectives

This paper delves on two key frameworks which facilitate organizations to meet the aforesaid requirements and achieve resultant objectives. It underscores usefulness and helps appreciating why it is crucial to have a rock-solid foundation for internal financial controls for financial reporting (IFCFR) and operating financial controls (OFC).It also underpins the need for standardisation and maturity of processes for exercising controls over OFC and IFC FR. The authors are consciously aware that every organisation today is treading through complex economic activities shrouded with multi-faceted risks. This paper aims at helping the reader to chart out specific processes for ensuring convergence of their respective entities toward international standards as acceptable to global investors for sustainable prosperity.

The present authors have placed overriding emphasis on the point that once any company starts generating positive cash flows tiding over competition, minimisation of value destruction, if any that might have crept in, becomes essential. One of the objectives of this paper is to highlight the need for improving and sustaining profit margins by structured internal financial controls and timely reporting of reliable and relevant information for decision management .In contemporary world of information explosion, pervasive financial reporting with due reliability brings in global orientation and establishes stakeholders' confidence. This paper finally brings out that success of OFC and IFC FR is exclusively dependent on operational control with predominant emphasis on effectiveness of operational processes and sustainable growth.

Keeping the above objectives in view, the present authors have examined efficacy of two important tools for seamlessly integrating OFC and IFC FR with pure play accounting and reporting. Traditionally recommendations of COSO[1] is revered as a very effective tool for these controls. This workis aimed at bringing out differential advantages by integrating 'Capability Maturity Model Integrated' (CMMI)[2] with COSO framework. It would also address how integration of COSO and CMMI frameworks can help risk management and better meet the compliance requirements of IFC FR and OFC, as stipulated by the Companies Act, 2013.

Analyses of COSO and CMMI

COSO

The present authors have tried to synthesise in the following graphic the process of senior management's accountability trickling down to ground level front line officials. They feel that it is possible by developing and promoting an organisation wide culture of accountability and transparency while meeting the demands of stakeholders befitting the corporate's brand image.

Paritosh Basu and Sangita Wats in their paper "Management Tools that Make Corporate Reporting a Key Part of Business Strategy"[3],2015recommended that corporate reporting is to be transformed from a mere compliance oriented periodical activity into an essential element of business strategy. They opined that this will bring in global orientation to business with more transparency for the past and predictive guidance for future which will enable external stake holders to better position themselves vis-à-vis an entity and help in management of risks.

Extensive researches have been conducted and case studies written on benefits of enhancing organisational processes. Syntheses of research scholars' recommendations reveal that they have mostly accepted COSO as a framework for IFC and OFC, besides risk enabled performance management (REPM). COSO established a common definition of internal control and created a framework for evaluating effectiveness of internal controls consisting of 1. Control Environment, 2. Risk Assessment, 3. Control Activities, 4. Information and Communication, 5. Monitoring and 6. Rating. Their recommendations for changing existing approach and strategies for designing controlling and monitoring systems can briefly be expressed through the following graphic:

COSO's enterprise risk management (ERM) framework has widely been accepted across the world. In the report "COSO in the Cyber Age", by Mary E. Galligan and Kelly Rau[4], the impact of COSO to curb the cyber risk has been explained thoroughly. This is essential in the present era of digital explosions. Many more studies have been conducted regarding successful application of COSO's framework and those scholars have recommended application of COSO for implementing REPM. Readers may refer the reports listed under serial number 5 to 8 of Bibliography detailed at the end of this paper for better understanding of how COSO has helped various organisations in achieving internal control and effective risk management. It is an established position, therefore, that COSO framework facilitates the process of establishing reliability of corporate reporting.

CMMI

Efficacies and importance of CMMI as a tool has been established in the report titled "Improving Processes for Developing Better Products and Services-CMMI for Development "2Version 1.3prepared by CMMI product team. CMMI was developed by a group of experts from industry, government, and the Software Engineering Institute (SEI) at Carnegie Mellon University. CMMI models provide guidance for developing and / or improving operating and control processes, including financial controls that meet the business goals of an organisation. The CMMI model can also be used as a framework for appraising the maturity path for the systems and processes followed by an organisation with its evolution and growth.

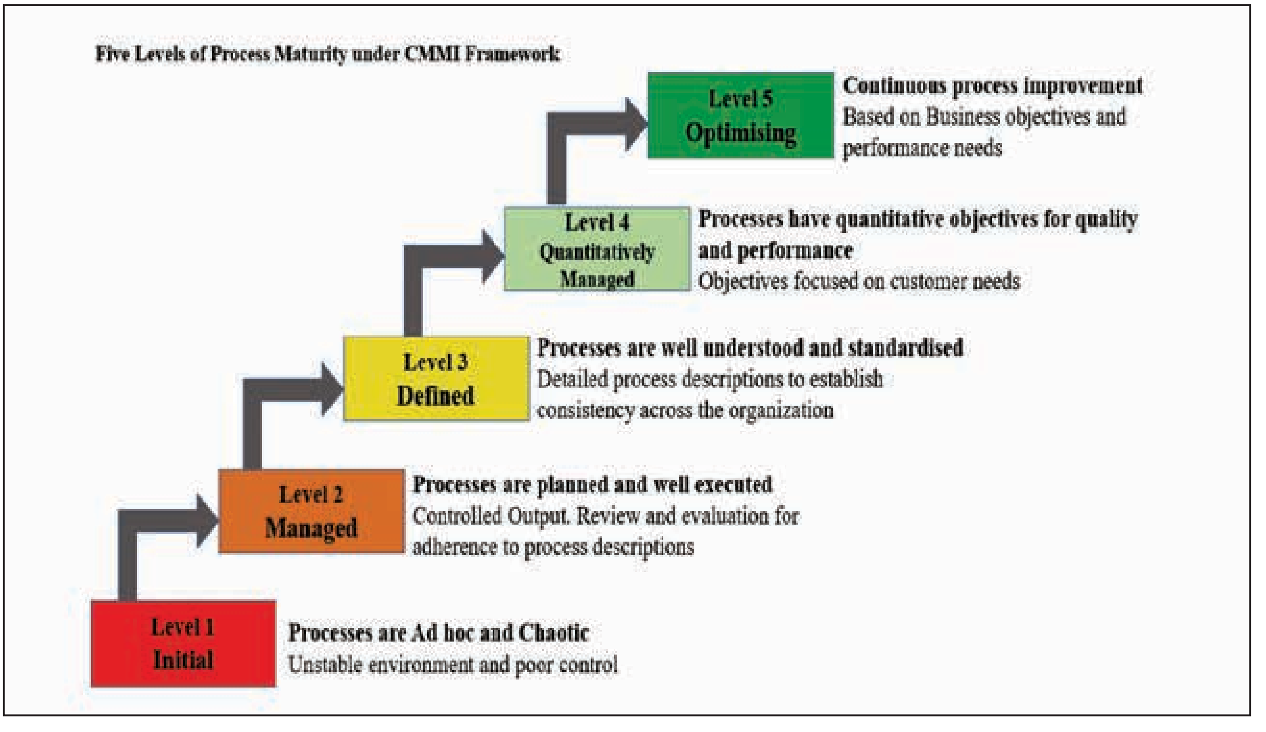
CMMI tool is a simplified representation of various functional and operational processes involved in any business. CMMI focuses on improving processes of an organization. It contains the essential elements of effective processes for one or more functional areas and describes an evolutionary improvement path from ad hoc, immature processes to disciplined, mature processes with improved quality and effectiveness.

Majed Alyahah conducted an extensive study published in his paper "Impact of CMMI Based Process Maturity Levels on Effort, Productivity and Diseconomy of Scale'[9], 2012. He claimed thatthere is an increase in productivity and significant reduction in rework if CMMI tool is applied. This in return improves OFC and improves scopes for minimisation of value destruction due to faulty processes.

Diaz and King also reached the same conclusion in their study titled "How CMMI impacts Quality, Productivity, Rework, and the Bottom Line"[10], 2003.

CMMI models are not processes or process descriptions, rather it provides all the dimensions to be taken into consideration to make a process effective. The process areas include various aspects of business management like 'Causal Analysis and Resolution', 'Configuration Management'. 'Decision Analysis and Resolution' and so on. Readers may refer the Appendix to this paper for many more of these. Mahmoud Khraiwesh in his paper titled "Process and Product Quality Assurance Measures in CMMI" [11], 2014 carried out extensive study on all the process areas at various maturity levels and gave the requirements at each level in his work.

The maturity level of an organization provides a way to characterize its performance. Maturity level is a defined evolutionary plateau for organisational process improvement. After which another round of improvements start keeping in consideration changes in external and internal business ecosystem. At each of the maturity level there are a set of process areas to be covered along with the ones in the previous levels. Depending on the areas covered, the organisation is classified into five levels from initiation to maturity of processes. Detailed studies, listed under serial number 12 to 16 of the Bibliography, have been carried out to identify the level of the maturity an organisation is in. These research studies can be summarized as follows:



At maturity level 1 processes are usually ad hoc and chaotic. The organization usually does not provide a stable environment to support processes. Success in these entities depends on the competence and heroics of employees and not on the use of proven processes.

At maturity level 2 the CMMI as a tool ensures that processes are planned and executed in accordance with policy. The process improvement projects employ skilled people who have adequate resources to produce controlled outputs, involve relevant stakeholders; and developments are monitored, controlled, and reviewed with the objective to evaluate adherence to their process descriptions.

At maturity level 3 processes are well characterised by CMMI, understood; and are described in standards, procedures, tools, and methods. These standard processes are used to establish consistency across the entity. A critical distinction between maturity levels 2 and 3 is the scope of standards, process descriptions, and procedures.

At maturity level 4 the process management team establishes quantitative objectives for quality and process performance as well as use them as criteria in managing projects. Quantitative objectives are based on the needs of the customer, end users, entities, and process implementers. Quality and process performance is understood in statistical terms and is managed throughout the life of projects.

At maturity level 5theorganisation continually improves its processes based on a quantitative understanding of its business objectives and performance needs. The entity uses a quantitative approach to understand the variation inherent in the process and the causes of process outcomes.Staple M. and Niazi M. in their research paper titled "Systemic Review of Organisational Motivations for Adopting CMMI based SPI"[17], 2008 have studied the parameters influencing the adaptation of CMMI models by a software developing organisation and the benefits of the model in the long run. El-Emam K in his work "TrialStat Corporation: on Schedule with High Quality and Cost Savings for the Customer,"[18], 2007have shown benefits which a firm can get with process optimization using CMMI as a tool.

Process Development and Improvement

In this segment the present authors propose to conduct a comparative analysis of contributions of CMMI and COSO in development and improvement of functional systems and processes simultaneously with ensuring OFC and IFC FR that will ultimately help the Board of Directors, Audit Committee and Statutory Auditors to meet expectation of stake holders and the Law.

Internal Control and COSO Framework

- COSO provides the leadership team a framework and guidance on risk management, internal control and issue tracking to improve the overall organisational performance.

- As per this framework there is a direct relationship between the objectives which are what an entity strives to achieve; and components which represent what is required to achieve the objectives.

- The internal environment establishes the tone of the organization, influencing risk appetite, attitudes towards risk management and ethical values. This has been worked upon by Gibson D., et.al. as is evident in their research paper titled "Performance Results of CMMI-Based Process Improvement,"[15], 2006.

- COSO framework also guides the Board of Directors on objective setting as it is the primary step for achieving right direction for any company.

- The framework provides detailed procedures and guidelines on likelihood and impact of risks which is a crucial factor in achieving internal control.

Internal Control and CMMI Framework

- CMMI framework at the base level defines various documentations to be prepared as a part of each of the process areas for each of the operations.

- It provides guidelines on how each of the processes in the organisation can be divided into various process components, areas and sub-areas and independently worked upon them.

- This framework helps to understand all the processes in and out from all the aspects and formulate benchmark monitoring, as well as reporting methodologies.

- The maturity level indicates how well formulated the organisation's processes are, which might be an important performance indicator.

- CMMI standards and maturity level is an indicator about the efficiency of the organisation, which has significant business implications from client traction to the delivery stage.

Integration of CMMI and COSO

Internal Control is a process which is designed to provide assurance regarding achievement of the of the objectives relative to operations, reporting and compliance whereas CMMI framework at the base level defines what are the various documentations to be prepared as a part of each of the process areas for each of operation.

On one hand, as per COSO framework there is a direct relationship between the objectives, which are what an entity strives to achieve; and components, which represent what is required to achieve the objectives. On the other as per CMMI one should divide the entire operation into various process areas and prepare separate documentation for each of them.

Infusing CMMI into COSO to make best use of effective features of both frameworks an organisation can, in reality, provide a concrete projection of the well-being of operations in a company. Comparing the documents of one cycle with that of the previous ones can also help understanding the progress in efficiency along with adherence to compliance norms.The entire process of such infusion can be represented in the following flow diagram. This is illustrative but not comprehensive.

Benefits of Infusing CMMI into COSO

From Traditional	⇨	COSO	✚	CMMI	=	Better IFC FR & OFC
Talk to the business function team members, understand and start the work.		Clear policies and guidelines for objective setting and internal control environment.		Requirement traceability matrix to map the expectations of functional lead and various resources available in the organisation.		Better clarity to the Board of Directors and Statutory Auditors about the process.
Implement and take care of issues in live environment.		Understand the process and identify potential issues and risks before hand.		Provides guidelines for tracking issues including standard templates		Improved gap identification and resolution in process design itself.
Each department has their own documentation and individually sent to Board		Guidelines on expectations on each of the elements in every process		Bench marking of elements to the levels of reporting along with a defined format, broken into areas and sub-processes.		Stakeholders' empowerment as transparency is increased and risk taken care of.
Focusses more on quality inspection, audit and correction		Drive towards building operational efficiency through integration of all the elements.		Helps organisations to introspect, identify gaps and achieve process efficiency and prevent value destruction.		Continuous improvement of process leading to better compliance of OFC, IFC FR and REPM

Conclusion

In every organisation processes become more complicated with growth and expansions particularly when the business ecosystem is infested with lots of turbulence. This becomes further complicated due to infliction of ever changing elements of VUCA and internal challenges in handling sustainable growth and complexities. With increasing compliance requirements imposed by Regulators for ensuring transparency, efficiency and effectiveness of business processes, the roles and responsibilities of the board of directors, statutory auditor and audit committee have increased to manifold.

Two frameworks, as discussed above, will not only help achieving internal operational and financial controls but also help any organisation to position itself in the market place with lot more confidence in everything that matters. They provide transparency in the process and equip the stakeholders to be more assured and confident about systems and processes followed by a company as well as reliability of information published from time to time.

Appendix

Aspects of business management taken into consideration by CMMI Framework:

Causal Analysis and Resolution, Configuration Management, Decision Analysis and Resolution, Integrate Project Management, Measurement and Analysis, Organizational Process Definition, Organizational Process Focus, Organizational Performance Management, Organizational Process Performance, Organizational Training, Project Monitoring and Control, Product Integration, Project Planning, Process and Product Quality Assurance, Quantitative Project Management, Requirements Development (RD), Requirements Management, Risk Management, Supplier Agreement Management Technical Solution, Validation, and Verification. MA

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Policies offer more...
• Nil Depreciation
• Invoice Protect
• No Claim Bonus Protect
• Engine Protect
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Cost Competitiveness

VITALIZING MSMES FOR THE SUCCESS OF "MAKE IN INDIA"

CMA Kalyani Karna
Kalyani & Co
Cost Accountant
Delhi

According to the report of UNIDO, India has been ranked at sixth position among ten largest manufacturing countries in the world. "Make in India" program was launched by Prime Minister of India, Mr Narendra Modi on 25th September 2014 to make India a manufacturing hub and to foster remarkable footprints of India in global arena. Cost competitiveness of manufacturing industry will attract the foreign investment in India and will propel the success of Make in India. Micro, Small and Medium Enterprises play a pivotal role in gearing up the growth engine of country. It represents a major chunk of manufacturing industry and faces problems in the fierce competition. The contribution of MSMEs in manufacturing output is 45 percent and 40 percent contribution towards exports. The vitalization of MSMEs will act as a catalyst for the success of Make in India. Cost reduction and cost control stand imperative for all enterprises, either large or small in size. This article provides the reader an insight of challenges before micro, small and medium enterprises of manufacturing industry and how they can be cost competitive so as to compete with fat cats of the industry and to propel the economic growth of India.

1.1 Cost Competitiveness:

Cost competitiveness refers to be competitive on cost. Cost competitiveness implies operating in efficient manner to create maximum value to the consumers. It is achieved when an organisation is efficiently utilising skilled workforce, reducing costs of inputs, and controlling costs.

- Advantages of cost competitiveness
- Reduction in losses
- Decrease in variable costs
- Higher productivity of workers
- Increase in plant productivity
- Consistency in productivity of the finished product

1.2 Position of India at Global cost competitiveness:

Global Manufacturing Competitiveness Index: Country rankings

Current:		
Rank	**Country (2016)**	**Score**
1	China	100
2	United States	99.5
3	Germany	93.9
4	Japan	80.4
5	South Korea	76.7
11	**India**	67.2
Projected:		
Rank	**Country (2020)**	**Score**
1	United States	100
2	China	93.5
3	Germany	90.8
4	Japan	78.0
5	**India**	77.5

Source: Deloitte Touche Tohmatsu Limited and US Council on Competitiveness, 2016 Global Manufacturing Competitiveness Index

The key drivers for the analysis of global manufacturing competitiveness are:

1. Talent
2. Cost competitiveness
3. Workforce productivity
4. Supplier network
5. Legal and regulatory system
6. Education and infrastructure
7. Physical infrastructure
8. Economic, trade, financial, and tax system
9. Innovation policy and infrastructure
10. Energy policy
11. Local market attractiveness
12. Healthcare system

1.3 Focus country performance by key competitiveness top two drivers:

	United States	Germany	Japan	South Korea	China	India
Talent	89.5	97.4	88.7	64.9	55.5	51.5
Cost competitiveness	39.3	37.2	38.1	59.5	96.3	**83.5**

Source: Deloitte Touche Tohmatsu Limited and US Council on Competitiveness, 2016 Global Manufacturing Competitiveness Index

From the above chart we can see that India is more cost competitive than other countries. China leads among all countries.

1.4 Micro, Small and Medium enterprises:

The micro, small and medium enterprises have been defined by their investments in equipments, plants, and machineries.

Description	Service enterprises(investment in equipments)	Manufacturing enterprises (investment in plant & machinery)
Micro Enterprises	Does not exceed Rs. 10 Lakh	Does not exceed Rs. 25 Lakh
Small Enterprises	above Rs. 10 Lakh & up to Rs. 2 Crore	above Rs. 25 Lakh & up to Rs. 5 Crore
Medium Enterprises	above Rs. 2 Crore & up to Rs. 5 Crore	above Rs. 5 crore & up to Rs. 10 Crore

(As Per Micro, Small & Medium Enterprises Development (MSMED) Act, 2006)

2. Key challenges before Micro, Small and Medium sized Enterprises:

Micro, Small and medium sized enterprises have to face several challenges while competing with large players of this industry. The key challenges before them are:

- Low capital base and funds for re-investment.
- Unawareness of business opportunities.
- Lesser exposure to international environment.
- Obsolete Technology.
- Poor infrastructure.
- Lack of negotiation power.
- Poor negotiation powers due to fragmented nature of industry; which in turn limits their pricing power.
- Product substitutes due to fast-changing technology.
- Accessing expertise and quality networking.
- Lack of availability of skilled manpower to handle automation and new technologies.
- Lack of high end technology and automation.
- Lack of clear definition of processes in auto component manufacturers leads to increased cost.
- Cost pressure arising out of exchange rate fluctuations due to import of auto components.
- Attrition rate of contract labour employed in this sector is as high as 30–40Percent
- Inefficient marketing strategy.
- Sub-optimal scale of operation.
- Supply chain inefficiencies.

3. Measures to make MSMES Cost Competitive:

Addressing their challenges and risks will be crucial to promote micro, small and medium size enterprises. Some of the measures to make them more confident on domestic and global platform are the following:

3.1 Low cost Automation and robotics:

Low-cost automation (LCA) is reduction of manual content without changing the basic design with low investment. It helps in reduction of manufacturing costs, process time, increases productivity and quality. It helps in better utilisation of material and reduces the rejection rate. However, automation and robotics seems to be difficult for micro, small and medium size enterprises due to the constraint of investment.

How to get fund for automation and technology up-gradation?

SIDBI (Small Industries Development Bank of India): SIDBI offers number of schemes for MSMEs. TIFAC-SIDBI Revolving fund for technology innovation **(SRIJAN Scheme**) is debt funding to MSME for development, up scaling, innovation, and commercialisation of technology based projects (un-proven technology, new product, new process). Maximum amount of loan under this scheme is INR 100 lakh per project at the interest rate of not more than 5% per annum. New scheme of SIDBI is **SMILE** (Soft Loan fund for Micro Small & Medium enterprises). Under this scheme, loans will be provided for expansion, modernisation, and technology up gradation. SIDBI has launched SIDBI-Mitra mobile app for MSME loan clients for their convenience.

ASPIRE-a scheme for promoting innovation, rural industry and entrepreneurship: According to the report of Entrepreneurial Finance Lab of United States, there is a credit gap in MSME of India and 92 percent of this sector lacks formal credit facility. Government has taken necessary measures to ensure credit facility to MSMEs. Confederation of Indian Industry has set up an 'Online Finance Facilitation Centre for SMEs' to provide advisory and credit facilitation support. ASPIRE aims to promote rural entrepreneurship and innovation with the proposed corpus of 200 crore. Make in India campaign has proposed to launch 10,000 crore venture capital fund for MSMEs.

There are number of financial institutions and banks offering loans to micro, small and medium enterprises for the modernisation, expansion, and technology up gradation.

3.2 IT Enabled Services (ITES):

The increase in the use of IT solutions such as Enterprise Resource Planning (ERP) and Manufacturing Execution Systems (MES) facilitate the flow of information throughout the organisation, and helps to optimize the production activities from the receipt of order to delivery of finished goods.

3.3 Research and development activities and innovations:

Who can help MSMEs in research and development?

AIEMA (Ambattur Industrial Estate Manufactures Association): It was started in 1963 and represents the industrial units of Ambattur. It has more than 800 plus members and represents a vast majority of small scale industries. AIEMA has created technology centres for training programmes and technology up gradation of its members.

ACMA (Automotive Component Manufacturers Association): ACMA is an association of auto component manufactures. It organises buyer-seller meets, trade fairs, seminars, lectures, publications, and cluster development programme.

National Automotive Testing and R&D Infrastructure Project (NATRiP): National Automotive Testing and Research & Development Infrastructure Project (NATRiP) is a project developed with the collaboration of Government of India, a number of State Governments and Indian Automotive Industry. It aims to create core global competencies in automotive sector of India.

CIPET (Central Institute for plastic engineering & technology): Central Institute of Plastic Engineering & Technology is in the forefront in offering training, testing, and consultancy services in different disciplines of plastic engineering.

3.4 Reverse engineering:

Small and Medium size enterprises suffer from the lacunae of heavy investment on research and development activities. Reverse engineering can be helpful for them to understand the process, remove the demerits, and identifying the scope to reduce the cost. Tata Nano is one of the best examples of reverse engineering. Tata introduced the Tata Nano for the price conscious consumers in India in 2009 and now Tata plans to launch Tata Nano in Europe and U.S. with the name Tata Europa. Small and medium sized enterprises can explore the technologies adopted by large players of this industry.

3.5 Competing on labour cost:

Labour cost per hour in emerging economies is lower than developed economies.

Manufacturing labour cost per hour and growth trend (in US $)

	United States	Germany	Japan	South Korea	China	India
1995	17.2	30.4	23.4	7.3	0.3	0.7
2005	30.1	38.0	25.3	15.1	0.7	0.9
2015	38.0	45.5	24.0	20.7	3.3	1.7

Source: Deloitte Touche Tohmatsu Limited and US Council on Competitiveness, 2016 Global Manufacturing Competitiveness Index

Peer average labour cost is $18.7. Manufacturing labour cost in India (estimated at US$1.72/hour in 2015) is among the lowest in the world. However, skilled workforce is a boon for any industry. Skilled workforce is required to handle sophisticated software for design, such as Pro-e, Catia, unigraphics, for handling Computerised Numerical Controllers (CNCs), and to understand and apply concepts such as Kanban, Just-in-Time (JIT), Total Productive Maintenance (TPM), Dealer network development, and product designing.

How to get help to train workforce?

SISI (Small Industries Service Institute): SISI are set up in each state of India for consultancy services and training to the entrepreneurs of small scale industries. It also advises central and state government on the policies regarding the development of small scale industries. It also helps in testing of raw materials, and quality control.

Federation of Automobile Dealers Association (FADA): It conducts frequent training sessions for dealers, sales executives and managers to enable them in making better sales.

SFURTI: Scheme of Fund for Regeneration of Traditional Industries

SFURTI is a scheme of funding for regeneration of traditional industries for cluster development of Khadi and village industry and coir enterprises. The amount of fund approved is Rs. 13,558.96 lakh. The Ministry of Micro, Small and Medium Enterprises is providing rural industries to high end, high-tech programmes for enhancing the training capabilities of tool rooms, development Institutes and others.

3.6 Lean manufacturing:

"In manufacturing the only way you can become cost competitive is by adopting lean technologies. And we have found our own approach."-Baba Kalyani (chairman of Kalyani Group)

According to Womack and Jones, "lean" connotes the utilization of all inputs in lesser quantities. Lean manufacturing refers to the reduction or elimination of waste (known as muda in Japan) or any activity which is supposed to be waste or not adding any value to the process. It helps in reduction of level of inventory, reduction in cost, and improvement in stock turnover.

There are number of institutions assisting in the adoption of lean manufacturing processes and provides on-site training also.

3.7 Total Quality Management (TQM):

Total quality management was laid out by Deming and Juran in 1940s which was rediscovered in United States in 1980s. The full fledged quality philosophy of Deming and Juran was outlined by 14 points of management. It helps to increase quality and productivity.

Sundaram Clayton Limited adopted total quality management (TQM) processes in the late-1980s. Prior to introducing TQM, the company had a man to machine ratio was 3:1 leading to wastes and inefficiencies.

3.8 Six Sigma:

Six Sigma is a measurement based strategy oriented towards customer satisfaction by eliminating defects (not producing 3.4 defects per million opportunities). *It was introduced by an engineer Bill Smith working in Motorola in 1986.* It redresses the problems of waste issues and removing defects with variation in design and technologies for achieving business excellence. It encompasses all the issues from manufacturing and software development to sales and service delivery functions.

3.9 Total Plant Maintenance (TPM):

TPM is the system devised for the maintenance of plant and equipment to improve its efficiency. It targets to improve the efficiency and effectiveness of plant and equipment to achieve zero defects, zero accident and zero breakdowns. It is intended to strengthen the efficiency from the shop floor to the executive boardroom and designed to inculcate zero accident, zero defect and zero breakdown. *It was introduced and first implemented by Nippon Denso in Japan.*

3.10 Value analysis:

Value analysis was conceptualized by Lawrence Miles of General Electric Company in 1945. Value analysis is a detailed analysis of product or process with the purpose of reduction in cost. It relates the costs of components with their functional contributions. Value analysis is a systematic application of techniques which helps in cost reduction without compromising with quality, functions, and reliability.

3.11 Supply chain Management:

Manufacturing industry supply chain is highly dependent on MSME. Supply chain management starts with procurement of material, transportation, warehousing and at higher end it relates to the maintenance of customer relationship. MSMEs employ more than 80 million people with approximately 36 million units. The management of supply chain will help to reduce cost and enable them to be cost competitive.

4. Role of Cost and Management Accountant:

Cost and management accountant plays a vital role in controlling and reduction of cost. He/she is primarily responsible for collection, analyzing, and submitting the cost data to the management. Cost accounting standards (issued by Institute of Cost Accountants of India), standard costing, budgetary analysis, and preparation of cost sheet are helpful in controlling costs and the cost and management accountant is well versed with all these. Cost and Management accountant is well equipped with the application of tools and techniques of cost reduction, and cost control and can help the MSMEs to achieve their target.

Conclusion

Micro, Small and Medium Enterprises have emerged as a dynamic sector of Indian economy. This sector comprises of nearly 36 million units and provides employment opportunities to 80 million people. More than 6000 products are manufactured by this sector and it contributes 8% to the GDP of India. Government of India offers several programmes in diverse areas like financing, technology, innovation, market information, technical training and developmental assistance to the MSMEs. The major challenges before them are to achieve economies of scale, automation of work, proper deployment of resources, and reduction of cost. Several industries within the Indian economy including automobiles, machine tools, steel, aluminium, rubber, plastics, electronics, forging and machining depend on the growth of MSMEs. Automotive Mission Plan (AMP) 2026 envisions that by 2026 India will be the leader in production and sale of small cars, two wheelers, three wheelers, buses, and tractor. Also, India will be the third largest producer and seller of passenger vehicles and heavy trucks. The contribution of auto component industry will be 12% in GDP of India by 2026. Make in India campaign urges to push the growth of manufacturing sector by 10 percent annually and to reach the contribution of manufacturing sector in India's GDP to 25% by the year 2022. But, how it will be achieved without making the micro, small and medium size enterprises efficient! Cost competitiveness will certainly play a pivotal role and will drive the SMEs of manufacturing industry from complexity to confident. MA

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AT THE HELM

Our heartiest congratulations to CMA Santi Gopal Choudhuri, Associate Member of the Institute of Cost Accountants of India, who assumed the charge of Director (Finance) of Tripura State Electricity Corporation Ltd. (A Govt. of Tripura Enterprise) on January 16, 2017.

CMA Choudhuri has about 35 years of experience in different industrial sectors involving all facets of finance & accounting function and in particular, long term financial planning, investment appraisals, formulation of capital budgets, resource mobilization and corporate accounts. Prior to taking up this assignment, he was working as General Manager (Finance), TSECL. He is also an Associate Member of the Institute of Companies Secretaries of India.

We wish CMA Santi Gopal Choudhuri the very best for all his future endeavours.

DIGITAL MANUFACTURING –

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Manufacturing refers to '*the process of converting raw material, components or parts into finished goods to meet the consumers' expectations*'. The process of converting raw material into finished goods can be done either manually (Human), using mechanically (Machines), using technology (Computers) or using robotics (Sensors).

A BOON TO COMPETITIVE EDGE

There are different types of manufacturing viz (i) Discrete Manufacturing such as Automotive, Engineering, Fast Moving Consumer Durables (FMCD) and Fast Moving Consumer Goods (FMCG), (ii) Batch Manufacturing such as Food & Beverages, Pharma, (iii) Continuous Processing such as Petrochemicals, Oil and Gas, Fertilizers and (iv) Utilities such as Power Generation, Water Management and Waste Management etc.

With the change in time, manufacturing techniques are also changing rapidly as modernization and modularization reduces the time and cost of converting raw material or components or parts into finished goods.

First industrialization started with the advent of James Watt discovered steam engine to power machinery, locomotives and ships. By the end of 18th century it became possible to manufacture products more quickly than earlier. (R)evolution went on to second level to access electrical power and introduction of assembly line. At the beginning of 20th century, assembly lines allowed division of production processes, employees became more specialized thereby production costs were reduced significantly. It was during 1970's manual production processes were taken over by machines and use of electronics, computers and information technology in manufacturing was accelerated to augment third industrial (r)evolution. Today, we are at the tipping point fourth industrial (r)evolution or Industry 4.0 can also be referred as *Digital Era* or *Smart Era*

Digital Manufacturing or Smart Manufacturing

Digital Manufacturing is 'the process of converting raw material, components or parts into finished goods by using an integrated, computer based system comprises of sensors, simulation, three-dimensional (3D) visualization, analytics and various collaboration tools facilitating real-time business decisionsto meet dynamic consumer expectation.'

Digital Manufacturing is 'an integrated set of tools that work with product definition data, to support tool design, manufacturing process design, visualization, modelling and simulation, data analytics necessary to optimize the manufacturing process.' Digital Manufacturing is all about driving digital value chains and in the process of creating more agile and market focused competencies.

PLM Software

Product Life Cycle Management Software is key to Digital Manufacturing. PLM software is an application that provides 360° support to manage the entire lifecycle of a product from inception, through engineering, design and manufacture to service and disposal of a product. PLM is a process management frame work to help to connect, organize, control, manage, track, consolidate and centralize all mission critical activities that effects a product. A typical PLM manages data, people, business processes and manufacturing processes.

Elements of PLM

PLM Consists of various elements viz Computer Aided Design (CAD), Computer Aided Engineering (CAE), Product Data Management (PDM), Computer Aided Manufacturing (CAM), Manufacturing Execution System (MES), Overall Equipment Effectiveness (OEE) Software

Computer Aided Design (CAD): It is a software used to aid in creation, modification, analysis and optimization of designing of a product

Computer Aided Engineering (CAE):It is a software used to aid in engineering analysis and to simulate engineering aspects in designing a product. It includes validation and optimization of products, processes and manufacturing

Product Data Management (PDM):It is a software used to manage data and process related information of a product (s) in a single centralized system. This information includes models, part numbers, manufacturing instructions, requirements, spares data, versions etc.

Computer Aided Manufacturing (CAM): It is a software used to control machine tools and machinery in a manufacturing process. A design generated using CAD and verified by CAE can be input to CAM.

Manufacturing Execution System: It is a control system with an arrangement and operation of machines, tools, material, people and information to produce tangible product whose success is characterized by measurable parameters.It is a physical system which converts input into output.

Overall Equipment Effectiveness:OEE software is used to determine the availability, performance and quality of an equipment (machine) in each period. This is used to track downtime of an equipment whether it is preventive or breakdown maintenance.

Enterprise Resource Planning:"An ERP (Enterprise Resource Planning) is an integrated Business Process Management System that integrates all business processes, resources, functions and departments in an organization and facilitates automatic transfer of data between the above."

Internet of Things (IoT): The latest buzz word IoT, is a network of internet or network enabled objects connecting the unconnected. It may be Machine to Machine (M2M) or Machine to Person (M2P) or Person to Person (P2P) or group of these with an objective of exchanging data between and among them. IoT connects the unconnected by establishing link between people, process and data.

A well-structured ERP connecting with modern IoT devices provides accurate and comprehensive real-time information about the shop-floor empowers to make informed decisions which helps in reducing non-value added activities thereby leading to improved quality and productivity.

Apart from the above operational tools Supervisory Control and Data Acquisition (SCADA), Radio Frequency Identification (RFID) tags, 3D Printing, Simulation Software's, Sensors, Robotics, Cloud Computing, Big Data, Business Analytics, Internet of Things etc. are also playing significant role in Digital Manufacturing.

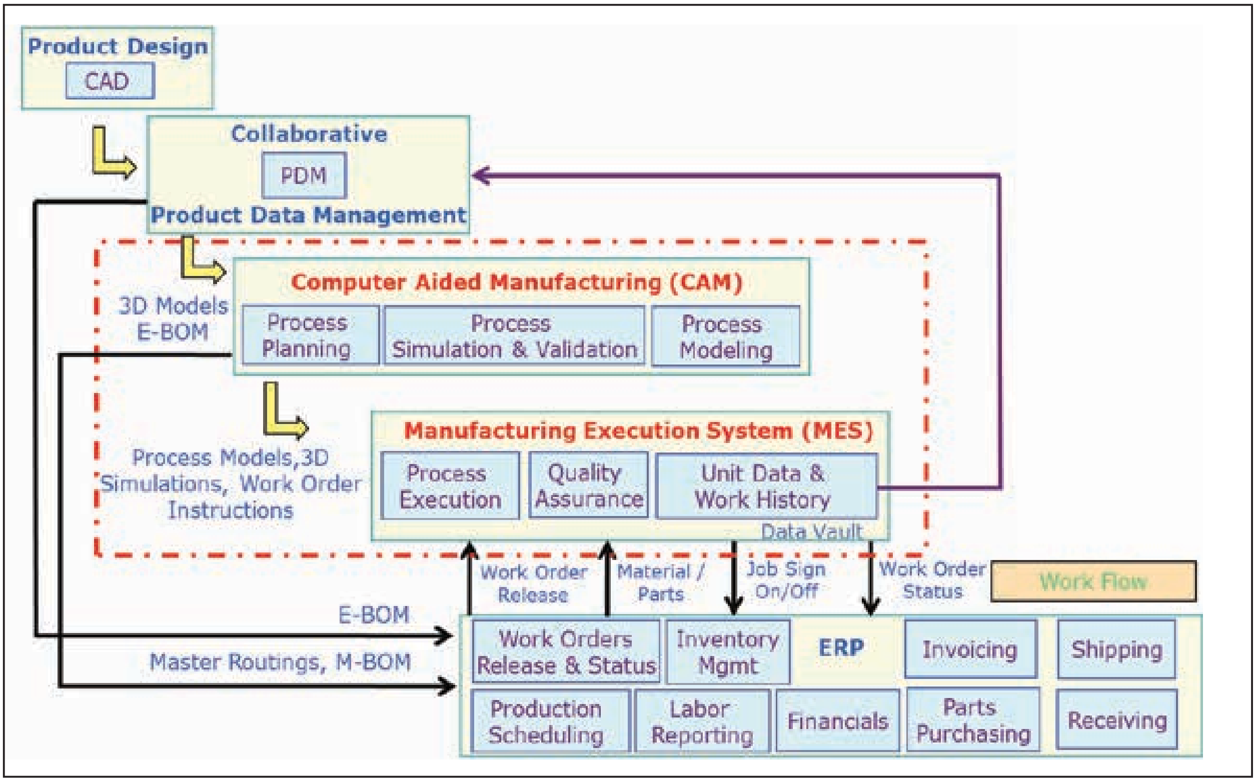

Figure 1: An over view of Digital Manufacturing

Competitive Edge:

Competitive Edge as per Cambridge Dictionary is "*The fact that a company has an advantage over its competitors*" In other words, it is the firm's ability to produce goods and services more efficiently than its competitors. The two basic forms of competitive edge are (a) Cost Leadership and (b) Differentiation. The former creates a comfort to the firm in fixing lower prices over the firm's competitors and the later creates a comfort to the consumer in choosing the firm' product.

In today's market place, there are many products and services to fulfil the needs of customers. It is the firm's ability to identify and exploit the different features of a product or service and prove that these features are better than the competitors. Achieving competitive edge can be determined with respect to increase in sales and market share, increased profit margins, survival in the market for a longer time, innovation and after sales service. In a manufacturing concern, operational excellence is an important factor which determines the sustainability of a product or firm in turn reaching to the edge of competition. Competitive Edge of any manufacturing company today lies in the ability to improve the efficiency of resource utilization by eliminating wastes. Waste is something that adds NO value to the process or product or service There are seven deadly wastes generally manufacturing firms are prone to.(i) Transportation (unnecessary movement of goods either physically or electronically not adding value to the customer)(ii) Inventory (piling-up of stock not following EOQ), (iii) Motion (un-necessary movement people and equipment's), (iv) Waiting (waiting to receive input from previous process due to work imbalances), (v) Over Processing (excess activity or performing operations than required),

(vi) Over Production (producing in excess of requirement- piling-up of work in process) and (vii) Defects (incorrect work performed not as per quality standards leading to reprocessing)

Digital Technologies provide tools to achieve operational excellence, though the companies may initially have to invest in huge capital expenditure but it can be quickly recovered in a shorter period. Digital Manufacturing processes eliminates all the above wastes and provides greater comfort to the shop floor. The following table highlight the nexus between Digital Technology and Competitive Edge.

Digital Manufacturing Vs Competitive Edge

Element	Function	Outcome	Competitive Edge
Computer Aided Design (CAD) / Computer Aided Engineering (CAE)	CAD is a software is used for detailed engineering of 3D, 2D drawings of components throughout the engineering process from conceptual design, development and upto product stage	Digital Development of Products.	Enhanced Product design, efficient use of plant layout. Adaptability to faster changes in design. Reduces cycle time and cost of designing
Product Data Management (PDM)	PDM is responsible for management and publication of product data. It's also known as version control	Global Collaboration across the value chain	Quick retrieval of product data, tracking product specs facilitates to create another product with slight changes
Computer Aided Manufacturing (CAM)	CAM is a numerical control application technology used in succession to CAD/CAE which facilitate automatic manufacturing process	Simulation of Production Processes	Tinier cycle-time of machining and assembling activities. Accuracy in product specifications and higher throughput thereby lower cost of production.
Manufacturing Execution System (MES)	MES is a control system that manages and monitors work-in-process of a shop-floor. It keeps track of factory data and monitors the entire manufacturing information on real-time basis.	Complete over view of the Manufacturing Process	Captures costs accurately, reduction in waste and scrap, minimal down time, reduced inventory and reduces time to market. Streamlines process.
Overall Equipment Effectiveness (OEE)	OEE considers various sub components of manufacturing process-availability, performance and quality	Evaluation of effectiveness of a manufacturing operation. Perfect production	Reduced equipment down time, early identification of bottlenecks, increased quality & productivity
Enterprise Resource Planning (ERP)	Integrates all functions of an organization	Real-time decision support	Data availability from single source,reliability, responsibility, responsiveness and quick decisions,
Internet of Things (IoT)	Connecting the Unconnected machines, equipment's, people, processes through network	Sensor based functioning, machines and equipment talking to each other.	Minimal manual intervention, perfection in process and product. Early warnings could reduce machine down time.

Digital Manufacturing Enables Operational Excellence in Manufacturing Operations Leading to Competitive Edge (Case Studies)

Digital Technologies provide tools to achieve operational excellence, though the companies may initially have to invest in huge capital expenditure but it can be quickly recovered in a shorter period

Case Study 1: Plant production increased eight-fold without expanding production area.

Siemens Programmable Logic Controllers (PLCs) factory at Amberg, Germany manufactures 1,000 versions of the product which controls machines and plants and automate the production process. At this factory, the production is highly automated products communicate with machines and all process are optimized for control through Information Technology resulting in minimal failure of machinery. The plant production increased by eight-fold without expanding the production area and without much increase in number of employees giving a production quality of 99.9988%. In another example, Bosch achieved 25% output improvement for its Automated Breaking System (ABS) and electronic stability program production with the introduction of smart connected lines.In India, Mahindra & Mahindra's Nasik plant, robots are building car body while a similar scene plays out at Tata Motor's Pune plant.In a job for a sister company, Eicher Engineering Components, one of the gear manufacturer has used FactoryCAD and could design the expansion in such a way that they could increase capacity by a factor of almost five times without additional land.

Case Study 2: Reduction in Capex by using plant simulation

A stamping supplier to a leading Indian automotive company hired Digital Manufacturing solution team to build a new facility to meet a mandated production increase. As per internal calculation of the company it would need 19 stamping machines at a cost of $250,000 each to achieve target capacity. Using Plant Simulation, Digital Manufacturing solution team suggested 14 stamping machines and additional one machine as standby. This saved the company cost of 4 machines worth $1 million! Of course, Opex too is also a savingon 4 machines.

Case Study 3: LG Display integrated 7 different systems and created a unified process data review resulting in better decision making.

LG Company, manufacturer of LCD panels had been using disparate Manufacturing Execution System (MES) in each of its plants and it was facing challenges with data standardization, standards of production information and hardware profiles. Company wanted to integrate all the MES with their existing ERP to make their business real-time. They also wanted to consolidate decision making systems by processing and displaying real-time information through ERP. The company integrated multiple areas of its IT systems including ERP, Master Date Management, Element Management System (EMS), Manufacturing Execution System (MES), Supply Chain Management (SCM) and Data Warehouse. Thus, the company could have a unified process data view of 9 overseas offices of LG display. Through data standardization and process re-establishment, systematic data connection and integration made it possible resulting better decision making across foreign offices.

Epilogue

Digital manufacturing, which has till recently adopted by large manufacturing setups gaining importance in mid-sized manufacturers. The future is towards Digital Factories, Digital Money and Digital India!

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Authors 22 years of practical experience in manufacturing setups as a Cost and Management Accountant, Business Analyst, Controller, SAP FICO Consultant and CFO of Six Sigma Projects

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Empirical Study of FIRM VALUE & CORPORATE GOVERNANCE for Select Small Cap Companies

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> *Impact of bad governance of corporations is not only limited to the corporation itself but also significantly impacts other stakeholders like – the suppliers, customers, employees, society and the country*

Early forms of business were very simple - starting with individual ownership to groups or firms. However with requirement of more capital and more complicated nature of business the form of business started moving more towards a corporate structure. More and more businesses started getting setup in a company format.

While with the simpler format of business the ownership and management of business was not very different. In case of companies there is a clear difference between owners (Shareholders) and managers (Board and Executives). The corporatization therefore brought about more complication on how the activities were managed with view of maximization of shareholder value. It became all the more important to ensure that the corporations were managed and run in a manner that was not detrimental to any of the stakeholders. This led to the concept of Corporate Governance. Impact of bad governance of corporations is not only limited to the corporation itself but also significantly impacts other stakeholders like – the country, suppliers, customers, employees and society.

The Institute of Company Secretaries of India defines Corporate Governance as

"Corporate Governance is the application of best management practices, compliance of law in true letter and spirit and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders"

Corporate Governance is all aboutethical conduct of business by corporations. It is more particularly relevant since in a corporate setup since there are conflicting interests of the parties involved. For example the shareholders and investors are interested in getting best return on their investment. Whereas the management is interested in getting best compensation, bonuses and position at the same time the employees look for a fair and rewarding work environment. The intent of corporate governance is to help align these varied interests while managing the corporation.

In order to propose better governance the Government of India and SEBI took up various steps. These steps led to formulation of clause 49 of the Listing Agreement which codified the corporate governance norms and then further had influence on the formation of the new Companies Act 2013. The clause 49 of Listing Agreement lists out all the governance activities that listed companies has have to undertake.

While all listed companies are bound by Listing Agreement and therefore clause 49 of the Listing Agreement some manage to comply with the mandatory governance activities while other undertake more voluntary activities as well. Finally the corporate governance activities give investor's confidence and therefore it impacts the market value of the company directly or indirectly. Well governed companies should find it easier to raise capital and should in theory have more market value than the poorly governed companies.

An effective Board of Director underpins good Corporate Governance for any company. As per the Cadbury committee report "Corporate governance is the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the board include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. The board's actions are subject to laws, regulations and the shareholders in general meeting."

There are different type of Board Structures in different countries. Some have a two tier board one at more executive level and another at more governance and strategy level. In India the concept is of a "unitary board" which is similar to what is also in UK. Cadbury committee had pioneered some International Standards about board effectiveness. These standards include

1. Having right mix of executive and non-executive directors and independent directors that work under a Chairman
2. The role of Chairman is an important role and by principle it should be separate from the role of Chief Executive. Where the Chairman is also the Chief Executive there will be too much concentration of power and therefore it is important the board has strong independent directors
3. At least three non-executive directors should be on the board and at least two of these should be independent

directors.

4. In view of the control element brought in by the non-executive directors it is important that the directors are trained well. They get right access to information for doing their duties and a proper evaluation of board effectiveness is done at regular interval
5. There should be a well-structured audit committees, appointment committee and remuneration committee of the board.

Similarly on topic of reducing corruption and protection of whistle blower the G20 countries brought out a whistle blower plan. The intent was to protect the whistleblowers who report in good faith suspected acts. At time after such reporting they are subject to discriminatory and retaliatory actions. The whistleblower policy is not restricted only to government sector but also extends to private sector. The whistleblower policy is now a part of any good corporate governance framework.

Review of Literature

The topic of Corporate Governance has been studied in lot of detail in the developed countries. This is so because the size and importance of the Corporations in developed countries was much more even when it was in developing stages in India.

Naveen Kumar &J P Singh (2012) did a study to examine the efficacy of outside directors on the boards of 157 non-financial Indian companies for the year 2008. The research indicates that whereas independent directors have a positive but not significant impact on firm performance there is clearly as negative impact of "grey" directors on firm performance.

N Bhardwaj and Dr. Batani Raghavendra Rao (2014) studied firms which are part of CNX Nifty Index for their corporate governance practices and benchmark it with requirement of clause 49. This study found that majority of the companies are following the mandatory provision of the clause 49 whereas some companies are doing disclosures even beyond the mandatory requirements.

N Sharma and Surya Prakash Rathi (2014) did a study to conceptualize corporate governance in Indian context and understand the factors that influence corporate governance in India. The study concludes that the new Companies Act 2013 and SEBI's proactive actions paint a positive future for corporate governance in India. They opine that Indian corporate governance system is characterized by strong laws but poor implementation.

Palanisamy Saravanan (2012) did a study of manufacturing firms listed on the Bombay Stock Exchange (BSE) to determine the impact of corporate governance in determination of firm value. The study found that the firm value is significantly affected by the corporate governance variables (specially board size) for selected manufacturing firms.

Research Gap Identified

It is clear from the review of literature that a lot of study has happened on the exploratory approach on the topic of corporate governance. There is limited and little study done on aspect of quantification of the Corporate Governance topic. Also not many attempts have been seen to compare practices of practices in specially in Small cap companies. There is also a need to see if corporate governance has any impact or relation to the value of the company. This study aims to explore into these aspects.

Scope of Study

The proposed study intends to look at select 31 (thirty one) small capitalization companies listed on National Stock Exchange (NSE) to see if there are any major changes for such companies from year 2011-12 to 2014-2015. And also to see if there is any relationship between various corporate governance practices and company valuation.

A purposive sampling was done to find to look at growing companies to see if there is relationship between corporate governance and market value that can be noticed.

Research Questions

1. What are the corporate governance practices of selectsmall cap companies listed on NSE during the periods 2011-12 and 2014-15?

2. Is there a relationship between corporate governance practices and corporate value?

Data Collection

Data collection for the research is done by way of looking at the disclosure on corporate governance that companies provide in their annual reports. All of the data used in the report is secondary and picked up from published reports by listed companies.

Data Analysis

Using the CNX SMALLCAP index published by NSE a list of stocks was taken and 31 companies were selected from those that constitute the index. For all of these selected 31companies the Annual Reports for the periods 2011-12 and 2014-15 was selected and downloaded from the company websites.

The Annual reports were then parsed for various data elements like the details of composition on board. The certifications and details on corporate governanceand Auditors report. For each annual report the book value per share was collected and compared with the Average stock price for the last month of the year. A five point score was given for each of the companies for each year based on the parameters like – Number of Independent Directors, Number of Women Directors, Existence of a Whistle Blower or Vigilance Policy, Number of Non Exec Directors and Number of Board Meetings in the Year.

This five point score (CG Score) was compared with the ratio of Market Value (MV) to Book Value (BV) of shares. All other things being equal the higher the compliance score the higher should be the ratio of MV to BV. Finally there was also a tabulation and comparison of how the score evolved from 2011-12 to 2014-15 specially given the fact that the compliance regulations specially about Whistle Blower policy also evolved over that time.Data analysis tools like correlation analysis, scatter diagramand descriptive statistics were used to analyze data relationships of data.

For one company (Hexaware) the year followed by the company was a calendar year so annual reports of 2011 and 2014 were referred rather than financial year. For one company (Renuka Sugars) the annual report was for 18 months rather than just 12 months.

Table 1 - Five point corporate governance score - descriptive statistics

CG SCORE 2011-12

Mean	3.42
Standard Error	0.17
Median	4
Mode	4
Standard Deviation	0.92
Range	4
Minimum	1
Maximum	5
Sum	106
Count	31

CG SCORE 2014-15

Mean	4.35
Standard Error	0.14
Median	4
Mode	5
Standard Deviation	0.75
Range	3
Minimum	2
Maximum	5
Sum	135
Count	31

The Table 1 shows the evolution of the five point CG Score from 2011-12 to 2014-15. Clearly there was increase in the overall score with more and more companies adopting better governance practices also at the same time the changes in the clause 49 also lead to some governance practices like Whistle Blower Policy being more widely adopted in 2014-15. There is clear evidence that more and more firms are adopting the governance norms be it due to more of the norms becoming mandatory or even as a way of better managing the companies. The decrease in standard deviation clearly points to more cohesion in adoption for 2014-15 compared to 2011-12.

Table 2 - Market Value to Book Value Ratio (%) - Descriptive Statistics

Market Value to Book Value Ratio 2011-12

Mean	192 %
Standard Error	32 %
Median	126 %
Range	780%
Minimum	-36 %
Maximum	743 %
Sum	5951 %
Count	31 %

Market Value to Book Value Ratio

Mean	384 %
Standard Error	79 %
Median	198 %
Range	1685 %
Minimum	-114 %
Maximum	1571 %
Sum	11913 %
Count	31%

The Table 2 shows the evolution of the Ratio of Market Value to Book Value. All other things being equal better governance should lead to higher ratio of Market Value to Book Value. Clearly there was increase in the overall score. What is also visible is that the minimum and maximum both increased from 2011-12 to 2014-15. The increase can be associated with various factors like general economic outlook. The phase of the stock market like Bull run or Bear run.

TABLE 3 - COMPARISON OF FIVE POINT SCORE TO THE MV/BV RATIO

GC SCORE	2011-12 MV/BV RATIO	2011-12 MV/BV RATIO
1	-36 %	
2	289 %	210 %
3	152 %	152 %
4	192 %	540 %
5	295 %	292 %
GRAND TOTAL	**192 %**	**384 %**

Table 4 - COEFFICIENT OF CORRELATION FOR THE PERIODS 2011-12 AND 2014-15

COEFFICENT OF CORRELATION	CG SCORE
2011-12 MV/BV RATIO	0.66
2011-12 MV/BV RATIO	0.48

The Table 3 and Table 4 show the evolution of the Ratio of Market Value to Book Value against the Five Point CG Score. Clearly there was positive correlation in both the years under study. The correlation for the year 201-12 is much more than 2014-15 which may be result of other external factors impacting the change in market values like the overall market sentiments.

Table 5 - AVERAGE PROMOTERS HOLDING AND RATIO OF MARKET VALUE TO BOOK VALUE

YEAR ANNUAL RE-PORT	AVERAGE OF MARKET VALUE TO BOOK VALUE RATIO	AVERAGE OF PROMOTERS HOLDING
2011-12	192 %	49 %
2014-15	384 %	51 %

Table 6 - CORRELATION COFFICIENT BETWEEN PROMOTERS HOLDING AND MV TO BV RATIO

2011-12	Average of Market Value to Book value Ratio
Average of Market Value to Book Ratio	1
Average of Promoters Holding	0.408

2014-2015	Average of Market Value to Book value Ratio
Average of Market Value to Book Ratio	1
Average of Promoters Holding	0.444

The Table 5 and Table 6 show the evolution of the Ratio of Market Value to Book Value against the Promoter's holding. There is positive correlation in both the years under study. The correlation may however be misleading given the variety of factors that impact the market value of the firm rather than just promoters holding. From 2011-12 to 2014-15 while the increase in promoters holding is only 2% from 49% to 51% there is a significant increase in the Ratio of Market Value to Book Value which doubles up.

Conclusions

1. There is a clear increase in adoption of corporate governance practices by companies from 2011-12 to 2014-15 the changes in listing agreement regulation is bringing in better practices.

2. There is a relationship between corporate value of select small cap companies and their corporate governance practices that can be discerned from study. However the relationship is weaker in 2014-15 compared to 2011-12. This is because the early mover and pioneer companies that adopted non mandatory parts of clause 49 were impacting the overall scores.

3. The change in corporate governance practices between the periods 2011-12 and 2014-15 do have impact on the value of the select small cap companies. The better the average CG score the higher is the market value ratios.

4. Indian small cap companies are clearly adopting the International best practices which are now codified in the listing agreement.

SCOPE FOR FURTHER STUDIES

The present study is restricted to only Small Cap Companies and there is possibility of doing a similar study also for the Mid Cap and Large Cap Companies to get a better insight into the relationship between market value and promoter's shareholding and between market value and the corporate governance practices. In addition there is also a possibility to do further study on corporate governance by looking into other governance factors outside of just the key factors covered in this study

LIST OF COMPANIES SELECTED FOR THE STUDY

S.No	Company
1	Ajanta Pharma
2	Alok Ind
3	Bajaj Electrical
4	BEML
5	Bombay Dyeing
6	CEAT
7	Cox & Kings
8	DCB Bank

S.No	Company
9	Deepak fertilizer
10	eClerx
11	Escorts Ltd
12	FirstSource
13	Fortis Healthcare
14	GMR Infra
15	Greaves Cotton
16	Gujarat Fluorochem
17	HDIL
18	Hexaware
19	Karnatake Bank
20	Marksans
21	Monsanto
22	Pfizer India
23	Praj Industries
24	ShreeRenuka Sugars
25	Sintex
26	SRF
27	Sun Pharma
28	Suzlon
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THE ADVANTAGE OF BEING BIG

A STUDY OF MANUFACTURING CPSEs

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Economies of scale refer to the benefits to be derived by the big size enterprises when compared to small size enterprises. The benefits spring in all the functional areas including purchasing and storing, production, finance, marketing and distribution. Big size enterprises add different products particularly related products to their existing product line as a part of their expansion process. This results in using the same sources of supplier, machinery, distribution channel and other resources. As a result, these enterprises were able to reducing the cost. Cost of production is usually lower in larger size plants than in smaller ones. This is because of number of benefits of large-scale production. In few cases, the by-product or wastage of producing a product will be used as a raw material for another product.

Reduction in the costs will automatically enhance the profits of the big size firms. As such, profits of the different sizes of the firms differ and the big size firms will always enjoy the status of being big.

Literature Review

J.M.Samuels,. D.J.Smyth, (1969) in their study examined the relationship between size of the firm and rate of return of 186 UK companies. Companies were divided into ten groups based on net assets, a measure of firms size. Ratio of profit before tax to net assets is used as a measure of profitability. Using ANOVA, they found evidences that a firm's size as a significant factor in the determination of its profits.

Massimiliano Celli. (2013) contributed to identify the determinants of economies of scale in large businesses. The study identifies and analyzes the economies of cost that, according to most of the well-established literature, contribute jointly to originate the phenomenon at stake. The study analyzed the information collected through specially designed questionnaires form a sample of business listed on regulated European markets. The aim of the questionnaires is to verify if such companies obtain economies of scale in their productive processes and, if so, to identify which of the cost economies previously analyzed are actually achieved. Specifically, the study tries to overcome a one-way and sole interpretation of the economies of scale phenomenon in favour of distinction in economies of scale.

Ranasalman,. Anwarsalman Ali. (2015) stress on the need for availability of information about economies of scale which are essential for regulatory and organization decisions. Because of its arrangement, the financial business also provides us with an outstanding source of data for measuring the cost function. Economies of scale give a way to businesses for maximizing

Economies of scale refer to the benefits to be derived by the big sized enterprises when compared to small sized enterprises. The benefits spring in all the functional areas including purchasing and storing, production, finance, marketing and distribution. Big sized enterprises add different products particularly related products to their existing product line as a part of their expansion process. This results in using the same sources of supplier, machinery, distribution channel and other resources. As a result, these enterprises were able to reduce the cost. Reduction in the cost will automatically enhance the profits of the big sized firms. The sized of an enterprise plays a major role in determining the profit. As such, profits of the different sized of the firms differ and the big sized firms will always enjoy the status of being big. An attempt is made in this study, to identify whether the different sized of the firms differ with respect to their profitability. The sample sized of the study is seventy five manufacturing Central Public Sector Enterprises (CPSEs) operating in India. These enterprises are divided into three categories based on total assets as on March 2011. Analysis of variance indicates greater difference among the different categories of enterprises with respect to their profitability.

their production and minimizing the cost of that production. Businesses control their cost with the help of internal economies of scale and external economies of scale analysis. This study propose a critical review of the publish literature for clarification of the concept.

Tucker, K. A,(1972) examined the relationship between the size of supermarkets and various aspects of their operating performance. There is in fact very little evidence which relates to size of supermarkets and various aspects of their operating performance. Rather, concerned with more general relationships between size and performance.

Tilley, R.P.R., Hicks, R. (1970) observed that supermarket trading is one of the most competitive forms of retailing, and an area in which modern techniques of management, accounting and marketing are often to be found. One major factor in determining the profitability and performance of retail outlets is the size of their selling areas. For this reason, a study in 1969 analysed the operating performance of a range of supermarkets of different sizes. The study would suggest that the trend toward larger supermarkets may not lead to commercial efficiency and profitability at the branch.

Rajindar, K,. Koshal. (1970) examined economies of scale in bus transport as experienced in India. Estimates of the long-run marginal cost (per passenger-kilometer) for sections of the bus industry are compared with bus fares and with railway costs. The study compared various costs which influenced price with profits in the long run.

Objective of the Study

The objective of the present study is based on the assumption that the big size firms will reap the benefits of being big and can reduce their costs and thereby increase the profits when compared to other sizes of firms. Therefore an attempt is made in this study, to identify whether the different sizes of the firms differ with respect to their profitability.

Hypothesis of the Study

The hypothesis designed for the study is:

H_0: There is no significant difference among the different sizes of enterprises with respect to their profitability.

H_1: There is a significant difference among the different sizes of enterprises with respect to their ratio profitability.

Methodology of the Study

In an attempt to study the benefits of being big i.e economies of scale, the manufacturing sector units of Central Public Sector Enterprises (CPSEs) are selected. There are eighty five manufacturing CPSEs as on March 2015. They belong to Steel, Petroleum, Fertilizer, Chemicals and Pharmaceuticals, Engineering, Transportation Equipment, Textiles and Consumer goods. Data has been collected from the publications of Department of Public Enterprises for a period of five years from 2011 to 2015. Due to incomplete and inconsistent data for ten enterprises, the final sample size of the study is confined to seventy five manufacturing CPSEs. These enterprises are divided into three categories based on total assets which is a measure of firms size as on March 2011 (J.M.Samuels and D.J.Smyth, 1969).The three categories are, the Large size enterprises with a total assets of more than 2000 crores, the Medium size enterprises whose total assets are less than 2000 crores but more than 250 crores and the Small size enterprises with less than 250 crores. Table 1 exhibits the information about the category wise distribution of enterprises selected for the study.

Table:1 Manufacturing CPSEs selected for the study based on Total Assets

(In Crores of Rupees)

Category	Total Assets	No. of Enterprises
Large Size	More than 2000	21
Medium Size	2000 To 250	26
Small Size	Less than 250	28
	Total	75

Ratio of Profit before tax to Total assets (PBT/TA) is used as a measure of profitability (J.M.Samuels and D.J.Smyth, 1969) to test the hypothesis designed for the study. The data is analysed using statistical techniques like ANOVA and the post-hoc test.

Analysis and Inferences

To test the hypothesis designed for the study, Analysis of Variance (ANOVA) is applied. As ANOVA is a parametric test, before analyzing the data, the data has to satisfy important assumptions like the data should be normally distributed and the variance of each sample group should be same. To test the normality of the data, the Shapiro-Wilk test is used. To test the equality of variance, Levene's Homogeneity of variance test is applied.

Sample Characteristics

Results of Shapiro-Wilk test are presented in Table 2. From the Shapiro-Wilk test for the three different sizes of enterprises shows that the data is normally distributed as the significance value is more than 0.05 ($p > 0.05$).

Table:2-Shapiro-Wilk Test of Normality

Size of the Enterprises	Statistic	DF	Sig.
Large Size	0.813	5	0.104
Medium Size	0.951	5	0.742
Small Size	0.791	5	0.069
Total	0.922	15	0.203

Source: Author:s Calculations

A visual inspection of their histograms, normal Q-Q plots and Box plots showed that the ratio of PBT/TA of large, medium and small sizes of enterprises were approximately normally distributed, with a skewness of -0.237 (SE=0.580) and a Kurtosis of -0.926 (SE=1.121) for the total data used for applying ANOVA. Hence, the first assumption to analyse the data using ANOVA is satisfied.

Table:3-Test of Homogeneity of Variance

Levene Statistic	DF1	DF2	Sig
2.851	2	12	0.097

Source: Author:s Calculations

The second important assumption i.e equality of variance among the sample groups is equal is tested by applying Levene's Homogeneity of variance test and is presented in Table 3. The test indicates that the variance of the three sizes of enterprises is equal with a significance value of 0.097 ($p > 0.05$). Another pre-requisite of ANOVA is also satisfied. The average ratio of profitability of large, medium and small size enterprises are 0.0572, -0.105 and -0.1156 respectively.

Test of Analysis of Variance

Table 4 exhibits the results of ANOVA test. ANOVA decomposes the variance into two parts. First one is 'between the groups' and the second is 'within the groups'. F-statistic is obtained by dividing mean squares between the groups by mean square within the groups. In the present analysis, the mean square between the groups is more than mean square within the groups and the resulting F value is large with a value of 80.931.

Table:4- Analysis of Variance (ANOVA)

	Sum of Squares	DF	Mean Square	F-Statistic	p-value
Between Groups	0.331	2	0.166	80.931	0.000
Within Groups	0.025	12	0.002		
Total	0.356	14			

Source: Author:s Calculations

This indicates greater difference among different sizes of manufacturing CPSEs with respect to their profitability. This difference is also statistically significant at 1 per cent level of significance ($p < 0.01$). Hence, the results of ANOVA clearly indicate that the enterprises differed significantly with respect to their ratio profitability and now there is a need to analyse further how the three categories differ from one other.

POST-HOC Test

To facilitate pair-wise comparison of group means, analysis of data should be done with the help of post-hoc test. Tukey's Honestly Significant Difference (HSD) criterion is one of the most well-known methods of post-hoc test. This method is applied particularly in the cases of equal sample size. In the present study Tukey's HSD is adopted to find the pattern or relationship between the different sizes of enterprises that would otherwise remain undetected.

Table: 5- Comparison of profitability of Large size enterprises with other two sizes

Comparison between enterprises	Mean Differences	Std. Error	Sig.	95 % Confidence Interval	
				Lower Bound	Upper Bound
Large size and Medium Size	0.1851800	0.0286013	0.000	0.108876	0.261484
Large Size and Small Size	0.3638600	0.0286013	0.000	0.287556	0.440164

Source: Author:s Calculations

The results of post-hoc tests to compare ratio of PBT/TA of Large size enterprises with other two sizes i,e medium and small size enterprises are presented in Table 5. Mean difference indicates the difference between the mean ratios for the last five years of large size enterprises with that of other two sizes. The significance value ($p<0.001$) of the mean differences indicate that the ratio of PBT/TA of large size enterprises differ significantly from the medium and small size enterprises.

Table: 6- Comparison of profitability of Medium size enterprises with other two sizes

Comparison between enterprises	Mean Differences	Std. Error	Sig.	95 % Confidence Interval	
				Lower Bound	Upper Bound
Medium size and Large Size	-0.1851800	0.0286013	0.000	-0.261484	-0.108876
Medium Size and Small Size	0.1786800	0.0286013	0.000	0.102376	0.254984

Source: Author:s Calculations

Table 6 exhibits the comparison of ratio of PBT/TA of medium size enterprises with other two sizes i,e large and small size enterprises. Mean difference indicates the difference between the mean ratio for the last five years of medium size enterprises with that of other two sizes. The significance value ($p<0.001$) of the mean differences indicate that the ratio of profit before tax to total assets of medium size enterprises differ significantly from the large and small size enterprises. From Table 7 we can conclude that the ratio of PBT/TA of

Small size enterprises differ significantly from the large and medium size enterprises with a significance value of 0.00 less than 0.01.

Table: 7- Comparison of profitability of Small size enterprises with other two sizes

Comparison between Enterprises	Mean Differences	Std. Error	Sig.	95 % Confidence Interval	
				Lower Bound	Upper Bound
Small size and Large Size	-0.3638600	0.0286013	0.000	-0.4400164	-0.287556
Small Size and Medium Size	0.1786800	0.0286013	0.000	-0.254984	-0.102376

Source: Author:s Calculations

Table 8 reveals the results of homogeneous subsets which classify the enterprises into homogeneous groups. Alpha 0.05 indicates the null hypothesis that the enterprises in the same column do not differ significantly. Three subsets are defined in the present study with a significant value one (p>0.05). This reveals that the three categories differ significantly with respect to their profitability. No two categories are similar.

Table: 8- Homogeneous Subsets

Size of the Enterprises	N	Subset for alpha=0.05		
		1	2	3
Large Size	5	0.050600		
Medium Size	5		-0.134580	
Small Size	5			-0.313260
p-value		1.000	1.000	1.000

Source: Author:s Calculations

Findings and Conclusion

The data which is collected for the study is normally distributed and the variance is equal among the three different categories of enterprises. Analysis of variance indicates greater difference among the different categories of enterprises with respect to their profitability. No two sizes of enterprises are grouped in a homogeneous subset. With a significance value of 1.00 they differ from one another. From this we can conclude undoubtedly that the large size firms are enjoying the advantage of being big in terms of high profits. Hence, it can be concluded that the size of an enterprise in terms of total assets plays a major role in determining the profit. MA

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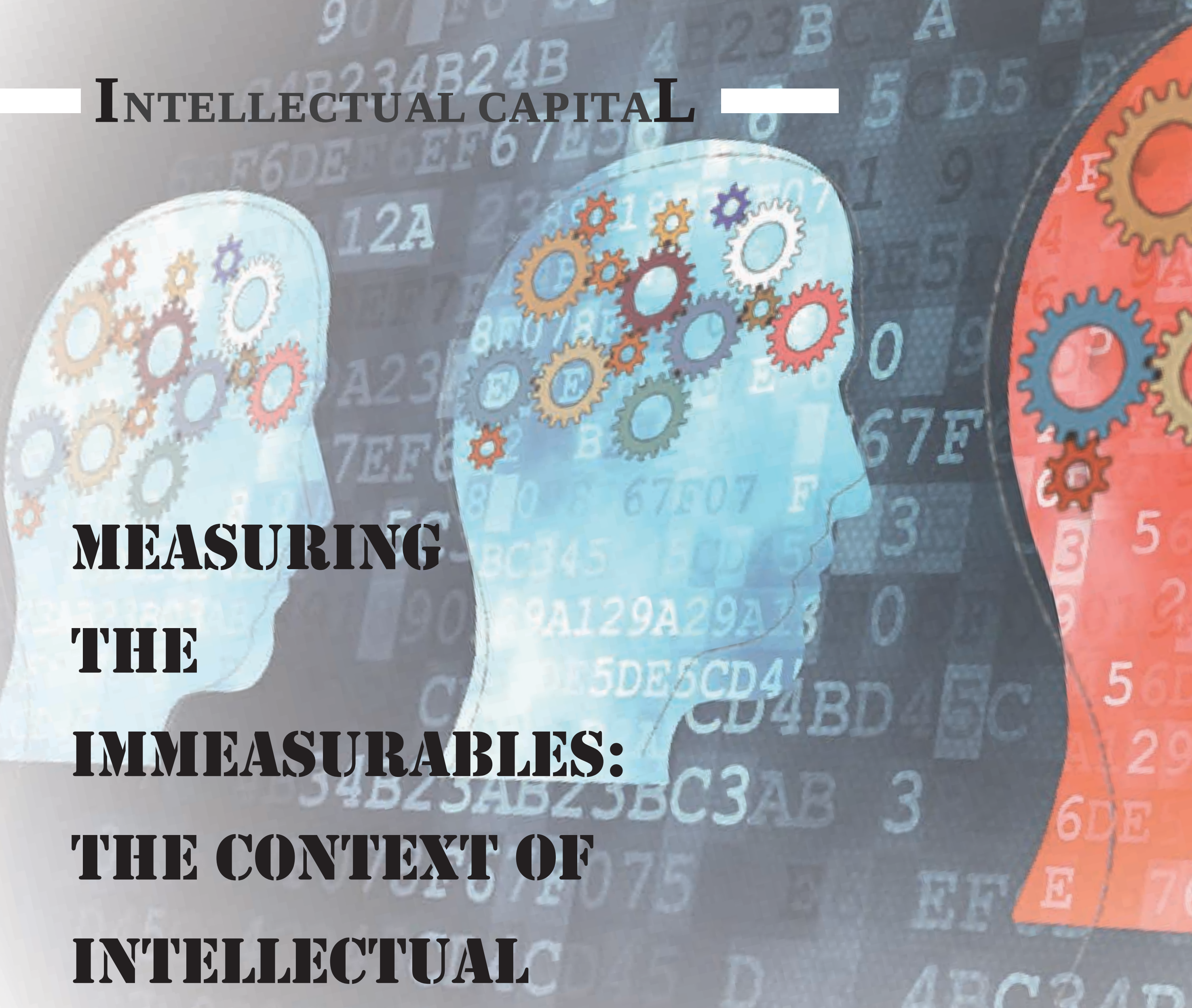

MEASURING THE IMMEASURABLES: THE CONTEXT OF INTELLECTUAL CAPITAL

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The Unsung Advents

In the years to come – and the process has already started – intellectual capital will have a commanding presence both within the commercial organizations and the marketplace. The changeover to the variety of forms of intellectual capital, and the innumerable uses to which they claim relevance, have taken everybody by surprise. The mentation, intellection and ideation processes apart, there is also the godly gift of serendipity, or the chance-happening, that together tend to baffle everyone, until something positive emerges from efforts organized in various directions. The variety and complexity involved in direction of efforts and experiments before something positive emerges in this behalf, create difficulties in determining what would happen from the efforts organized in chosen areas of inquiry. The age-old concepts of measurement are thrown to the winds until something positive comes out of the efforts. Often all these areas of uncertainties are included in what are called intangibles and scholars have attempted to measure them albeit with only partial success. These attempts have been generally accepted as better than nothing though the processes . The context of intellectual capital has been generally considered as a challenge to the generally accepted concepts of measurement for determining the cost of intellectual capital, showing up in a variety of forms and content. The challenge thrown up in the process has called to question the ways of determination of cost incurred in developing intellectual capital of different descriptions – both capital and revenue. Significantly, no one single method may be considered appropriate for determining the cost of all kinds of intellectual capital, some at the mere formative stage and some others proving abortive, while still others resulting in developments not quite anticipated, like indicating a sea-change in the course of inquiry or experiments. On the other hand, Sir J.C.Bose or Sir P. C. Ray took to exercises resulting in the finding of products, processes or features, or simply observations, mostly as part-time pleasurable efforts without any cognizable cost at all, other than the cost of time, going uncalculated altogether. If one were to calculate such costs, one would have to depend on a whole lot of assumptions, not all of which would be logically sustainable. Measurement means dwelling in the realm of at least some exactitude which is just not possible in the case of the play of the human mind that refuses literally to get itself caught in the cobweb called measurement. Exactitude being ruled out, attempts have been made to get into the realm of intangibles, which are incorporeal but which submit themselves to some semblance of measurement, to which a reference is made later. Considering that solicitude has gathered momentum in favour of the issue of intangibility, with supporting models which are but structures of relationship among the significant factors, instead of immeasurability, it is considered relevant to peep into what the contents are there in the realm and also their practical, contextual manifestations in organizations.

Definitional Issues

Merriam Webster's International Dictionary defines 'intangible' as "incapable of being defined or determined with certainty or precision". Though this definition is somewhat different from what the *Concise Oxford English Dictionary* tells us, as quoted later, it encourages Baruch Lev to use the terms 'intangibles, knowledge assets and intellectual capital' interchangeably. He underlines that In the concerned intellectual disciplines, all these terms are used widely but the subtle differences among them are often taken lightly". All three are widely used – *intangibles* in the accounting literature*, knowledge assets* by economists, and *intellectual capital* in management and legal literature – but they refer essentially to the same thing: a non-physical claim to future benefits. When the claim is legally secured (legally protected), such as in the case of patents, trademarks, or copyrights, the asset is generally referred to as *intellectual property (Cf.* Baruch Lev*, Intangibles: Management, Measurement and Reporting, Brookings Institution, Washington,D.C. 2001,p5.) Concise Oxford English Dictionary* defines 'intangible' as "unable to be touched; not solid or real; vague and abstract" (Tenth Edn, p. 735). The practical ramification of what is basically qualitative, rather than quantitative, came for a long time in the way of treating the relevant issues in ascribing values for different concerns of management. The age-old unconcern about applying for patents shown by scholars in the concerned academic disciplines spelt inadequacies like unclaimed exclusivity for different research findings, coming across different novel ideas and relationships of different factors, letting others to get credit for what actually did not belonged to them. These are indeed unlikely incidents the due credit for the discoveries and inventions coming as a result of rather unlikely strikes. One could name Sir J,C. Bose, Professor Satyen Bose and Sir P. C. Ray, among several others, as the fathers of quite a few discoveries and inventions, the credit for which was ascribed to others in other countries. Lack of interest in according exclusivity to themselves and absence of a desire to claim credit legitimately due to them owe not a little due to the absence of properly organized and well-spread out Patent Offices were two sides of the coin. Though consciousness in this regard is growing, it is only at a snail's pace. Indeed it is high time that assessment of the novelty of research findings was organized properly and also impartially, so that something solid could emerge out of the efforts, both jointly and severally. It may be underlined in this respect that research efforts are not necessarily confined or restricted to the sciences, they could as well be extended to other fields. Institutional support in this respect could create necessary environment and the required encouragement on a wide-spread basis rather than being restricted to specific areas or institutions. It may be emphasized in this context that the uncharted areas, crying for more organized inquiries and applying correctives, are numerous, covering both inputs and outputs of numerous varieties – some tradable and others non-tradable. A rather passive attitude has marred the accordance of credit to the right place or person at the right time.

Attempts at Measurement

Some ways of measurement attempted in different related contexts have been discussed in the following paragraphs, *inexactitude* remaining nonetheless. Several models in this respect have been brought into play, in some cases with empirical support, though the cloudy atmosphere has remained rather unabated, albeit the attempted sophistication. Reference has been made to the mentation and intellection processes – the preliminary stages of weighing the possibilities of various alternative ways of finding something new, culminating in either products, or processes, of wide use in general, or relevant to the organization concerned. Bisection, or even vivisection, of the alternatives has remained a concern of the individual, rather than of the organization at least till something positive has emerged out of the ideation processes. The emerging significance of all these preliminaries is increasingly encouraged and appreciated in context of their culmination into new ideas and approaches recharging the combative power of the organization in the rather difficult market conditions infested by competitors and substitutes. Using different symbols and different mathematical exercises, the models have sought to bring forth the nature and significance of the relationships among different factors, some semblance of acceptability has been underlined in this context, despite the gaps. While the propositions involved have been nicknamed intangibles, these analyses and the findings are, in our view no better than measuring the immeasurable, especially in the context of their applicational dimensions in determining the issues involved, the ways in which the variables behave over time in different contexts and in determining the different complicated issues concerning measurement, especially over-simplifying complicated issues. Deciphering the complicated decisional phenomena is not an easy task and the concerned models and the appended explanations hardly present a complete, reliable picture of the complicated reality. Approximation in assigning values to the intangibles has ruled the scene and the range of variation has differed in different circumstances even in the same categories of activities. Approximation, in the context of measuring the intangibles, could imply wild variances from the reality when mentation, intellection and ideation processes are all taken into view, particularly when they culminate into something tangible and workable in the long run. The number of occasions of missing the buck are, however, high, almost like throwing stones in the dark, but apart from the serendipitous findings akin to raining fortune for the society at large unexpectedly, as in the cases of X-Ray and Penicillin and many other chance happenings. Even in laboratory-oriented research and experiments, one can hardly be certain that the objective would be attained as planned, in terms of either time or expenses, while something could emerge out of the mental exertions without the foreknowledge of the researchers for which they have been exerting themselves. This discussion seeks to underline the significance of the emerging and expanding domain of the immeasurable, nay, intangible, which has already made its mark albeit only half-heartedly.

Measurement of Intangibles

Attempts to measure intangibles have had considerable significance attached to them in the emerging crowding of services of innumerable varieties which have already counted for the lion's share of a country's GDP, NDP and NET export earnings. The tradability of services of numerous varieties has attached a new significance to them and the places of their origin. There is hardly any doubt that in countries belonging to both north and south, intangible factors have been playing a dominant role in wealth creation. Organizational capabilities have been increasingly contributing their mite in this process. But intangible assets, despite their importance, are poorly measured, if at all, and their implications for public policy are not understood, often even undermined. Needless to mention, the optimal use of intangibles requires quality and timely information about these assets. (Cf. Baruch Lev, *Intangibles – Management, Measurement and Reporting,* The Brookings Institution, Washington, D.C., 2001. Foreword by Michael H. Armacost, pp. v & vi). Thus, both the use and abuse of intangibles have somehow clouded the productive scene because of the inadequacy of responses, even though their *de facto* significance is being increasingly recognized, in the former case, to cash in on the findings, while in the latter case, allowing the significant findings therefrom to go rather unrecognized while, contrarily, treating the findings as waste of money, time and effort. A lackadaisical attitude towards innovation has spoiled many a glorious opportunity. In regard to the latter, it may be considered pertinent to cite the case of an official team sent to West Germany by the Government of India to study the management and the processes of Steel manufacture in Demug-Krupp Corporation in West Germany. When the members of the team returned after a close study of the steel manufacturing processes there, almost all the members of the team were transferred to Departments and Ministries of the Central Government that had nothing to do with steel manufacture. The loss incurred by the country for not utilizing the knowledge acquired in the course of the visit was countless, but to try to measure the loss incurred by the country has remained as nobody's concern. Even within the country rather hefty marketing expenditure incurred by the medium and large companies are treated as expensed, especially for construction of marketing intensity and market penetration indices which provide key ideas about the nature of marketing thrusts and the cognate expenses in this behalf, provide the very basis of markedly successful efforts in competitive markets in the countries of both north and south. Marketing – including the strategies for meeting competition – has remained a matter of gross unconcern for accountants, cost accountants and management accountants, sidetracking the fact that profits arise in the market place which is all but smooth-going.

Neglect of R & D Expenditure

Incidentally, research and development expenditure with reference to products the multiple beneficial effects of which are not immediately visible, leave aside measurable, does not get the deserving attention and treatment. On the same count, marketing research expenditure in matters related to product launching, packaging and disposal are not treated in the records in a manner they should be; the primary consideration in this context relates to proper classification of expenses, their relationships to the products launched and the details related to measures taken for combating competition from both similar products and substitutes. Making or marring the products launched depends a great deal on how the intangible issues are dealt with Treating them as deferred revenue expenditure does not do justice either to the purport thereof or to the results they may – and in fact, do - bring forth, if given the chance to prove their mettle. Even in the spheres of production and manufacturing processes, acceptability of the products or services by the customers largely depends on the strategies of both designs and thrusts for enhancing acceptability by the various classes of consumers belonging to different market segments. Incidentally, the distinction between *thrusters* and *sleepers* among organizations, dealing with different products and services, depends on how sensitively they anticipate and react to the emerging requirements of customers, which even they may not have regarded as probable. Not only that the thrusting – the dynamic organizations react sensitively to the changes taking place in the business world, they also initiate such changes by virtue of their dynamism and foresight. Intangibility of the multiple issues dealt with in the said context is the crux of the matter, but organized, probing analyses thereof have not been attempted to establish order. Multi-pronged perceptual mapping could unlock many a knotty problem, which present emphases on tangibles are not quite capable of doing in conditions where, cognizably, there are many slips between the cup and the lip. In all the aforesaid cases, the approaches to unfold the reality and the umpteen possibilities of gain are blunted by both indifference and ineptitude, which the PEP in England appropriately termed *Sleepers*. In the world of business and industry, resting on oars and looking the other way from what goes around, invariably spells disaster, inasmuch as it spelt lost opportunities. In the competitive world of business, these issues are crucial, to say the least. A relevant, high degree of sensitivity towards getting the best out of both tangible and intangible assets at a manager's command, is a *sine qua non* to his success, as much as it is indeed a singular quality that distinguishes him from the rest in the organization. Alas, hardly any serious attention is given to this issue though its significance is never called to question. In a large number of corporate and non-corporate organizations, both in this country and abroad, innovative approaches are taken lightly, as would be borne out by the huge number of casualties both in the countries of the north and the south, that fail to take into view that most of the intangible and overtly immeasurable services are tradable, as much as they claim the lion's share in the country's GNP. Overtly unacceptable approaches and practices have ruled the roost. Time, more serious thinking on these issues engaged itself for extracting the money's worth, being more matter of fact in estimating growth rate and better management of the economy, considering the fact that the management accountants' expanding concern has gone far beyond the precincts of the organization, seeking to deal with issues that overtly and covertly influence the performance of the organization to-day, tomorrow and the day after, as an integral part of the economy at large. No easy matter, though.

Gross Neglect of Intangibles

Profits, the life-line of an organization, are earned in the market-place, where the going is never easy but which has been generally subject to indifference because the loyalty of customers to a particular product or service cannot be taken for granted. In the aforesaid context, the measurement issues are crucial, and they cover both tangibles and intangibles. Incidentally, measurement of intangibles occupies a highly significant place in the context of both retaining the present and expanding the existing customer base. In the days of yore, the concept of *standard hour* was advocated for determining overhead costs. Though as a concept, seeking to measure overheads in terms of standard hour did command some acceptance, based as it was on time and motion study, the two comprising work study, in the wake of a whole series of intangibles coming into play with different degrees of complications in measurement, work study has either receded into the background or lost its primacy, having to give way to intangibles of many different kinds and imports. The computer-based analytics and the measurement processes have become much less cumbersome and time-consuming, albeit the fact that the acts of grossing up and the averaging of the processing have remained, throwing a challenge to the acceptable processes of accounting. The multiple connected issues arising from the world of business in this respect are specifically underlined and dealt with, indicating, in passing, both problems and possibilities, with specific emphasis on the hidden treasures of intangibles as underlined by the PEP research study on *Thrusters and Sleepers* in British industries in 1965, referred to earlier. Incidentally, repeat mention of this study should be considered worth its while in view of the impact it created in the spears of intangibles to enable select British industries to operate as frontliners. Jack Welch of GE emphasized on 'mission-values disconnect', as the major factor behind the fall of Enron in his celebrated study entitled, *Winning*. It was not for nothing that it used to be believed and underlined that leadership was the major factor that spelt organizational success and leadership has been patently an intangible quality, though the best leadership qualities are said to remain unseen, for real effectiveness.

Bottom-up Leadership

Even in the same context, it has been contended that leadership does not necessarily come from the top; it could as well come from the bottom, as has been aptly attested by Marvin Bower, especially in the context of the computer-based analytics, referred to earlier. However, the process of decay of an organization invariably starts from the top, as attested by Kenneth Lay of Enron and Bernard Ebbers of WorldCom, both of whom undermined and set aside the warnings of the internal auditors of these highly rated corporations, till the last moment when doom became inevitable. The immeasurables most of the time do not show up in a documented form as they remain in the form of spoken words, rather than written, that cannot be proved. A lead in the context of developing extensive external reporting systems came from Leif Edvinsson of Skandia AFS, who underlined that intangibles could be divided into human capital and structural capital; while human capital was a critical component to the success of any company, it was also one that walked out of the company every evening [*From ideas to Assets*, p.88] . Structural capital was what was left in the company after the people went home, it could be owned. The cult of *distance management* with reference to government companies has been long in vogue in the cases of both state- and centre-controlled government companies, several of which are private limited companies, with the word 'private' dropped from their names under pressure of public criticism. In the usual parlance, however, these do not figure in the sophisticated analyses of intangibles, nay, immeasurables, nor can they be even made public, due to their inherent weaknesses. The extent of damage caused in the process, remains uncalculated most of the time, though it is commonly believed that even *colossal* is a soft word to indicate the drainage of funds caused. It is generally agreed that public sector enterprises in India commanded huge amounts of intellectual capital, often left unrecognized and unmeasured, and allowed to go waste. Given the recognition and properly measured and accounted for, these companies could do wonders in terms of wealth creation, instead of remaining as burden on the exchequer. One single factor that could raise the levels of performance of the State and Central Government companies was the intangible, intellectual capacity of their managers – several of them were the best in the line, to say the least. Distance management destroyed the very texture of these enterprises, refusing to allow the managers to prove their mettle in trying conditions pertaining to both the static and dynamic aspects of their operations. It is thus appropriate to underline the creative role of different types of intangibles, nay immeasurables, both in a commercial enterprise and in the national economy at large, albeit the fact that much of it remains incalculable. In the same vein, it may be underlined that more often than not, organizational culture calls the tune, which is incalculable in precise, numerical terms but which does prove its mettle, both in the long and short run.

Role of Intangibles

The failure to appreciate the significant role of intangibles in the economy has several dire consequences. First of all, causation of mismeasurement of the elements comprising the national accounts and of data on such things as productivity, output, and inflation. Secondly, faulty, even sidelining the estimates of a variety of macroeconomic variables that are important in policies ranging from estimating the deficits or surpluses in government budgets and other significant details. Thirdly, greater volatility of stock prices and of the financial markets in general signifying an aura of hopelessness. Fourthly, reduction in the confidence investors maintain that financial markets are transparent and fair which is hardly the case. Fifthly, misallocation of capital across industries. Sixthly, misallocation of resources within companies. Lastly, greater difficulties in designing a fair and efficient tax system.[Cf. Bruce Berman Ed., *From ideas to Assets*, John Wiley & Sons, New York, 2002, p.91]. As may be seen, there are different flip sides that exist in the calculation of National Income that call for serious and continuous attention for putting the issues in order, as also in their right context, as much as they concern both the national economy and the company. It is relevant to point out in the aforesaid context the corporate sector is an important segment of performance of which figures in the national income calculations, covering, as it does, both tangibles and intangibles, of which of late, the latter has gained primacy. The intangibles of different varieties have called for recognition, accounting for and valuation of which have underlined different complexities, challenging the traditional approaches from true and correct view to true and fair view, in the process, hitting at the very foundations of accounting valuations, segueing gradually from correct view to fair view affecting the umpteen accounting principles and conventions related to comparability of figures of one company with another and one period with another in the same company and the ever-growing population of *standards,* national and international, oriented to the stock markets, in terms of what Bernard Ebbers of WorldCom called 'striking the numbers'. Intangibles have added to the complications, valuations of which have, in many cases, been no better than wishful, as Kenneth Lay of Enron actually demonstrated in the nomenclature of 'marked to market' . His heart failed him for overtly good reasons. Valuation of intangibles underlines the need for infusion of scientific outlook, purport and practice, away from the emphasis on *growth in numbers*. It was the late Professor R.J. Chambers who underlined that *too many standards were no standards at all.* The context of umpteen intangibles and their covert impact on the daily operations of enterprises that differentiate one from the other, even in the same or similar lines of operations, is not always taken into consideration. All these together bring to the fore the crying need for alertness in tracing and using the numerous intangibles to the advantage of the organization in the hugely competitive world of business. Undermining the significance of intangibles, especially their proper assessment, measurement and utilization, has made managers rather indifferent to their propping up for the best results in the given circumstances, requiring their tracking on one hand, and efficient utilization, on the other, albeit their inaccuracies. Accuracy in their measurement apart, it is significant that these were properly tracked down and applied for productive uses. At the enterprise level also, various weaknesses have marred the scene, which were avoidable. These broader issues are not of so much concern for cost accounting or cost accountants at the enterprise level, though these issues can hardly be taken lightly, or ignored altogether, for the professionals deal with many of the crucial issues that can make or mar the future of the organization or the national economy wherein the sum-total of the results of performance of the entire organized and unorganized sectors figure as important components. Thanks to the Panchayat Raj Institutions, there has already occurred and still occurring a gradual reduction of the hitherto considered unorganized sector, virtually freeing the economy from the erstwhile predominant forces of *guesstimates*.

Alleged Inadequacies of Cost Accounting

"Contributing to the difficulties of managing intangibles is the fact that managerial information systems (cost accounting), which provide managers with information on costs, revenues, and deviations from budgets, are almost exclusively geared to industrial-age physical and labour inputs. The costs commonly allocated to products, processes, or activities (activity-based costing), raw materials, labour and overhead (for example, depreciation). Intangible inputs, such as R&D and customer acquisition costs, are considered period expenses and are not allocated to products and processes. Such tangibles-based managerial information systems are wholly inadequate for the management of knowledge-based enterprises. Diseconomies resulting from limited capacity to manage intangibles are the major factors resulting in restricting the use and growth of these assets. On the other hand, overcoming such diseconomies by improving information systems and the management of intangibles promises enormous rewards. This is the essence of the economics of intangibles – the cost-benefit tension."(Lev., op. cit., p.33). The Institute has accommodated topics for discussion seeking to broaden the focus of attention that seeks to negate the tangibles and intangibles gap, including what Lev has termed as the sources of different 'diseconomies', arising from ignoring, nay undermining, the intangibles. A close scrutiny of the Institute's Quarterly, *Research Bulletin* as also the monthly journal, *Management Accountant*, would convince one that the expanded focus of the Institute has taken in its strides broader issues of the national economy for a close scrutiny, away from the traditional focus on issues centring on the *Bermuda Triangle* comprising cost, volume and profit, to most of the major issues of national concern. The singular advantage of the Institute is the coherent move for taking into its serious strides both the problems of the enterprises dealing with both tangibles and intangibles, and their culmination into the triangle of productive forces implied in the progress of the national economy, namely, agriculture, industry and services. The abandonment of the dictum "cost is a matter of fact while price is a matter of policy, the latter being an exclusive preserve of management" for making the organizational approaches more responsive to requirements has already become a matter of shared responsibility in the context of environmental scanning, diving deep into both the near and distant future and taking recourse to both Bayesian Statistics and stochastic probabilities. Indeed, meeting the hitherto considered immeasurables right in the face, is gradually becoming a possibility, despite the innumerable hurdles in the way. This is a new trend but it shows enough promise to move in concert with all that has been happening in the world at large, inclusive of the surge ahead of the different varieties of numerous tradable intangibles, posing a virtual challenge both to the organization and the national economy, but not considered as insurmountable, given the right attention at the right moment. Yesterday's inadequacies, as pointed out by Lev, are already of much less virulence, sure to lose their teeth sooner than later, with greater and closer attention to what is what, in the realm of most of the varieties of intangibles, nay, most

The immeasurables most of the time do not show up in a documented form as they remain in the form of spoken words, rather than written, that cannot be proved

of the hitherto considered immeasurables. IT, ITES, R&D and a whole series of other intangibles – covering both the services sector and the much vaunted intellectual capital - have already started claiming a much larger share of attention of accountants and cost accountants and more lately, of management accountants in particular, who provide the spectrum of the reality of the situation, so that the long prevailing deficiencies are adequately addressed to make them effectively occupy their rightful place in regard to enterprise accounts, national income calculations and export earnings, from the points of view of both the enterprises and the nation as a whole. One can visualize the initial hesitancy, which is but natural in a growing economy, but over time all this will surely give way to their proper treatment in the accounts and accounting analyses in acceptable formats. The problem is that the services and various other intangibles and the typicality of each of them, create complications as to the exactitude in anticipating their incidence and in assigning values thereto. One cannot but stress that the immeasurables pertaining to different functional areas have suffered from almost a studied neglect, allowing opportunities to go unnoticed, and unexploited, even when positive indications show up on the horizon. It may therefore be stressed that chasing the proverbial *will-o'- the-wisp* may not be that hopeless a condition all the time! Cumulative and calculative efforts of the management accountants coming from a variety of mother disciplines possess the invisible strength to unfold issues that can not only turn the hitherto considered immeasurables into something positive and profitable, but also develop a virtual variety of standards of measurement which can overturn the *sleeping* organizations into *thrusting* organizations, that constantly labour for innovation in the spheres of new products, new processes and new uses, all arising from the concerted efforts of all the sectors of our economy to free the vicinage from any unwholesome aftermath. The stark reality of the challenge before the professionals beats hesitancy but it can be emphatically asserted that professional approach to the challenges posed by the externalities would not go unmet. Though studied responses to the concerned hurdles are yet afar, these are all in the range of possibility, near, not-so-near, or distant. MA

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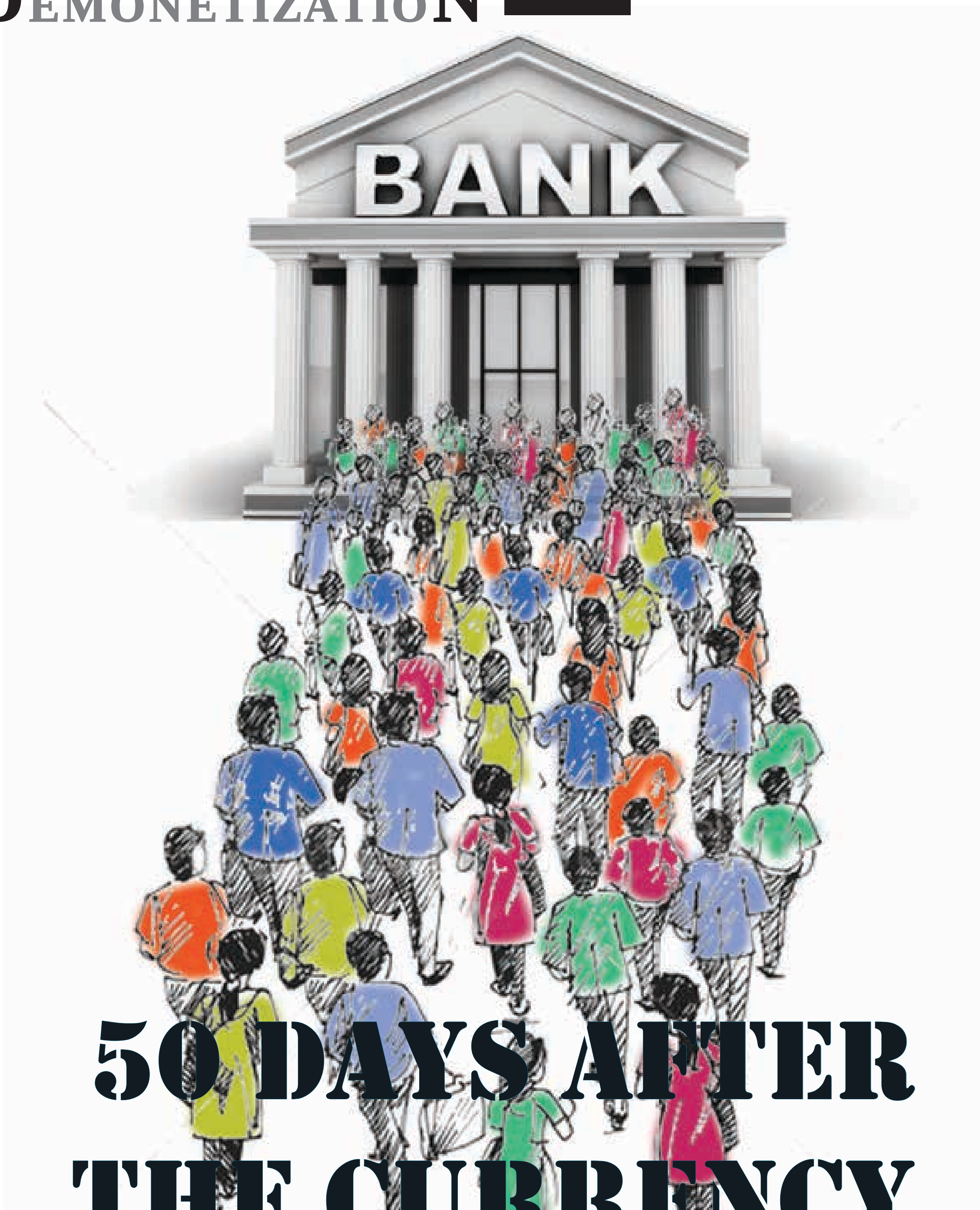

50 DAYS AFTER THE CURRENCY RECALL

HAVE WE SUCCEEDED?

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Joan Robinson, the erstwhile professor of Economics at the Cambridge University, who contributed a lot to the subject as we see it today once said that, "Whatever you say about India, the opposite is also true". The presence of a large number of opposing economic forces makes it rather impossible to drive a policy to a homogenous solution in India. The comment remains valid even today. Despite the commendable success this country had shown in tapping wealth and fortune towards productive use, the glaring disparity with extreme pockets of poverty continues to bother policymakers. It is possible to argue that the presence of duality is an endogenous outcome - the decades of policies have not been able to address development disparities to the extent that the country has less unequal distribution of wealth. If anything, the gap between the rich and the poor seems to have increased over time. Many studies suggest that the skill premium received by the relatively more adroit workers following the ICT and infrastructure revolution is responsible for the widening gap. Others suggest that the transition away from traditional industries that employed large number of semi-skilled and unskilled workers remain the core factor. It consequently suggests that the adequate investments to improve the productivity of the mass have not been completely successful - it has led to a partial improvement only. Hence, the greater emphasis on redistribution by any government in power takes important dimensions. The current policy of withdrawing large denominations from the market has at least one aspect that wishes to deal with the issue of inequality. Flushing out unaccounted for money from the hands of the unscrupulous is an acceptable way to lower inequality.

However, getting back to Mrs. Robinson's quote, nothing sounds more appropriate to describe extreme duality that characterizes India and this is particularly true when this country experiments with policies. Indeed, there has been a series of policy changes in the last three decades, with *a priori* unknown outcomes. The present dismissal of two high denomination currency notes which account for 86% of currency values in circulation is an equally compelling policy as that of the economic reforms of 1991. There are considerable differences between the two, however. The prime difference lies in the form of the main objective pursued by the government in the two cases. The additional difference, which turns out to be vexing unfortunately, is with the time-span over which the reforms are designed to enact. While the economic reforms in India began slowly about 5 years before 1991 and the plan was to carry it forward for many years following 1991, the present cash crunch was initiated overnight. It had the startling nature of the devaluation of Indian currency as announced in August 1991, but had nothing else in common. The policy is meant for a very different objective or a group of objectives as claimed by the government. The government claims to have been preparing for this onslaught and changeover for last six months according to newspaper reports. It does not necessarily appear credible because even after 50 days of continuous replacement of old currency by the new one, only50% of what was expected to be received according to official estimates has been replaced. The money in circulation is known to follows Irving Fisher's Quantity Theory of Money. The money in circulation times its velocity equals the price of each transaction times the number of transactions in a given year. Thus, if any of these four elements is in imbalance, the remaining three must adjust in order to bring any given economy into equilibrium. If money in circulation falls as we will argue shortly, given that its velocity has not changed, then price times transaction must fall too. In other words, the withdrawal of money from circulation should lower the extent of economic activities in a country. A recent paper by Prof. Dipankar Dasgupta published in the Economic and Political Weekly demonstrates that it is possible to have the real sector (IS Curve) move more sharply to the left as compared to the money market (LM curve moving upward or leftward also) owing to this withdrawal. The economics behind this proposition is strong enough to believe that growth might be hampered in the short to medium run. The proposition does not include the effect of demonetization on reduction of 'stock' of corruption, however. It may be important to see how the corruption gets affected by this policy and the circulation as well as reporting of activities improves or not.

Notably, the government has no intention to curb circulation of money, but lower circulation of cash of a very special type and therefore the coinage of the word demonetization does not seem very appropriate in this case. The policy has been hasty nonetheless. The government argues that the surprise is intended to catch the illegal actors unguarded. If it were a simple case of conversion of cash to digital instruments, the element of surprise is meaningless. The government claims that it is the objective to capture hoarding of unrecorded money, which dictated the need of unprecedented secrecy about the affair and complete lack of discussion preceding the move, although everything else is hugely debated in this country.

Importantly, then, what were the arguments in the government's objective function? According to the claim made by the government, it is well-known by now that the recall of Indian currency notes with denominations of 500 and 1000 was needed in order to stop funding of terrorist activities that depends on extortion and hoarding of millions in legal and counterfeit notes. The instrument was meant to affect the 'stock', while the issue of how illegal funds 'flow' would be dealt with separately, perhaps. If the government stops a large proportion of currency in circulation all of a sudden, it should catch these operators unguarded and convert this hoard of cash into useless pieces of paper, because there is little possibility that the terrorists shall then be able to deposit this money in a regular bank account and salvage the situation. This is claimed to have been one prime objective and therefore, the government should further corroborate this achievement with numbers (at least, approximate valuation). Secondly, the current government claimed that every four in one thousand 500 Rupees notes were counterfeit and the previous government did not do anything despite full awareness of the issue. Therefore, recall of all such notes will kill another bird with the same stone. The large illegal system that developed in the shadows of informal operations in the country and has been dominating 70% of economic transactions in the retail sectors is well known to be the beneficiary and repository of fake currency. The recall should affect them bitterly as well - until new mechanisms are developed to replicate and continue with the previous illegal activities. This policy undoubtedly buys the government some time to rethink possibilities of bringing activities under the fold of recorded and legal transactions.

On the third issue, the government believes that this action would successfully flush out black money, i.e., unrecorded income that has not yielded taxes to the exchequer. The reasoning offered by the government is as follows. On the one hand, there is a significantly corrupt system in place that thrives on the close interaction with how government controls the economy. The infamous License Raj of the 1980s and several schemes where the government was a major facilitator is a good example where job-done against bribes became an epitome of government officials' interactions with the common citizenry to create and sustain an illegal system. A lot of studies in this regard are instructive (see for example, Marjit and Kar, 2011; McKenzie and Sakho, 2010; India Corruption Study, 2005; Saha, 2001; Marcouiller and Young, 1995, etc). It is certainly erroneous to assume that an elected government sustains an illegal system. It obviously does not do so by democratic choice. But then, government is not an amorphous entity. It encapsulates millions of cross-cutting interests that are certainly not aligned towards a better country, simply because private benefits could be much greater than social benefits. It is indeed necessary, however, that that the policymakers working for a government are completely aware of how individual behaviour shapes economic transactions, and what incentive structure must be prudent not to yield to tricks that make individual gains supreme. Emotional speeches towards raising patriotism among the mass is one thing; influencing people to remain true to the cause of the nation is a harder one. It is unfortunate that powerful research in economics, psychology and sociology are often pushed to the backseat when such crucial policies are adopted. The policymakers, on hindsight, appear to have thus created the large illegal system inadvertently by being oblivious to what thought-provoking ideas have to say about such policies. This somehow received the approval of democratic processes over years to come.

As a result, shaking up the system to its core needed a big and rapid change - one like the economic reforms that abolished many of these policies completely. For flushing out black money, the stifled circulation of old currency could be useful. It would catch these people unguarded and cause them huge amounts of losses on their stock of unreported income. On the other hand, several doctors, lawyers, private tutors, as part of white collared professionals also stock unreported income, which is not necessarily an outcome of public policies like licensing, but would also be similarly affected. These professionals would be forced to report it back to the government with a penalty - simply because they have much more to lose if they are penalized in non-pecuniary ways. This is expected to bring money into the exchequer to take forward the public spending on development plans that might include education (although the government cut budget on education last year), infrastructure, health, etc. This could be welfare enhancing for everybody in the economy. For students of economics, this is tantamount to a Pareto improvement from the previous equilibrium - hoping that after the initial shake-up the economy will come back to some kind of equilibrium in a short-while. The instrument chosen by the government is therefore considered to be striking the joint existence of both Walrasian price equilibrium and Pareto efficiency. The optimum value of the instrument chosen should be subject to at least four different constraints - the ones have been sequentially considered in this article. There is scope to debate what that equilibrium the economy finally settles at should look like, however.

Fourth, the government wants to make the economy more formal and minimize the size of the big and complex informal or unorganized sector. This is what has become popular in the last month as a measure of demonetization. Once again, the popular coinage of the term is incorrect because, it is not exactly a case of stopping money from being circulated, but that of restricting circulation of liquid cash. When Denmark moved on to a completely cashless economy - it did not mean money has no further role in the country and people have gone back to a barter system. It simply meant that all transactions would be electronic as it moves from one person's account to another person's or establishment's. There is no need to carry any bank notes, any coins, any traveller's cheques in one's wallet, but some digitally powered money transacting instrument. All that one person needs to do is stock money earned from reported sources in a bank account and then transact with it by the click of a button to whoever he or she needs to. The information technology has already given us the liberty and knowledge to access all these features from the convenience of a mobile phone and therefore, the spread and depth of these transactions could be perfect substitute for centuries of transactions made in cash - gold, silver, copper, metals, polymer, or whatever form it took through the ages of evolution. Is India asking a bit too much from its people? Moreover, an economist would not agree to the view that taking away individual choice is a good thing. If 40% of retail transaction in the US is in cash, why does India have to go cashless? Can we stop the recurring practice of unaccounted for transactions by this policy? These questions need answers, perhaps from experiences of other countries that implemented this policy before we did.

So, has it been successful elsewhere? Many such information is crawling over the internet and I provide a short compendium available from such sources.

During the government of Muhammadu Buhari in 1984, Nigeria introduced new currency and banned the old notes. However, the debt-ridden and inflation hit country did not take the change well and the economy collapsed. In 1982, Ghana ditched their 50 cedis note to tackle tax evasion and empty excess liquidity. This made the people of the country support the black market and they started investing in physical assets which obviously made the economy weak. In Asia, from December 2016, Pakistan will phase out the old notes as it will bring in new designs. Pakistan legally issued the tender a year and a half back, and therefore, the citizens had time to exchange the old notes and get newly designed notes. This will most likely be unsuccessful because given one and half years of time it will not make the objectives stand. Similarly, Zimbabwe used to have a one trillion dollar note as part of their currency revamp following hyper inflation. The Zimbabwean economy went for a toss when President Robert Mugabe issued edicts to ban inflation through laughable value notes. After demonetisation, the value of trillion dollars dropped to $0.5 dollar and was eventually put up on eBay. It will be apparent that most of these countries experimenting with withdrawing of currency are developing nations and in some cases not exactly a champion of democratic practices. The demonetisation that happened in North Korea in 2010 left people with no food and shelter. Kim-Jong Il introduced a reform that knocked off two zeros from the face value of the old currency in order to banish black market activities. Similarly, in erstwhile USSR Mikhail Gorbachev ordered to withdraw large Rouble bills from circulation to take over the black market. The move did not go well with the citizens, which resulted into a coup attempt which brought down his authority and might have been one factor behind break up of Soviet Russia. Among the developed countries, Australia became the first country to release polymer (plastic) notes to stop widespread counterfeiting. Since the purpose was to replace paper with plastic and only the material changed, it did not have any side-effects on the economy. In 1987, Myanmar's military invalidated around 80% value of money to curb black economy. The decision led to economic disruption which in turn led to mass protests and retaliation by the government leading to fatalities. The most important country to have implemented transition from high denomination currently is obviously the United States. It brought into production $100 bills, but in earlier decades the Federal Reserve had issued $1,000, $5,000, $10,000 and even $100,000 bills. The U.S. stopped printing the $1,000 bill and larger denominations of currency by 1946, but these bills continued in circulation until the Federal Reserve decided to recall them in 1969.

Will India be rescued from the dampening effect the whole country is experiencing right now or will it have in store much bigger worries than what the millions of people currently standing in serpentine queues outside banks are undergoing? One has to grant this policy adequate time to mature and take its own course. May be after six months, when the Reserve Bank of India, which somewhat pre-maturely claimed control of the situation, is actually capable of handling the responsibilities, the reflections on growth and development will be more accurate. Many economists have nevertheless suggested that the policy shall reduce growth over time since the economy shall not be able to get back to normalcy in a short time. One reason for this apprehension is that the dependence is still high on cash transactions and that the government did not create enough opportunity for people to adjust to a digital banking and financial structure like that prevailing in the developed countries. Besides, in most large economies, cash transactions account for around 5 percent of GDP; in India it is 12 to 14 percent. Furthermore, less than one-third of Indians have access to financial institutions despite efforts to initiate banking facilities for poor people, such as Jan Dhan Yojana. While most banks are concentrated in cities, most Indians live in villages. Forcing businesses to use banks and digital payments will help to bring them inside the tax net, but it is uncertain for the larger share of the population (69% people still live in villages), where infrastructure including mobile connectivity and internet connections are poor (not to speak of electricity connections) and the country has to go a long way to ensure these minimum facilities before pushing people to use digital money as the main instrument replacing cash. The daily wage earners seem to have been worst hit under the circumstances, because many of them reported loss of jobs and unpaid salary due to cash crunch facing their employers. The peace loving section of Kashmir has been best served - the price for pelting stones varied between 500 Rupees and 1000 Rupees, which went unpaid after this move and therefore stopped.

What continues to be worrisome is that the consumer goods sales are reported to have dropped by one-third. Trucks carrying goods are at a standstill. Farmers have difficulty buying seeds and fertilizer and selling crops and perishable produce. The fishing industry is close to a collapse. Few villages have ATMs and having to trek into cities and wait in line for hours means the loss of daily wages – as it does for the rickshaw pullers, street vendors, domestic workers and daily labourers in the cities. The construction industry has been badly hit with significant wage implications for its casual workforce.

On the other hand, the superrich industrialists park their unaccounted for wealth in Indian and overseas real estate, shell companies, shares, gold and overseas bank accounts. Only 5 to 6 percent of India's illicit wealth is estimated to be held in cash components. Demonetization attacks the stock without touching the flow of black money. Cumulative illicit outflows from developing to developed countries increased from $369 billion in 2000 to $1.26 trillion in 2008. In the 10-year period from 2004 to 2013 the developing world as a whole lost $7.8 trillion. India has experienced the third-highest illicit capital outflow ($83 billion in 2013) after China ($259 billion) and Russia ($120 billion). Yet India's tax authorities have been among the least aggressive in going after names leaked in the Panama Papers in April. The continuous neglect of expert voice to be substituted by suggestions from activist NGOs is also something not expected in developed countries with a strong base of human capital capable of isolating reasons from emotions. If India has to replicate this world, then it must rely on the advanced scientific minds, and not on advanced avatars of religious beliefs and activism. A failure of India on the projected growth path would eventually bring about larger economic crisis. The government should do everything to stop that from happening - it is only hoped that the government has a sincere objective and the chief policymakers are not trying to deliver all the benefits of this currency recall secretively to a bunch of beneficiaries that might include the large retail owners, digital servers and financial companies earlier not doing very well amidst significant informality prevalent in the economy. Remember, the crisis is so dire that there is almost no time to call up tenders to supply goods and raw materials. Clear statement in this regard is absolutely necessary for the credibility of the government. Otherwise, a whole set of conspiracy theories is eventually going to flood the market. This might include how the government facilitated transferring of business from smaller informal units to the larger formal units.

The questions about welfare implications are most likely to be mixed under the circumstances. Like in most cases the final judgement about who gains should depend on how tightly the government has been able to monitor the changes and whether there is creation of newer opportunities for those who lost business and activities that remain part of the unorganized sector. The preponderance of unorganized businesses and transactions in India is certainly not the best plan for prosperity in an economy, but withdrawing cash to cut them off seems bit harsh. It is possibly reasonable to argue that the informal workers be given a chance to register their activities (it is totally unclear how that is going to happen, however, without proper stores, locations, contacts, addresses, property rights, etc.). In other words, there is a whole bunch of priors that need to be addressed before India can eventually become less dependent on cash. Analogously, the growth of infrastructure is much less than that is absolutely necessary to induct informal businesses, particularly from the rural areas, into the mainstream. Established ideas on these matters should get more priorities than presently given. MA

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AN APPLICATION AND IMPLICATIONS TO SME

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Purpose of this Article

Micro, Small and Medium Enterprises (MSME) constitutes an important part of India's Economy. In 21st century, there is dramatic change in business philosophy and now the focus is on *Sustainable Inclusive Growth. Concept of profit has been changed from economic profit to triple "P" i.e. People, Planet and Profit*. MSME, being significant role player in economy, they have to adopt CSR as their value.

The principle aim this paper is to explain the importance of CSR activities to SME, suggests the ways and means by which SME can also contribute to CSR and also purports that CSR activities are not only contributing to the large business, but also creating evidence in enriching the competitiveness of SME.

Inspiration

For professional assignment of developing Cost Accounting System, I visited to a SME unit located at Karad (MIDC in Maharashtra) manufacturing electrical motors ranging from 0.5 hp to 5.00 hp. When I visited manufacturing plant, my one of the most significant and unique observation is the deployment of differently able person in manufacturing processes. Factory has 40 employees out of which 10 employees were working in manufacturing process were differently able (Blind 5, deaf and dumb 5) and they were working in core manufacturing area (Assembly 5, Quality Assurance 3 and 2 in packing section) There output was more than average of normally able employees and quality of the work was definitely better. This is one of the practical examples of how SME unit can contribute to CSR and earn profit too. It is a misconception that all CRS activity means cost to the company and CSR activities can be done only if there is a profit.

Scope and limitations

For the purpose of this paper, scope is restricted to SME (Small and Medium Enterprises in Manufacturing) and this is a concept level paper.

Definition of MSME

The definition of Small Scale Industries varies from one country to another. In most of the countries of the world, the criterion for defining a small enterprise is related to the size of employment. In USA, Small Business is one which has employed less than 500 people. In UK, it is less than 20 skilled workers, where as in Sweden and Italy, less than 50 and 500 respectively. In some countries both employment and investment is taken into account.

MSME Definition in India

According to MSMED ACT 2006, for the purpose of deciding MSME, enterprises are classified in to two categories a) Enterprises engaged in the manufacture or production of goods and b) Enterprises engaged in providing or rendering of services. The criteria for deciding MSME is investment in Plant and Machinery. The detail definition is as below.

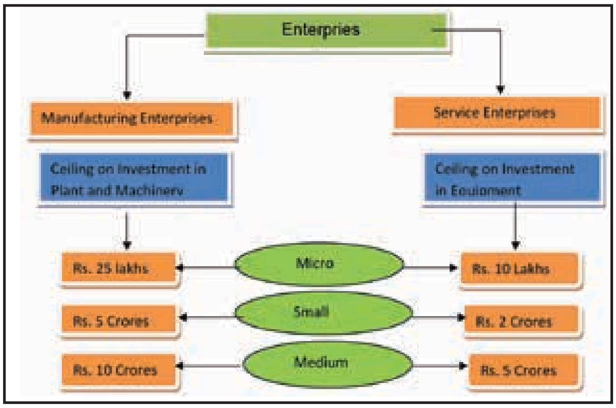

Fig 1: MSME Definition

Computation of the limits of investment

The original cost is taken excluding investment in land and buildings, pollution control and other notified equipment.

Importance of SME in Indian Economy – (Small is Big and beautiful)

When we talk of business in 21st century and sustainable growth, we cannot ignore the role of MSME (Micro, Small and Medium Enterprises). In 21st century and more precisely speaking in the era of liberalisation, Privatisation and Globalisation (LPG), MSME have emerged as a highly vibrant and dynamic sector of not only Indian Economy but globally. The MSMEs constitutes over 90% of total enterprises in most of the economies and are credited with generating the highest rate of employment growth and accounted for a major share of industrial production and exports in India too. MSME not only play crucial role in providing large employment opportunities at comparatively lower capital cost than larger industries but also help in industrilsation of rural and backward areas.

"This sector is the second largest sources of employment, next to agriculture. This sector is stronger pillar of Indian economy. MSME sector consisting of 31.5 million units provide employment of 73.22 million persons, contribute 8% of GDP approximately, 45 percent manufactured output and 40 percent of export. This sector has emerged as an important vehicle for attaining inclusive growth of the country".

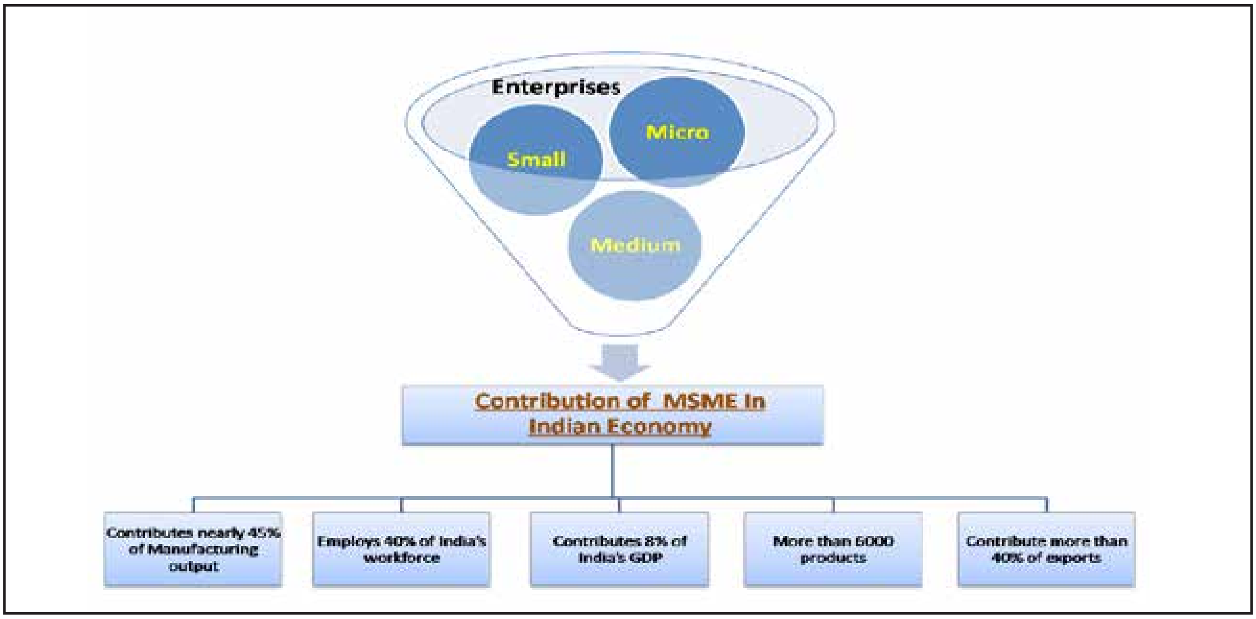

Fig 2: Contribution of MSME

Contribution of MSME Sector in GDP and Output During the year 2006-07 to 2012-13

Year	Gross Value of MSME Manufacturing Sector (Rs in Crores)	Share Of MSME Sector in Total GDP (%)			Share of MSME Manufacturing output in total Manufacturing Output in %
		Mfg Sector MSME	Service Sector MSME	Total	
2006-07	11,98,818	7.73	27.40	35.13	42.02
2007-08	13,22,777	7.81	27.60	35.41	41.98
2008-09	13,75,589	7.52	28.60	36.12	40.79
2009-10	14,88,352	7.45	28.60	36.05	39.63
2010-11	16,53,622	7.39	29.30	36.69	38.50
2011-12	17,88,584	7.27	30.70	37.97	37.47
2012-13	18,09,976	7.04	30.50	37.54	37.33

Source : Fourth All India Census MSME 2006-07

National Account Statistics (2014), CSO, MoSPI and Annual Survey of Industries, CSO, MoSPI MSME Annual Report 2015-16

Role and Importance of SME outside India

According to United Nations Industrial Development Organization (UNIDO) MSME sector around the world estimated to account around 90% of enterprises, Estimated to employ 59 mn persons in over 26 mn enterprises.

There are some 23 million MSMEs in the European Union, providing g around 75 million jobs and accounting for 99% of all enterprises. They contribute up to 80% of employment in some industrial sectors, such as textiles, construction or furniture. They are a major source of entrepreneurial skills and innovation, and they contribute to economic and social cohesion.

CSR: Definition and concept

CSR is not a new concept to India. In broader sense, CSR is about maintaining good, trusting relationships with customers, employees, suppliers and the community.

Business operates in a society; as such it has some inescapable obligations to the society. Those inescapable obligations are known as social responsibility of business.

World Business Council for Sustainable Business development (WBSCED) defines CSR as "The continuing commitment by businesses to behave ethically and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large.

In simple words, CSR is connecting the business decision making process to Ethical Values, Compliance with legal requirements, and respect for people, Communities and environment.

Concept of CSR has to be understood a) Philanthropy or Charity b) Strategic Business Management Approach

Sr.No	Philanthropy or Charity	Strategic Business Management Approach
1	This approach insist on contribution through donations for the well being of the society. Commonly accepted approach. Focus is giving on monetary donations and aid given to local organisations and impoverished communities	This is a Community based development widely accepted approach where corporations work with local communities to better them. CSR is integrated into business strategy and operates on the principle of shared value which means corporate success and social welfare are to be evaluated independently.
2	It is a narrowed approach and considers only for a short period and relates with a specific activity or function	It is Business Management approach, hence long term and leads to more sustainable development
3	Philanthropic approach is by and large focus on one stake holder i.e. Society.	Strategic business approach considers all stake holders like employee, environment, Society etc.
4	In philanthropic approach, it is assumed that business has generated the profit and it is expected that some portion of the profit is used for the welfare of the society,	In Community base approach, management starts thinking strategically of CSR before making profit. Some of the innovative ideas of CSR, not only fulfills the object of CSR but also contribute towards generation of profit through cost reduction.
5	In India, philanthropic approach is to some extent recognised by statue. Companies Act 2013 mandates spending of 2% average profit for CSR activities	Strategic business approach is by and large voluntary.
6	Success of philanthropic approach largely depends on single stake holder i.e. Entrepreneurs views, his culture and values.	Success of strategic business management expects involvement all stake holders like employee, supplier, customers along with major involvement investors and management.

Where CSR is integrated within the core business strategy, it is likely to remain strong, whereas, CSR as a philanthropic add-on is vulnerable to cost cutting. Ultimately, the long-term success of CSR will be based on its ability to be positioned within the core of business strategy and development, thereby becoming part of 'business as usual'.

CSR – Application to SME

CSR is not a new concept for SME. Most of the SMEs are doing CSR in some way or form even if they do not call it "CSR" as such. What is important is that SMEs should adopt CSR as culture and value and implement and practice them in a structured way. The Institute of Business Ethics points out that business ethics and corporate social responsibility are very important to the success of SMEs.

There are two approaches towards CSR a) Philanthropy or Charity b) Strategic Business Management Approach. Most of the SMEs adopt Philanthropy or Charity approach. The following paragraphs explains in detail, key characteristics, steps involved in implementing and support needed to implement CSR in SME as a Strategic Business Management Approach.

Key Characteristics of CSR related with SME

1. SMEs usually identify themselves closely with the region or town where they are located. The social and environmental issues of concern to them will probably be local and regional in nature. It is at the local and regional level that the positive impact of having a greater uptake of CSR can best be felt, whether it be in economic, social or environmental terms.

2. Most of MSME businesses are family-owned proprietary firms or partnership firms. This often exhibit strong ethical and philanthropic approaches. CSR activities of SME's are driven by personal interests of promoters who hold significant financial strength in the business.

3. CSR in SMEs is less formal and more intuitive than in larger enterprises, but that does not make it less valuable. The challenge is to get more SMEs to do more CSR

4. Profit margins in most of SMEs are thin and always under pressure. Because of this, CSR activities in SME focus on short term activities that involve lesser operational cost.

5. The personal and ethical values of SME owners, managers and employees are a strong motivation for an enterprise to pay more attention to social and environmental issues. Support for CSR in SMEs should seek to build on and respond to these values based motivations, not to replace or ignore them.

6. Each SME is unique; there is no one single formula for CSR in enterprises. Clearly, no one size fits all. Each and every enterprise needs to address the challenges it faces in accordance with its particular culture and circumstances.

7. Majority of SMEs do not use formal and sophisticated CSR tools, even though they are available

8. The success of CSR management systems for SMEs will be influenced in particular by

   a. Cost
   b. Simplicity
   c. Degree of integration with existing system. (Quality Management system and Environment Management system)

9. For individual SMEs it will usually make more sense to talk in terms of "communication" about CSR rather than about "reporting" as such.

Benefits of CSR to SME

Implementation of CSR in SME has many advantages. No doubt key motivation is improving long term profitability and operating conditions. In addition to this, following are the important benefits

1. New business ideas will expand the market. MSME may enter into all together different market.

2. Increase in the customer satisfaction due to efficient manufacturing processes, quality product. This will result into loyalty of the customer.

3. Operational cost savings through environmental efficiency measures. Conservation of water and use of non conventional energy will definitely reduce the cost in long term.

4. Increase in the moral and creativity of employee. Employee

will always take pride working with an organization which is socially committed. This will result into creativity and innovativeness within the organization.

5. Increase in the public image and goodwill in the society.

These business benefits are just indicative. There could be some non monetary benefits. Scale of these benefits will also depend upon nature of product, manufacturing process, location and some other factors.

Implementation of CSR in SME

For implementation CSR, positive attitude and constructive approach is essential. SME must understand and accept the real fact that CSR is not something additional activity or burden. It is a routine and normal everyday work, nothing exotic, nothing difficult, and nothing costly. SMEs have to start doing something that they have not done before, start using some new tools, some new performance indicators. This is everyday work in today's and tomorrow's world.

An important feature of SMEs is their intuitive and informal practice of CSR. Due to small size of operations and constraint of resources, it is always a challenge to SME to implement CSR activities. For effective implementation of CSR activities SME can think of following options.

- ✔ Cluster-based approach towards the promotion of CSR. This will help SME to increase the opportunities and turn CSR into a competitive advantage.
- ✔ Joint activities in association with customers and suppliers
- ✔ Active participation with Government and non government institutions, NGO and other voluntary organization.
- ✔ SME can work in PPP s (Public, private partnership) to implement CSR

Steps in implementation of CSR.

1. Define business values related to CSR and accordingly design business processes and support them by business practices.
2. Formulate CSR Policy, Guidelines and Operating model to Implement CSR
3. Set the objectives and targets of CSR and align them with core objectives and competencies of the business.
4. Communication: Create awareness and communicate these Values, Objectives and Business Practices across all the stake holders with expectations from them. For example, putting policies, visions and business cases into writing facilitates better communication inside the company and with customers and other stakeholders. This will create confidence, trust and predictability across all the stakeholders.
5. Identify the needs and expectation of Society in the areas in which it operates.
6. Identify the segment or small section such as environment, community, Society, supply chain etc. to implement the CSR activities.
7. Develop roadmap with major milestones to be achieved. Prepare long range plan along with business plan for one year. Allocate resources in annual budget
8. Provide training and education to create awareness about CSR activities to all employees including employees on contract, shop floor operating management and if required to suppliers.
9. Create a suitable platform for periodic review across all levels of management. Do the periodic review, identify gaps and take corrective actions to bridge the gap.

CSR activities for SME

SME Units may consider following activities to implement CSR

Sr. No	***Stakeholder***	***Activity***
1	*Protection of Environment*	1. *Minimise waste, Reuse / recycle scrap if any* 2. *Use of energy from renewable sources* 3. *Adherence to quality and environment standards (ISO 14001 and ISO 9001)* 4. *Investment in Eco friendly technology (Green Investment)*

Sr. No	Stakeholder	Activity
2	*Supply Chain /Customers (B to B)*	*1. Open and transparent business policies* *2. Quality product and after sales service* *3. Supplier training and education* *4. Reward and recognition of best performance* *5. Support and encourage them CSR activities/ Take support from them*
3	*Employee*	1. Adherence to Healthy and safety practices and standards like OHAS 2. Equal opportunity to men and women 3. Equal opportunity to all types of people – no discrimination based cast or religion 4. Good working conditions, work life balance 5. Employment of older and disable people 6. Employees training and mentoring
4	*Community and Society*	1. Donate some % of profit to charity 2. Preference to employ people from local community 3. Working on community development project at local level 4. Sponsorship for social and cultural events (Sports, Blood Donation, Health care camp) 5. Work with local schools on various projects (Building toilets, Working with children)

Problems Faced by SME in Implementing CSR

Implementation of CSR is not easy in SME. Problems faced by SMEs are broadly classified as a) Internal problems and b) External problems

Internal Problems: These problems are within control of business owner

a) Scale of Operations: Most of SME units are with limited turnover with one or two products or job work. They are owned proprietor or partnership firms.

b) Financial Constraints: For many SME units, profit margins are very thin, as such they cannot afford to spend on CSR.

c) Human and other Resource Constraints

d) Lack of adequate knowledge and awareness.

e) Inadequate planning and systematic execution of CSR activities

External problems: These are mainly caused by external stakeholders such as government and customer

a) Insufficient support from government. Public policy in India does not encourage SME to implement CSR.

b) Lack of support, involvement and appreciation from customers and suppliers.

These problems and challenges can be addressed through a collective and proactive approach from MSMEs, government bodies, consulting agencies, etc

Support needed to SME for effective implementation of CSR

SME Units requires the involvement of different actors, especially the natural supporters of SMEs, such as chambers of commerce, sector and trade organisations, business federations, business advisors, banks, and professionals. Partnership between these organisations is a crucial element of success, and such partnership can often best be used and made operational at local and regional level. CMA's can also play a significant role in implementing the CSR activities at SME. At government level too it is essential that they support SME to implement CSR activities. Government must design incentive schemes and tax concessions to SME and encourage them to imbibe the culture of CSR in their business strategy. .

CSR related provisions in Companies Act 2013 and SME.

Companies Act 2013 has inserted a clause 135 which reads as below.

135. Corporate Social Responsibility

(1) Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an Independent director.

5) The Board of every company referred to in sub-section (1), ***shall ensure that the company spends, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy:***

Provided that the company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities.

Provided further that if the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount.

If we consider the definition of MSME , nature and scale of operations of MSME, out of the three criteria specified above, the first two criterion i.e. net worth of rupees five hundred crore or more and turnover of rupees one thousand crore, MSME units will not come under the ambit of section 135 of Companies Act . Considering the third criteria of, net profit of rupees five crore or more during any financial year, it may be possible that some Medium Scale Enterprises with good financial performance may be covered under the companies act. .

Considering the above facts, it is important that SME should accept CSR as culture and business value on voluntarily.

There are some other important provision related with role of independent director and procedures should be followed but not discussed as mentioned above section 135 has very limited application to MSME.

Conclusion

For SME, CSR is no longer an option but it is a key component of sustainable business strategy. SME must see CSR as an investment that can pay off in the longer term. Widespread adoption of CSR practices among SME can have far reaching implications for the country. Implementation of CSR with strategic approach and in a systematic way will definitely enhance their competitiveness and meet the challenges of sustainable development with business growth. CSR creates win-win situation, in which everyone benefits.

Most of the SME are taking philanthropic approach towards CSR but it is essential and equally important that they must move from philanthropic approach and adopt structured business process approach.

There is an absolute need that the government must encourage SME to adopt CSR Practices. Government should formulate policies and make legislations. These policies and initiatives should be aimed at encouraging SME's involvement in CSR. Moreover for SMEs to fully utilize its potential, it is essential that the entrepreneurs, Government and natural supporters of SMEs, such as chambers of commerce, sector and trade organisations, business federations, business advisors, banks, and professionals should work together in structured way. MA

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AN INSIGHT INTO THE DARK WORLD OF MONEY

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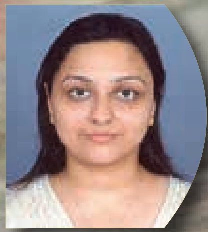

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In the light of the recent development by the Government of India on the scrapping of Rs 500 and Rs 1000 notes effective from midnight of 8 Nov 2016, the move has generated a lot of interest in into the dark world of financial crimes. The purpose of the move was allegedly to eliminate black money from the Indian economy.

Black money is referred to as unaccounted and undeclared money on which taxes have not been paid. Unaccounted money is the money which does not find its place in any books of accounts of an individual or company. This money may also consist of income generated from legitimate activities or activities which are illegitimate per se, like smuggling, illicit trade in banned substances, counterfeit currency, arms trafficking, terrorism and corruption.

Though there is no accepted methodology and reliable estimates available of black money generation or accumulation, yet various studies have been conducted to estimate the amount of black money generation in India. The important studies conducted in past (Wanchoo Committee, Rangnekar's, O P Chopra, National Institute of Public Finance and Policy, S B Gupta, Arun Kumar etc) estimated 'black' income to be about in the range of 18 per cent to 40 per cent of GDP in the different time periods i.e 1970-71 to 1990-91. The various studies undertaken considered the different assumptions but primarily considered unaccounted money leaving money generated through smuggling and illegal activities which may takes the estimates at much higher level. BJP in 2011 had estimated India's black economy to be worth around $500 billion to $1.4 trillion or about between Rs. 27.5 lakh crore to Rs. 74 lakh crore, while US think-tank Global Financial Integrity had estimated India had lost $123 billion (Rs. 6.76 lakh crore) in "black money" in 2001-10. Recently, a Business newspaper had reported that about 20 per cent of India's GDP is unreported which means that & $4,027 billion have been created as black money in India from 2006 to 2015.

There have been reports in recent years that a large amount of black money is held abroad by Indians especially in Swiss banks. Though the total amount of black money deposited in foreign bank by Indian is unknown but some reports claim a total of US$ 1.06 trillion is held illegally in Switzerland. A chain email, which was first circulated on the internet in early 2009, states that as per Swiss Banking Association report in 2006, an amount of US $1456 billion was held in deposits by India in the territory of Switzerland. However, as per official website of Swiss National Bank, the figures states an amount of Rs 9295 crore in year 2010 as compared from Rs 23,373 crore in year 2006. It means an amount of Rs 14078 crore had been withdrawn and transferred somewhere else, probably in India through FDI or money laundering. In a study entitled 'Illicit Financial Flows from Developing Countries: 2004-2013' by Global Financial Integrity (GFI) reported that an amount of US$ 510 has been shifted out of India through illicit outflows. There is concern over this illicit outflow as unlawfully acquired money kept abroad is routed back to India by the process of round tripping of FDI which is one of the legal channels to invest in Indian stock and financial markets and also through money laundering. As per data released by the Department of Industrial Policy and Promotion (DIPP) two of the top-most sources of the cumulative inflows from April 2000 to March 2011 are Mauritius (41.80 per cent, US$54.227 billions) and Singapore (9.17 per cent, US$11.895 billions). These countries with their small economies cannot be the sources of such huge investments and there is strong apprehension that the investments are routed through these jurisdictions for avoiding the taxes and for concealing the identities from the revenue authorities of the ultimate investors, many of whom could actually be Indian residents, who have invested in their own companies

The move of demonetization of currency is a big blow to black money hoarded by the people in hard currency of Rs 500 and Rs 1000 notes which according to reports accounts over US $ 50 billion (Rs 3,35,000 crores) but there is large amount of 'black money' invested into property, gold, other such items and illicit outflows from country which is later integrated into the white economy through banking system may be through money laundering (ML). ML is the process of merging illegal funds into the white economy by introducing it into the banking system. There are theoretical stages of money laundering like placement, layering and integration. Placement is the process of introducing illicit funds into banking channels, layering is breaking up the funds into smaller transactions and integration is introducing it back into white economy by showing as purely legal transactions. The Government guidelines regarding exchanging or depositing of old currency falling under demonetization is also aimed at pulling all currency into the banking channels. The rules like producing identity proofs on exchange, investigation of funds above threshold value and suspicious activity reporting to the investigating authorities are inspired by global Anti money laundering controls. The government has mandated to produce identity proofs for exchange and deposits into banks which is in line with the global regulations for preventing Placement of funds into banking system by unscrupulous elements. The government has mentioned that Income tax department would scrutinize funds deposited above threshold value of Rs 2.5 lakhs for investigation which has been inspired by the Cash transaction reporting (Layering) rule of Money laundering regulations. Under the Cash transaction reporting rule all the banks are required to report all cash transaction above Rs 10 lakhs in cash to the Financial Investigation Unit under The Prevention of Money

Laundering Act 2000. The government also requires the banking officials to report suspicious transactions in the banking channels where they feel that the money being deposited is not from the real source as shown by the depositor. For example the money suddenly on rise in the Jan Dhan accounts recently falls under this category. Philip S. Russel (2004) mentions that it is estimated that perhaps US $1 trillion is laundered globally every year, making it one of the largest industry. It is further noted that Hawala is another mechanism used to facilitate money laundering, avoid taxation, and move wealth anonymously. The Hawala channels are often used to transfer these illegal funds from one country to another without taking the formal channel of exchange rates. Hawala is an alternate remittance system to send money from one country to the other without the physical movement of currency or any other financial transactions being noted in the accounting procedures of any bank or currency exchange. The Hawaladars or (hawala dealers) offer a more lucrative exchange rate and lesser commission for transferring funds. They send goods of higher value but send an invoice of lower value. The balance in payment is recovered by repaying the debt of one party to the other by paying the beneficiary customer's representative on behalf of requesting Hawaladar instead of sending the money to the other country.

The problem of generation and accumulation of black money and its illegal transfer outside India has gained importance in the last few years due to the commitment of leaders across world over, including India, to address it effectively and there is strong likelihood that substantial amount of such money transferred abroad illegally might have returned to India through illicit means. It is, therefore, important to device up a multi-pronged strategy, including joining the global movement against black money, creating a suitable appropriate legislative framework, setting up institutions for dealing with illicit money, strengthening the banking system and bring more transparency in banking transactions, developing systems for implementation, and imparting skills for effective action, is required to deal with the deep rooted problem of generation and accumulation of black money and its illegal transfer outside the country, and also for bringing it back to India. As rightly said by the hon'ble Prime Minister Sh Narendra Modi that demonetization is not the end but beginning of a long, deep and constant battle against black money and corruption. It is strong invasion into the world of dark money existing in India which will benefit the poor and the common man and will have a long term positive impact on the development and growth of the country.

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The diagram below explains the conceptual difference between all black money, money laundering, tax evasion and Hawala.

Basic categories	Laundered money	Black money	Tax evasion	Hawala Money
Definition?	Illegal money from crime integrating white economy	Unaccounted money	Taxes not paid	Alternate remittance channel
Legal or illegal Money?	Illegal money from drugs, smuggling, crime etc	Bigger superset of illegal money	May be legal money or illegal money	May be legal money or illegal money only channel dubious
Declaration of money?	Declaration illegal money as legal	Undeclared income to the govt and movement to tax havens	Undeclared income to the government of the country	Essentially for cross border transfer

ECONOMY OF THE SUGAR INDUSTRY

Sugar industry is playing a very important role in the economy of country, particularly in the states where the sugarcane is cultivated. It is an industry which supports the rural economy to a big extent. Since last more than 40 years this industry is contributing to the GDP of the country and also helping to improve the standard of life of the farmers.

However in recent years this industry is suffering serious economic problems and now it is even difficult for them to survive in the market. This is also affecting the sugarcane farmers. There is always a conflict between sugarcane farmers and sugar industry over the sugarcane prices. This is because the cost of production of sugarcane has gone up and it is natural that farmers are expecting better prices for their products.

There are a lot of problems faced by farmers, which needs to be reviewed separately. Here I will analyze the problems of the sugar industries. I am closely related to the sugar industry since 2002 as a cost auditor. During my cost audit of various sugar industries, I have observed the whole economy, strength and problems of sugar industry. Here I specifically would like to mention that a cost auditor can contribute lot to this industry by applying his analytical knowledge and through suggestions of modern professional management accounting techniques. The only and only requirement is that the management of sugar industry should be very positive regarding the utility of cost auditors.

Since 2014 sugar factories have suffered heavy losses due to various factors. Some of these are beyond the control of the management of sugar factories. However there are some factors which can be controlled by the management.

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Before proceeding to the detailed analysis, here I would like to state a very important factor that, it is beneficial for all the sugar units to erect the plants of co-generation and distillery because of the following reasons.

1. The data shows that a efficient operating plants can contribute a net profit of Rs. 100/- PMT of sugarcane crushed through its distillery plant or by other way a unit can earn a net profit of Rs. 1500/- to Rs. 2000/- by processing one MT molasses in distillery plant, which they sale in open market due to not having distillery plant.

2. The data shows that a efficient operating plants can contribute a net profit of Rs. 300/- PMT of sugarcane crushed through its co-generation plant. In absence of co-generation plant, the unit uses the whole steam directly from boiler. If the unit is having its own co-generation plant, the whole exhaust steam of co-generation plant can be used in boiling house of sugar plant. It means a dual use of steam can be possible only if the unit is having a co-generation plant. Today the production cost of steam for sugar unit comes around Rs. 1400/PMT. The requirement of steam is huge in boiling house and considering the cost of steam it is advisable for dual use of steam in co-generation plant and boiling house of sugar plant.

Here I am submitting some standards for efficiency analysis, which are based on the best operating plants. However these may vary depending on the plant conditions and technology.

SR NO	INPUT OR UTITY	QTY	UM	OUTPUT	QTY	UM
1	Sugarcane	1	MT	Sugar	110	KG
2	Steam for boiling house	280	KG	Sugar	100	KG
3	Electricity	20	KWH	Sugar	100	KG
4	Baggase	450	KG	Steam	1	MT
5	Steam	7	KG	Electricity in co-generation plant	1	KWH

The regular data of consumption of the utilities needs to be collected and detailed analysis should be made regularly for comparing the above standards and actual.

Here I am submitting my observations and also suggestions of problems of sugar industry, which I have located during my cost audits. The reasons are broadly classified as

A) Plant Capacity related
B) Sugarcane and sugar related
C) Production capacity utilization related
D) Process cost related
E) Others

A) Plant Capacity

1) Sugar plant : The first step for the success of sugar plant is the erection of correct capacity plant. Sugar industry is mainly depends on the availability of ample and good quality of sugarcane nearby of the plant. Excess capacity may result in the idle capacity of the plant. This causes heavy burden of interest and depreciation cost. The availability of sugarcane depends on rainy season; hence its availability may vary from year to year. This factor should be considered before erection of the plant for deciding the plant capacity.

2) Distillery plant : The main raw material of distillery plant is molasses, which is a byproduct of the sugar process. Normally sugar units gets molasses up to 4 to 5 % of sugarcane crushed and the average output of spirit is 190 to 250 liters per MT of molasses. Considering the normal sugarcane crushing capacity, the capacity of distillery should be decided. If the distillery plant capacity is on lower side, the unit may lose Rs. 1500/- to Rs. 2000/- of per MT of molasses, which they sale in market and the over capacity plant may cause idle capacity of the plant. Hence correct balancing of the capacity is very important.

Here one more important factor I observed that the sugar units operate the distillery plant only during sugarcane crushing season, because the main utility for distillery plant is steam and the units normally erects only one boiler for sugar and distillery plant. During off season of course, it is not economical for operating the high capacity boiler. However spirit manufacturing is not a seasonal activity, hence if the units can get a sufficient molasses, then it is definitely profitable to operate the distillery for the whole year. The only requirement here is to erect the separate boiler for distillery as per its requirement. Thus the distillery plant capacity can be utilized at its maximum capacity.

3) Co-generation plant : The economy and the success of any sugar factory is depends on the erection of correct capacity plant of co-generation plant. So long as the exhaust steam of turbine is used in boiling house of sugar plant, the cogeneration plant contributes huge profit to the whole unit. The main utility of the co-generation plant is steam and the manufacturing of steam cost is very high, hence dual utility of the steam matters lot on the profitability of the unit. Co-generation plants are mainly beneficial to sugar units not because the bagasse is available in sugar process, but due to utilization of exhaust steam of turbine, in boiling house. The balancing of bagasse production, steam production, requirement of steam in turbine and requirement of steam in boiling house is very important. Here I am submitting a data of the sugar factory which is having the 3500 MT sugarcane crushing capacity per day.

Sr No	Particulars	UM	QTY
1	Daily sugarcane crushing	MT	3500
2	Daily bagasse production 28 % of sugarcane crushing	MT	980
3	Daily steam production (450 kg bagasse for 1 MT steam)	MT	2177
4	Daily sugar production (at 11 % recovery)	QTL	3850
5	Daily steam required in boiling house (300 kg(Aprox.) per Qtl for sugar production)	MT	1155
6	Steam required in turbine of co-gen plant (for 1 MW) Aprox	MT	7
7	Maximum co-gen plant capacity can be erected (2177MT/7 per MW steam required - 22 hours in a day)	MW	14
8	Maximum co-gen plant capacity should be erected for fully utilization of Exhaust steam in boiling house(1155MT/7 per MW steam required - 22 hours in a day)	MW	7.5

The above figures may vary depending on the technology of the plant, conditions of the plants and efficiency of the unit. Nowadays a capital cost for erection of 1 MW co-gen plant is around Rs. 500 to 600 lakhs and production cost of steam is around Rs. 1400/- per MT, (considering bagasse cost around Rs. 2400/- per MT). Hence it is not beneficial to keep idle even 1 MW capacity of co-gen plant and even it is not beneficial to produce more steam than required in boiling house, so long the bagasse rate in market is more Rs 2000/- PMT. The average requirement of bagasse for generation of 1 KWH electricity in co-generation plant is 3 to 4 kg, and the sales price of electricity exported to State Electricity Board in the state of Maharashtra by co-gen plant is only Rs. 6.28, hence it is not beneficial to generate the electricity in co-generation plant unless the exhaust steam is used in boiling house. I strongly suggest that while erecting the plants a very careful study is needed for above interdependent factors for correct capacities of the plants.

B) Sugarcane and sugar related reasons

1) Sugarcane Price : Last 2-3 years were worst for sugar industries forever. Due to the sugar prices in the market, units could not afford for prices as per FRP. But due to the competition in sugarcane market, the sugar units have paid more prices than affordable. With these prices, the units have suffered losses during these years. The main reasons for these problem are, in our country the minimum rates payble for sugarcane are finalized by the government as per FRP calculations and the sugar units are paying more prices than the minimum price for sugarcane than determined by the Govt, due to competitive market of sugarcane . At the end, considering the overall conditions, the prices of sugarcane are out of control of the sugar units.

2)Sugar rates: The sugar is manufactured all over India and the total cost of production of sugar varies from factory to factory due to geographical conditions and efficiency of management. The price of sugar in the market mainly depends on total production of the sugar in the country during the year, minimum essential commodity price policy of the Govt., Export policy of the Govt., international market rates of the sugar and other reasons. Hence the prices of sugar are not in the control of sugar units. The units follow a policy to carry the stock still the desired rates of sugar. This policy has been beneficial to the sugar units during 2015-16, because in post financial year the sugar prices have gone up, but there are other costs like interest and storage etc. I feel the management should be very keen on this issue. Considering the overall scenarios, even sugar prices also are not in the control of sugar industries.

3)Sugarcane Recovery: The recovery of sugar directly effects on the profitability of the unit. The recovery varies mainly due to geographical location of the plant. I feel the units should try to get the maximum sugarcane from the farm which are near to the factory, and the agriculture dept should develop a mechanism for proper cane cutting time against cultivation of cane at farm, so that unit can get a highest recovery.

To overcome these problems I suggest the following actions

a) Increase the recovery of sugar by the consistent research on high recovery sugarcane quality
b) Providing training to farmers to cultivate best quality sugarcane like cane variety ko 671 or ko 86032
c) Motivating for drip irrigation or other micro irrigation
d) Reducing the period between cane cutting timings and cane crushing timings.

4) Harvesting & Transportation cost : This is one of the major cost for sugar manufacturing. The average cost of sugarcane harvesting and transportation is around Rs.500/- to 600/- per Qtl of sugar. However the rates of these costs are determined at Govt level, hence mostly these costs are not in control of the unit, but still this cost is very high. It is advisable that the unit should try to get the maximum sugarcane from the farms which are near to the factory, so that transportation costs can be reduced. Also it is advisable to develop the more automation in sugarcane cutting at farm level to reduce the cost of harvesting

C) Production capacity utilization

This is a one of the important factor which affects the overall profitability of any industry. The sugar industry this is mainly depends on the availability of the sugarcane. In some areas the availability of sugarcane is a problem. In such conditions the units pay more prices to sugarcane and also they have to pay excess rates for transportation. However by whatever way they do not have any options for this problem. Some other factors which affects capacity utilization are the breakdown maintenance of the plant. Proper preventive maintenance is the only solution for this problem. At the end it is suggested that to recover and to get sufficient return on long term investment, management has to plan to run the unit at its optimum level.

D) Process cost related reasons

There is a lot of scope to reduce the process cost by applying the professional management techniques like

1) Setting the standards for outputs
2) Develop regular data of actual
3) Compare the actuals with standards
4) Take corrective actions for negative variance

The raw material related costs are mostly not in the control of the management, but if they operate the plant by professionally, they may have lot of scope to reduce the process costs. Normally the sugar units spend around Rs. 850/- to Rs. 1000/- per Qtl of sugar towards process cost, which includes mainly

1) Wages & salaries
2)Consumable stores, spares and machinery repairs & maintenance exp.
3) Steam cost
4) Electricity cost
5) Depreciation
6) Other Misc. factory overheads &
7) Administration Exp.

The analytical data shows that the steam cost and electricity cost together are more than 60 % of total process cost. Normally the sugar plants are using most of the electricity from their own generation either from co-generation plant or their own power house, which they generate by using steam as input utility and for balance requirements, they purchase from the state electricity board. Also the sugar plant needs lot of steam for the boiling house.

Thus it is clear that the steam i. e. boiler plays a very important role in process cost. If the management keeps keen controls over boiler, the whole process cost can be controlled.

Following are my suggestions for production planning of steam production, sugar production and electricity generation in co-gen plant :

a) In boiling house of sugar plant, use maximum exhaust steam of turbine.
b) Operate the co-gen plant only up to level so that the whole exhaust steam should be utilized in boiling house.(The detail reasons are already given in the Para A 3)
c) Generate regularly the accurate data of steam production and consumption, baggasse consumption in boiler.
d) To see how to reduce the electricity consumption in sugar manufacturing process so that per Qtl units should be reduced up to 15 to 20 kwh
e) Develop the targets for baggasse and steam consumption and arrange to take the corrective actions for excess consumptions.

I feel specific targets should set for all the utilities and regular data should be developed for all utilities in plant. If the management follows a management accounting techniques and detail efficiency analysis is made regularly, there is lot of scope to reduce the process cost of sugar.

For other operating expenses, I suggest the management should apply budgetary control techniques to control these costs.

E) Others

1) Interest on working capital : This is one more major cost in sugar cost sheet. This cost is varies from Rs. 100/- to Rs. 350/- per Qtl of sugar. This cost is mainly depends on the inventory of sugar and also the policy of management for sugar inventory. Most of the units are carrying a sugar stock more than 125 % of annual sugar production and annual sugar sales. The units are spending aprox Rs. 100/- to Rs. 350/- per Qtl of sugar i.e. more than 20 % of process cost only towards interest on working capital. In the present scenario of competition, I feel it is not at all worth to spend this much of amount on Interest. I feel the management should think very seriously on this cost. If more than 50 % cost of interest is reduced, I feel there will be major positive impact on the profit of the unit.

2) Investment in fixed assets and Interest on term loan : During the initial stage of erection of the plant, units raise the funds through the share capital, borrowings from financial institutions and state governments. Hence the interest on term loan as a cost of capital, is major cost of the sugar plant in cost sheet. Normally it is expected that, the over a period of time the sugar units should earn the profit and repay the loan regularly. But the scenario is different. I observed in most of the financial statements of the sugar plants, that the units are carrying the interest burden even after operating the plant for several years. There are so many reasons for this problem and main problem is that the sugar units are suffering continuous losses regularly. Instead of reducing the burden of this interest cost, burden is increasing. In present competitive market this scenario cannot last for long time. Management has to think seriously on this problem.

I am submitting below in statement No. 1 the ideal cost sheet of the sugar manufacturing plant, with the following assumptions

1. Daily sugarcane crushing 3500 MTs
2. Sugar recovery 11 %
3. Bagasse recovery 28 % of sugarcane crushing and its market rate Rs. 2400/- PMT
4. Molasses recovery 4 % of sugarcane crushing and its market rate Rs. 4500/-PMT
5. Inventory effects are not considered

The data in the statement No. 1 & 2 may change as per changes in actual expenses, outputs of the finished products, outputs of the utilities generated in plant, efficiency of the sugar factory and the market rates of the finished product. These 2 statements are only for informative purpose to show the trends of cost sheet of sugar manufacturing plant.

Statement No. 1

STATEMENT SHOWING COST OF PRODUCTION (COST ELEMENTWISE), SALES & PROFIT OF SUGAR

(For 3500 Mt sugarcane crushing)

Sr No	Particulars	Qty	Amount Rs	Per Qtl of Sugar Rs	Per MT of Sugarcane
1	Cost of Raw Material				
	1.1 Sugacane Purchase Cost	8050000		2091	2300
	1.2 Process Material	115500		30	33
	1.3 Raw Material Incidental Charges	231000	8396500	60	66
2	Transportation & Harvesting Charges		1750000	455	500
3	Wages & Salaries		288750	75	83
4	Fuel Expense- Steam		1925000	500	550
5	Water Expenses		12617	3	4
6	Consumable Stores		77000	20	22

Sr No	Particulars	Qty	Amount Rs	Per Qtl of Sugar Rs	Per MT of Sugarcane
7	Power Charges-Electricity		327250	85	94
8	Repairs & Maintainance		288750	75	83
9	Misc Factory Overheads		54744	15	16
10	Insurance Charges		5100	1	1
11	Interest on Assets		211529	55	60
12	Depreciation		154000	40	44
13	Administrative Overheads-Manufacturing		36960	10	11
	Works Cost		**13528200**	**3514**	**3865**
14	Packing Expenses Gunny Bags		142450	37	41
15	Less By-product Recovery				
	15.1 Bagasse	2352000		611	672
	15.2 Molasses	630000		164	180
	15.3 Press mud	24150	0	6	7
			3006150	781	859
	Cost Of Production		**10664500**	**2770**	**3047**
16	Administrative Overheads-Others		269500	70	77
17	Selling & Distribution Exp		57750	15	17
18	Interest & Finance Charges		577500	150	165
19	**Cost Of Sales**		**11569250**	**3005**	**3305**
20	**Sales Realization**		**11569250**	3005	3306
	Net Profit(Loss)(25-24)		**0**	0	0
21	**Profit from Distillery plant Rs. 100 PMT of sugarcane**		350000	91	100
22	**Profit from Co-generation plant Rs. 300 PMT of sugarcane**		1050000	273	300
	Net Profit to the Unit		**1400000**	**364**	**400**

I am also submitting below the statement No. 2 showing how the revenue is earned and how the revenue is disbursed. Based on this statement the management can prepare their business plan, production targets and budgets for expenses and also they can plan for the maximum price for sugarcane, which they can afford to pay to the farmers

Statement No. 2

STATEMENT SHOWING THE DISBURSEMENT OF TOTAL REVENUE

A	Sugarcane Purchase Qty & Cost	QTY		Output to Sugarcane in %	AMOUNT RS.	Revenue per MT of Sugarcane crushing	% TO TOTAL REVENUE
	Sugarcane	**3500**	Mts		**8050000**		
B	**Revenue during the year**						
		QTY	**UM**	%			

A	Sugarcane Purchase Qty & Cost	QTY		Output to Sugarcane in %	AMOUNT RS.	Revenue per MT of Sugar-cane crushing	% TO TOTAL REVENUE
1	Sugar	385	Mts	11.00	11569250	3305	71.63
2	Bagasse	980	Mts	28.00	2352000	672	14.56
3	Molasses	140	Mts	4.00	630000	180	3.90
4	Press mud	81	Mts	2.30	24150	7	0.15
5	Water content(Evaporated)	1915	Mts	54.70	0	0	0.00
	Total B (1 To 5)	**3500**	Mts	**100.00**	**14575400**	**4164**	
C	Profit from Distilliery Plant				350000	100	2.17
D	Profit from Co-Gen Plant				1050000	300	6.50
E	Other Income				175000	50	1.08
F	**Toal Revenue (B+C+D)**				**16150400**	**4614**	**100.00**
G	**Sugarcane, Process & Other Cost**					**Cost per MT of Sugarcane crushing**	**% to Total Revenue**
1	Sugarcane cost				8050000	**2300**	49.84
2	Sugarcane Incidental Charges				231000	**66**	1.43
3	Transport & Harvesting Expenses				1750000	**500**	10.84
4	Packing Material				142450	**41**	0.88
5	Process & Chemical Material				115500	**33**	0.72
6	Other Process Cost incl. Admn Expenses				3554950	**1016**	22.01
7	Interest Cost				577500	**165**	3.58
8	Depreciation				154000	**44**	0.95
	Total Expenses				**14575400**	**4164**	**90.25**
H	**Other Expenses not considered in Costing**				25000	**7**	0.15
I	**Total cost**				**14600400**	**4172**	90.40
J	**Total balance of amount available to the Unit (F-I)**				**1550000**	**443**	**9.60**

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GST: IMPLEMENTATION AND TRANSITIONAL ISSUES

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No sooner political hurdles were out and consensus amongst the political party reach in the Rajya Sabha, 122nd Constitutional Amendment Bill, 16 states have immediately ratified 122nd Constitutional Amendment Bill and thereafter subsequent steps and actions, which has been taken by the Central Govt. really shows the seriousness and commitments to implement GST on the committed day, which can be seen from the following sequence of events:

- Assent by Hon. President of India
- Constitution (101st) Amendment Act, 2016 (incorporating provisions of 122nd Constitution amendment Bill) already notified on 8th September 2016
- GST Council already notified w.e.f. 12th September 2016
- Sections 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 13, 14, 15, 16, 17, 18, 19 and 20 of the Constitution (101st) Amendment Act, 2016 has come into the force w.e.f. 16.09.2016
- Draft Rules for registration, invoicing, payment, refund and Returns put on public domain
- Revised Draft of Model GST Law has been put on Public Domain incorporating suggestions of various stake holders in the month of November 2016.

Sr. No.	Date of Meeting	Details
1st Meeting	22nd& 23rd September 2016	Threshold limit, Compounding Scheme & issues of dual control.
2nd Meeting	30th September 2016	Rules for registration, payments, returns, refunds & invoices
3rd Meeting	18th & 19th October 2016	Finalised the compensation formula for states
4th Meeting	3rd& 4th November2016	4 Tier Structure of Tax rates - 5%, 12%, 18% and 28% - additional cess for luxury and demerit goods – GST Compensation Cess
5th Meeting	2nd & 3rd December 2016	9 Chapters of Model Law have been debated & approved
6th Meeting	11th December 2016	Deliberated upto section 99 of the Model GST Law released in the public domain on 26 November 2016
7th Meeting	22nd& 23rd December 2016	Approved provisions of Revised Draft Model CGST & SGST Law except for the provision of dual control for the dealers having turnover less than Rs. 1.5 Cr.
8th Meeting	2nd& 3rd January 2017	Approved Provisions of Revised Draft Model IGST Law except for the provision of dual control for the dealers having turnover less than Rs. 1.5 Cr.& applicability of IGST on High Sea Sale Transactions.
9th Meeting	16th January 2017	Deliberation of above pending issues and resolved the issue of dual control in the ratio of 90:10 for turnover less than 1.5 Crores and 50:50 for turnover more than 1.5 Crores of State and Central Government. Similarly issue of taxing of High Sea Sale transaction has been resolved
10th Meeting	18th February 2017	Finalisation of draft Model CGST, SGST & IGST Law and recommendations to the Central & State Government for putting these laws for approval of Parliament.

GST Council is very serious in resolving all the issues and to implement GST in the nearest future. Meanwhile bureaucrats' panel (of states and the Centre) is working on "classification"—a comprehensive, if not exhaustive, list specifying the tax rate that each good and service will attractbut in any case.Hon'ble Finance Minister has already stated that the broad view was that July 1 appears to be more realistic (date for rolling out GST). Since it is a transactional tax, it can be introduced at any time of the year.

All State Govt., VAT Officials and CBEC officials have been imparted training and further training on the software is expected to complete by 15th February 2017.

As far as infrastructure is concerned, there is a continuous monitoring from Hon. Finance Minister Arun Jaitelyand PMO for creating the infrastructure through GSTN and Infosys. Further, Hon. Minister Nitin Gadkari have already announced to invest Rs. 4000/- Cr for revamping the check post for installation of scanners to avoid the transit delay and checking.

Why "Game Changer"?

- Single Tax with the same provisions as against Multiple Acts &Compliances and Returns
- Different Valuation basis
- Different Adjudications
- No ambiguity under GST as against prevailing Service Tax & VAT in case of
  - Restaurant Services
  - Works Contract
  - Right to use of Movable goods
  - Software
  - IPR
- No ambiguity under GST as against prevailing Excise & Service tax for
  - Drawings and Designs
  - Software

✸ Commissioning & Installation

- Change in Taxable Event in case of Excise:Taxable Event is Manufacture/ Deemed Manufacture now will be "SUPPLY"
- Different Valuation Mechanism:Production Capacity/ Transaction Value/ MRP in Excise and now same Valuation for CGST & SGST or IGST
- Same Exemptionsfor CGST & SGST or IGST as against different exemptions in Absolute &Conditional in VAT and Excise
- No Duty Exemption Zone - Uttaranchal/ Himachal Pradesh / J&K/ N&E
- Change in definition of services, place of supply, time of supply and valuation
- One Nation, One Tax.

In the GST regime, there will be no tax on tax or cascading effect and hence following taxes were part of the cost of production and cost of services and thereby there was increase in pricing level, whereas prices will go down in the GST regime for the following reasons:

Cascading effect of taxes:

- Tax on Tax
- SAD to Service Provider
- VAT Credit to Service Provider
- VAT Retention for Stock Transfer and less credit for capital goods
- Cenvat Credit on Input Services to Trader
- Central Sales Tax
- Entry Tax
- Purchase Tax

In view of the above, the prices will come down and there will be less inflation provided all the stake holders pass the benefits which will reach to the ultimate consumer and that will be a real contribution for the nation building.

Steps to Implement GST by Trade and Industries:

A. Understanding of Business Transactions in the changed scenario to find out the impact of GST:

B. Classification of the transactions into specified w.r.t. Goods & Service & Place of provisions.

C. Understanding of Flow Chart for enabling the change in business strategies with GST perspective:

i. Organization

ii. Material Movement – Prior manufacturing

iii. Material Movement – During manufacturing or for other purpose.

iv. Distribution Pattern – Post manufacturing

D. Understanding functions of each Department at Macro & Micro level to assess the GST impact on their transactions and mapping them with existing Business Model.

E. Understanding of warehousing & logistic model including depot, branches, stock level thereof for GST impact and restructuring thereof with the perspective of GST.

F. Understanding distribution patterns till ultimate sale to consumer for GST impact and restructuring thereof.

G. Understanding of suppliers - nature of goods, place of supply & present contractual terms for GST impact and restructuring thereof and benchmark the new rates in GST.

H .Understanding service providers including contractors & contractual terms and place of supply for GST impact and restructuring thereof and benchmark the new rates in GST.

I. Understanding of sales policy including schemes, discounts, return of goods for GST impact and restructuring thereof for changing the sales promotion and marketing strategies.

J. Crafting Business Strategies

I. Analyzing function wise GST leakages & liabilities form the existing business strategy.

II. Finalizing new business strategies and continuous consultation with GST Core Group of the company (multifunction team).

K. Contract Review

I. IFinalizing revised terms & conditions in GST regime

II. Finalizing amendment to the present POs during transition period

III. Probable reduction in purchase price: A-Class vendors

L. Transaction Restructuring w.r.t. existing ERP & proposed ERP with interface through GSTN

M. Developing SOPs in each function of the Department including GST compliance

i. Finalizing Accounting Control for Tax Compliance and Tax Management.

ii. Mapping Transactions to ERP System.

N. Preparedness for Transitional Period so as to avail transitional credit and not to lose any ITC (Cenvat Credit)

O. Continuous Training at all levels.

i. Senior Level Team for decision making

ii. Middle Management for implementation

iii. Lower Management & Operating Team for documentation and compliances.

It is advisable to do all activities as mentioned above then only it can be stated Trade and Industry is also prepared not only to implement GST but reap the benefits of GST, which will enhance 1.5% growth of GDP and contribute to the nation building.

Trade and industry have to prepare for transition from existing tax regime to GST regime and attempt has been made to list out important areas to embrace GST in most desired manner.

DEPARTMENT	TRANSITION	GST REGIME
Material Inward / Material Handling / Dispatch Department / Warehouse	• Ensuring proper recording of all receipts upto appointed day with zero pendency on daily basis to facilitate proper accounting and stock tacking • Co-ordinate with ERP Team for changes required w.r.t. recording of receipts / outward deliveries	• Timely recording of receipts and outward supplies on daily basis • Generation of Tax invoices for outward supplies and preparation of challans for temporary removals • Tracking and linking of goods returns w.r.t. prior appointed day transactions and post GST Transactions
Supply Chain / Purchase / Commercial	• Revisit the procurement network considering the taxation impacts • Revisit the warehouses / agents / branches / depots network for outward supplies and define a revised network • Revisit contracts and contractual terms for receipts and supplies • Draft revised contracts and PO terms • Introduce Vendor Rating system • Coordinate with stakeholders for the stocks with vendors / job workers / branches / depots • Define SOPs for material movement	• Ensure compliance with revised contracts • Continuous Review and proper implementation of vendor rating system • Monitor the functioning of the revised warehouse / agent network to tackle the business needs and changes • Track and monitor the compliance of SOPs
Sales / Marketing	· Revisit sales policy including schemes, discounts, return of goods for GST impact and restructuring thereof.	• Review and monitor the revised sales policy to tackle the business needs and changes

DEPARTMENT	TRANSITION	GST REGIME
Finance / Taxation	• Ensuring Transitional credits are properly taken • Ascertain the taxation impact on inward supplies / outward supplies by undertaking transaction analysis • Ascertain costing impact due to above and determine revision in prices • Ascertain working capital impact and requirement of finance for the same • Timely Issue of Forms as per existing VAT / CST Regime • Define SOPs for retrieving data required for statutory compliances, all risks of losses and controls • Define registrations required and obtain necessary registrations • List down all pending litigations, proceedings along with status of the same to determine the impact	• Proper analysis of each transaction to ensure proper accounting and taxation • Work out the eligible credit and determine the reversals required if any • Determine the tax to be deducted and ensure compliances thereto • Tracking / monitoring the transitional transactions • Proper payment of Taxes • Statutory compliances - The vendor rating process will be in place and hence it is extremely critical to ensure compliance not only for statutory purpose but also business purpose
Accounts	• Accounting of all invoices upto appointed day with zero pendency on daily basis • Define revised chart of accounts considering the GST requirements • Coordination with ERP team to facilitate updation in ERP	• Timely recording on daily basis • Pass accounting entries as per the new accounting head • Facilitate reconciliation with Tax records w.r.t. balances of Cenvat / VAT Credit • Facilitate Finance and Taxation team for easy reporting and reconciliation • Accounts reconciliation and accounting of authorized adjustments by way of debit / credit note.
Human Resource	• Revisit HR Policies w.r.t. recovery / reimbursements	• Monitor the revised policies and impact on GST
ERP	• Analyse the transactional impact to ERP and build changes accordingly • Define Data Points for GST Returns and Reconciliations in line with GSTN • Facilitate system to enable auditing	• Track reports and review the transactions reporting • Continuous automation and upgradation to meet the change / correction requirement

Other Specific Issues – Transition:

- Identify Place of businesses and conduct feasibility for continuity of the same considering the GST transaction impact
- Recording of in transit transactions including receipts and removals along with respective credits / liabilities and Forms against sales / purchase in transit
- Determine Cut off balances for carry forward / reversals
- Stocks at various locations and tax impact considering continuity of registrations / change in registrations
- Revisit HR Policies and impact under GST
  - Awards to employees / Reimbursements to employees
  - Business Assets for personal purpose
  - Recovery from employees
  - Valuation of Benefits
  - Leave Encashment / Medical / Insurance
- Scrips in hand and endorsements required, if any

- Review of contracts with Suppliers / Customers / Job-workers / Consignment agents / Commission Agents / Contractors and determine revised terms
- Define Accounting changes and Revised Chart of accounts
- ERP updates / changes to accommodate the transitional transactions and transactions in GST scenario without impacting existing transactions - Compliance w.r.t. GST Requirements, Customised Reports required for uploading to GSTN, Return requirements, Auditing requirements
- Define GST Implementation and Coordination Team
- Training of team across the functions of the company w.r.t. new responsibilities, systems, processes, ERP changes, controls, reporting requirements
- Define SOPs for each transaction

Section 163 of CGST and SGST Law (Revised Draft Model Law) provides

Quote

163. Anti-profiteering Measure

(1) The Central Government may by law constitute an Authority, or entrust anexisting Authority constituted under any law, to examine whether input taxcredits availed by any registered taxable person or the reduction in the price onaccount of any reduction in the tax rate have actually resulted in acommensurate reduction in the price of the said goods and/or services supplied by him.

(2) The Authority referred to in sub-section (1) shall exercise such functions andhave such powers, including those for imposition of penalty, as may beprescribed in cases where it finds that the price being charged has not beenreduced as aforesaid.

Un Quote

In view of the aforesaid provision, it is mandate for each trade & industry to do the impact assessment and pass on the benefits to the consumer otherwise be liable for penalty.

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At the Helm

Our heartiest congratulations to CMA Devendra Daga, member of the Institute, for his appointment as independent director at National Textiles Corporation Ltd. CMA Daga is also the immediate past chairman of Jodhpur Chapter and a renowned industrialist, social worker and associated with various bodies including Central excise advisory body of Rajasthan state.

We wish CMA Devendra Daga the very best for all his future endeavours.

FOR ATTENTION OF MEMBERS

"CD of List of Members, 2016 will be made available for sale to the Members at a price of Rs.100/- per copy. Members interested to procure the same may remit Rs.100/- by Demand Draft/Cheque drawn in favour of 'The Institute of Cost Accountants of India', payable at Kolkata, addressed to the Secretary, ICAI."

COST ACCOUNTING STANDARD SETTING IN INDIA

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The Institute of Cost Accountants of India (ICAI) has been contributing immensely to the development of cost accounting profession in India since 1959[2]. One of its major functions is standard-setting in different areas of cost to ensure uniformity, consistency and accuracy in cost statement through different cost standards. This promotes decision usefulness of cost information and also enhances the competitive advantage of firms. The Institute got its legal authority from section 233-B of the Companies Act, 1956. In the Act of 2013, Section 148(3) mandates that an auditor conducting the Cost Audit shall comply with the cost auditing standards which mean such standards as are issued by the ICAI with the approval of the Central Government. Cost statements are therefore required to be prepared, in all material respects, in accordance with the applicable cost reporting framework, Cost Accounting Standards (CASs) and Generally Accepted Cost Accounting Principles (GACAP) as issued by the ICAI. Thus, compliance with Cost Accounting Standards is a fundamental requirement in preparing cost statement by an enterprise.

In view of the importance of Cost Accounting Standards, this paper seeks to study the role of Institute's standard setting process. Keeping in view this objective, we first briefly deal with historical perspectives of standard setting in different leading industrialised countries of the world. Then we delve on some conceptual aspects of accounting standards and the due process required to be followed for enhancing the robustness of each standard. In the light of all these, Institute's efforts for standard setting are finally assessed. In other words, the following issues are involved:

- Did the standard setting for corporate financial reporting (financial accounting) motivate standard setting in cost accounting?
- What factors influence standard setting in a country?
- What are the practices of standard setting in Cost Accounting in four industrialised countries viz. the USA, Japan, the U.K. and Germany?
- What are the meaning and nature of accounting standards?
- What is 'due process' in standard setting? Does the due process adopted by the ICAI is internationally competitive?
- How does the ICAI issue cost accounting standards and guidance notes?
- Does the composition of the Cost Accounting Standards Board (CASB) cover all important sectors of the economy? Also, what are its functions?
- Does the Institute follow a definite format for standard-setting?

Due to constraint of volume, we delve on only some of them in brief.

Historical Perspectives

(a) Standard setting for financial Reporting

While dealing with the early history of standard setting in cost and management accounting, we sketch briefly the standard setting for financial accounting and reporting first because this might have indirectly influenced standard setting in cost areas.

The process of standard setting could be traced to 1930s in the **USA**. The AICPA and the New York Stock Exchange jointly recommended "Audits of Corporate Accounts" in 1934. At about the same point of time, the US Congress constituted the Securities and Exchange Commission (SEC) in 1934 and granted it statutory power as the regulator of stock exchanges in the US. The SEC delegated its authority to the AICPA to prescribe accounting practices for publicly traded companies. Accordingly, "Audits of Corporate Accounts" got a statutory backing and it was the landmark development in the history of standard setting for preparation of financial statements. Listed companies in the US were thus required to follow GAAP for financial statements subject to audit by independent auditors.

In 1938, AIA published *Statement of Accounting Principles,* authored by Sanders, Hatfield and Moore. This research publication contained mainly the prevailing accounting practices in the US. In the same year, AIA also formed the Committee on Accounting Procedures (CAP) with the responsibility of making pronouncements on issues concerning financial accounting and reporting. The CAP started issuing *Accounting Research Bulletins* (ARBs) for developing accounting and reporting practices and issued 51 ARBs between 1938 and 1959. Although voluntary in nature, these pronouncements were aimed at developing accounting practices in the country and formed the basis of Generally Accepted Accounting Principles (GAAP).

The American Accounting Association (AAA) meanwhile published a monograph called *An Introduction to Corporate Accounting Standards,* authored by Paton and Littleton, in 1940. It provided the theoretical basis for financial reporting. Two of its other contributions were matching principle and historical cost accounting.

In view of rapidly changing demand for research-based pronouncements and criticism against CAP, the AICPA formed a new body named Accounting Principles Board (APB) in 1959 with multiple objectives. The pronouncements of the APB were known as *Opinions* and between 1959 and 1973, APB issued 31 *Opinions.* APB, however, did not have adequate resources and expertise to issue high quality solutions to accounting problems on a continuous and timely basis. Consequently, *Financial Accounting Standards Board (FASB)* was set up in 1973 as an independent body. FASB has been striving to issue high quality accounting standards in the States for compliance by listed companies.

In the **United Kingdom**, in 1942, the Council of the Institute of Chartered Accountants of England and Wales (ICAEW) issued *Recommendations on Accounting Principles* for providing voluntary practical guidelines for financial reporting for its members' "interest". The ICAEW issued 29 guidelines between 1942 and 1969. In 1970, the Accounting Standards Steering Committee (ASSC), a voluntary and part-time Committee drawn from accountancy profession, stock exchange, industry and commerce, etc., was set up to work closely with stock exchanges, Confederation of British Industry and other interested groups and parties. Subsequently, ASSC was replaced by Accounting Standards Committee (ASC). Its pronouncements were issued in the form of Statements of Standard Accounting Practice (SSAP). During 1970-1990, ASC issued 25 SSAPs. However, there was wide-spread dissatisfaction among the stakeholders (Davis *at el.*, 1992). These and many other issues led to the setting up of Dearing Committee which submitted its recommendations in 1988 for a new accounting standard setting arrangement in the U.K. In 1989, the Companies Act legislated Financial Reporting Council (FRC) along with three separate bodies, viz., Accounting Standards Board (ASB) replacing ASC in 1990, an Urgent Issues Task Force (UITF) and a Financial Reporting Panel (FRP). ASB first adopted all the relevant SSAPs issued by ASC and then started issuing new standards called Financial Reporting Standards (FRSs). Till November 2006, ASB issued 29 FRSs (some of them replaced the earlier SSAPs). The Companies Act of 1985 made the accounting standards mandatory for all companies other than the medium and small-scale ones for ensuring that financial statements are prepared to give "a true and fair view". ASB also developed a conceptual framework of accounting through its publication *Statement of Principles* that is considered one of its major contributions for transforming orthodox accounting into a more logical one.

Because of growing demand for setting standards for use on a global basis, in 1973 the representatives of nine countries, including the USA, the UK, Australia, France and West Germany, formed the International Accounting Standards Committee (IASC), headquartered in London, with the objective for formulating accounting standards for preparation of financial statements in order to promote their world-wide acceptance and observance. This led to the publication of first accounting standard in 1975 entitled *Disclosure of Accounting Policies* (IAS-1). Over time, IASC issued 27 definitive standards covering a wide range of financial accounting and reporting topics. The acceptance of IASC standards was world-wide because the original nine sponsoring bodies grew to encompass 152 professional bodies in 112 countries. In 2001, the IASC was restructured into International Accounting Standards Board (IASB). The IASB, after adopting all the IASC standards, started issuing new accounting standards titled International Financial Reporting Standards (IFRSs). Because of all these developments, national standard setting in many countries by the respective standard setting boards also substantially grew. But there were lots of diversity in the process and also in the outputs.

Consequently, the focus of IASB also shifted in that IASC emphasised on harmonization of accounting standards to reduce diversity in accounting standard setting globally. Later, IASB opted for achieving "convergence in accounting standards" and the movement of "convergence" has been going on successfully.

Before we deal with the historical aspect of standard setting in Cost Accounting, let us identify the factors which influenced national standard setting. There are a variety of factors some of them political, and some of them are due to the legal or tax system. Mark Wahrisch (2001) identified five influential factors: cultural factors, legal/political factors, economic factors, educational factors, and capital market factors. However, Gerhard Mueller (1967) identified only four elements: state of economic development, business complexity, political persuasion, and some reliance on a particular system of law. The American Accounting Association's 1975-76 International Accounting Operations and Education Committee established eight factors including objectives of financial reporting, clients, and education/ training/ licensing.

(b) Standard-setting in Cost Accounting

The standard-setting practices in Cost Accounting in the four industrialised countries - the USA, Japan, the UK, and Germany are now given briefly.

(ii) The USA[3]

In the USA, various public utility regulation entities, the Federal Trade Commission, and the U.S. Department of Justice were interested in accessing to the cost information of any business entity. No costing standards were separately established by regulatory bodies. But a very elaborate cost accounting board and its framework was available for regulating the procurement function of the Federal Government.

It is well known that the United States had long been a bastion of predominantly historical cost accounting for inventories and fixed assets. Not so well known, however, was the fact that the US insistence on the use of historical cost accounting had emanated from the mandates of Securities and Exchange Commission (SEC) and had not always been a tenet held and advocated by leaders of the accountancy profession.

The person who effectively cemented the SEC's policy to insist upon historical cost accounting was Robert E. Healy. Prior to becoming one of the five founding SEC Commissioners in 1934, Healy had been Chief Counsel of the Federal Trade Commission (FTC) from 1928 to 1934. As a result, there was influence of Mr. Healy's policy adoption in the form of historical cost accounting.

Public Law 100-679 (41 U.S.C. 422) required certain contractors and subcontractors (when the contract value exceeded $100,000) to comply with Cost Accounting Standards (CAS) and to disclose in writing and follow consistently their cost accounting practices.

In 1970, Congress established the original Cost Accounting Standards Board (CASB) to promulgate cost accounting standards designed to achieve uniformity and consistency in the cost accounting principles.

The CASB promulgated 19 standards and associated rules, regulations and interpretations. It was, however, discontinued on September 30, 1980. The CASB was, however, re-established by an order of the President of the USA in 1988. The CASB consisted of five members: the Administrator of OFPP, Chairman and one member each from DoD (Department of Defense), GSA (General Services Administration), industry and the private sector (generally expected to be from the accounting profession).

The original CASB adopted 19 standards, numbered 401 through 420 (however 419 was never assigned). The new CASB readopted the original 19 standards with only minor modifications, and did not issue any new standards.

In the USA, one of the Treasury Department's order said that the state auditor would annually make a cost-audit of the books and records of the county road engineer and make a written report thereon to the county legislative authority. Similarly, in another order of 20th December 2000, it was mentioned that any company in the aerospace, telecommunications, electronics or engineering fields (or any other field provided for in the contract), which is classed as a mandatory supplier under a government contract, can be liable to a post factum cost price review.

(ii) Japan[4]

In 1918, the Mitsubishi Shipbuilding introduced modern costing system in the company. But after the 2nd World War (in which Japan was defeated), lot of changes took place in political, legal, social and economic systems guided by the American models. After a long gap, the Accounting Deliberation Committee of the Ministry of Finance released the Cost Accounting Standards with 47 articles on November 8, 1962. In 1962, standards were a part of the Japanese GAAP. All listed companies were expected to comply with them in their costing practices. Japan has so far issued 10 Cost Accounting Standards. In respect of Cost Accounting Standards in Japan, three key aspects are noticeable, which are briefly stated below.

a) Nature and basic structure: The new standard codified best practices based on contemporary generally accepted cost accounting practices and international prevailing practices. This *normative approach merely made the basic cost convention clear.*

b) Application: The standards were not, however, mandatory. Companies could implement their own cost accounting practices under the standard. This standard applied to all companies, but application depended on industry-type, business condition and size of company. Also, some industry groups had their own cost accounting manual or handbook of cost accounting procedures.

c) Framework: The Standards explain a fundamental framework of effective cost accounting practices that are promulgated and implemented by corporations. "Cost Accounting Standard in Japan" supported modernization, enlightenment and diffusion of cost accounting practices in many corporations. The standards also indicated the purposes of cost information viz.: pricing, cost management, budgeting, planning, etc.

(iii) The UK Practice[5]

Cost accounting in the UK only became integrated into the main body of accounting knowledge after the outbreak of the First World War. This was achieved by a new clause embodied in the Defence of the Realm Act in 1916, enabling costs to be ascertained by examining manufacturers' figures. The shortage of expertise for such an undertaking ultimately led cost accounting to be brought to the attention of manufacturers. CIMA of UK was started in 1919 and acted as forerunner to global bodies.

The UK Treasury's Green Book, Appraisal and Evaluation in Central Government, applied to government departments although full economic costing was required in other public sector/not-for profit organizations. The Green Book stated that for substantial proposals, relevant costs are likely to equate to the full economic cost (calculated net of any expected revenues for each option) of providing the associated goods and services.

Organisations like Airports, Communications, Education Sector, Energy, Food standard, Pensions, Postal services, Railways, etc. extensively used costing information. Any contract in excess of $500000 resulting from this solicitation was subject to the requirements CASB. The UK accounting standards have incorporated cost of sales and overhead reporting as a part of financial reporting to shareholders.

(iv) Germany[6]

In Germany, many regulatory bodies were interested in accessing to the cost information of a business entity. The German Tax legislation required current and fixed assets to be valued in financial reporting at their purchase price or production cost less depreciation. Under Handelsgesetzbuch (German Commercial Code), Section 255(2) lays down the cost elements which are includable and not includable for arriving at the inventory value. In Germany, statutory instruments have been enacted to achieve uniformity and consistency in accounting for contracts with public authorities and to avoid calculation of cost price at excessive rates. These instruments determine the allowable resources and their prices plus the valuation of the used quantity of resources.

Cost accounting and cost management have played a major role in high technology manufacturing. The popular ERP SAP has a module on management accounting called Controlling Module which emanated only from the German company practices. *Grenzplankostenrechnung (GPK),* a German costing method, focused on marginal costing, is helpful to support short-term decisions, e.g. (a) decision to accept or reject an additional order based on contribution margin, (b) or pricing. GPK varies in complexity depending on an organization's history, culture, and requirements in most instances, GPK combines both resource and activity analysis, and assigns resource costs to cost objects based on causality (as is the case in ABC systems).

Article 14 of the European Commission regulations have mandated the adoption of uniform cost accounting practices across Europe by amending legal framework. The amendments in effect were to bring standard cost accounting practices to be consistently applied. Germany has also applied this provision in the operation of the German Postal law. Through this provision the required cost accounting principles have been standardised but a survey indicates that the German law is yet to introduce some of the substantive portions of the cost accounting framework mentioned in Article 14.

In Germany, all companies have distinct cost and management accounting departments. In a paper on *Management Accounting in Germany* presented in the Global Summit on Management Accounting in January 2008, it was stated that cost accounting is traditionally the "heart" of German management accounting and German companies have, on average, 584 cost centres. Cost information is used for public works contract management and pricing.

In Germany, most of the public procurement contracts are awarded on cost plus basis and the costs are monitored continuously. There are many local prescriptive guidelines followed by public authorities while issuing such contracts but ultimately the principle of "Market Appropriate Cost" applies.

The developments in India with respect to standard setting on different cost areas are taken up in section V. Prior to that, a few sentences on conceptual aspects of 'standards' and 'due process' are briefly discussed in sections III and IV respectively.

The Meaning and Nature of Accounting Standard

There are various meanings of the term 'standard'. The Concise Oxford Dictionary (1976) defines it, among others, as follows:

- Weight or measure to which others conform or by which the accuracy or quality of others is judged.

- Degree of excellence etc. required for particular purpose.

Kohler (1972) also gives several definitions in his 'Dictionary for Accountants'. Two of them are mentioned below:

- A desired attainable objective; a performance goal; a model.
- Established by custom, common consent, scientific, professional, or government bodies, administrative action, or law, after extensive observation, experimentation, research, testing or planning, and often compromise, a standard often falls short of an ideal and its duration may be limited; its purpose is to serve as a working basis for the institution of procedures that will assure conformity on the part of a group or groups of persons, within the ranges of technological, institutional or other limiting conditions under which they operate and to provide a criterion for and medium of control over future activity when accompanied by inspection, reporting, publicity, or other device at the level at which enforcement can be best applied.

Kohler's second definition is very wide in that it not only talks about the conceptual aspect of a standard but also embraces many other areas, namely, how it is to be set up (process), duration of the standard keeping in view the changing environment, authoritative power and enforcement. It was possible for him to conceive such a wide meaning of the word standard because by 1972 the standard-setting for preparation of financial accounts and reporting thereof took some shape in the USA and many other advanced countries.

A standard is not an end in itself, it is rather a means to an end. For example, in the context of cost accounting standards, the object is to help an enterprise to classify certain costs, assign them properly and follow the principles consistently for preparing a more desired cost statement that will be useful for decision making, control and external reporting. It is intended to serve better all the stakeholders.

Standards may be used in a variety of contexts and they may take different forms in different situations. They are meant to address some specific problems and issues. When backed by a provision of law, standards become de jure standards. But if it comes from a professional institute in the form of guidelines to its members, the members of the profession are obliged to comply with them in discharge of their professional obligations. From this standpoint, it is mandatory to those who are in the profession for practice. The practicing professionals will consequently demand compliance thereof by the reporting entities. So, the former becomes mandatory directly while the later, indirectly, through practicing professionals.

Moen (2003) gives the concept of a standard that captures the essence of formal standards issued by standards organisation. It runs as follows:

> A standard represents an agreed upon response to a recurring problem – perceived, anticipated, or real – and codifies the response for the purpose of communication. The standard is the result of problem-solving process. It involves agreements among stakeholders who have interest in adopting specific responses to the problem. Conformant use of the standard leads to *predictable results and a reduction of uncertainty.*

In other words, it is an agreed upon response to a problem and codification of the response for communication and compliance. The use of the codified response will lead to 'predictable results' so as to reduce uncertainty. This is what is being followed currently throughout the world. In the corporate world today, there are a variety of situations leading to the uncertainty because of diversity of products and services, cut-throat competition and changing regulations even in globalised environment.

Due Process in Standard Setting

ISO (International Organisation for Standardization) standards are widely accepted as conformance to a given level of quality acceptable to the customers. It is because they are the result of 'specific processes' strictly followed by ISO in respect of standard setting for each product or service. For example, ISO 9000 standards stand for quality management systems.

In defining the 'due process', a standard setting organization should keep in mind certain attributes of standards. What are they? The American Accounting Association (AAA, 1940) stated them as follows:

> Accounting standards should be systematic and coherent, impartial and impersonal, and in harmony with observable, objective conditions.

Similarly, Kohler (1972), in his definition of standard, said that a standard should be formulated "after extensive observation, experimentation, research, testing or planning". Thus, any standard setting process worth the name must keep in mind the above attributes to make the standard useful, robust and living.

Standard setting for reporting of financial statements, or for different areas of cost and management accounting, needs similar rigour. As a result, each standard setting organisation makes "due process" well-defined so that output of the process meets a given level of quality to promote its acceptability to the stakeholders. Also a due process ensures that all constituents get opportunities to provide inputs for modifications at different stages before a standard is finalised and issued. It starts from selection of topics for the "agenda", identification of issues through research, releasing discussion memorandum, holding public hearing, evaluating comments on discussion memorandum, preparing exposure draft after incorporating relevant comments, evaluating comments on the exposure draft and then finally issuing the standard. FASB follows nine steps in standard setting for making its standards robust. The FASB due process is modelled on the Federal Administrative Procedure Act. The IASC Foundation published a handbook, *Due Process Handbook* (2006), which gives detailed description of the consultative arrangements to be followed by IASB for standard setting.

We now turn to Cost Accounting standard setting in India, the main thrust of this paper. This is divided into three sub-sections, viz. standards and guidance note, authority of standard setting, and composition of the Board and its functions.

Cost Accounting Standard Setting in India[7]

(a) Standards and Guidance Note

Cost Accounting Standards (CAS) are a set of standards that are designed "to achieve uniformity and consistency in cost accounting practices." The Institute of Cost Accountants of India, recognizing the need for structured approach to the measurement of cost in manufacture or service sector and to provide guidance to the user organizations, government bodies, regulators, research agencies and academic institutions to achieve uniformity and consistency in classification, measurement and assignment of cost to product and services, constituted Cost Accounting Standards Board (CASB) in 2001-02 with the objective of formulating the Cost Accounting Standards.

Keeping in view the latest legal and contemporary developments, the Cost Accounting Standards Board develops Cost Accounting Standards subject to approval of the Central Government. To explain the requirements of standards and provide the guidance with practical examples and illustrations on technical issues relating to Cost Accounting Standards issued by the Institute, CASB also issues Guidance Notes. Further, there may also be other technical issues relating to topics of importance for which the Cost Accounting Standards are not necessary but these technical issues need guidance to members and industry with respect to measurement, classification, assignment and presentation of cost in cost statements. Accordingly, the CASB issues Guidance Notes on such topics. The Council of the ICAI at its 251th Meeting held on 12–13 February 2009 and 258th Meeting held on 14 December 2009 decided on Mandatory application of Cost Accounting Standards (CASs). The CASs are mandatory with effect from period commencing on or after 1 April 2010, they are applied for the preparation and certification of General Purpose Cost Accounting Statements (GPCAS). The Institute has so far issued 24 Cost Accounting Standards, Generally Accepted Cost Accounting Principles, 9 Guidance Notes on Cost Accounting Standards and two Guidance Notes on *Treatment of Costs Relating to Corporate Social Responsibility (CSR) Activities* and *Maintenance of Cost Accounting Records for Construction Industry Including Real Estate and Property Development Activity*.

(b) Composition of the Cost Accounting Standards Board and its functions

The Council of the ICAI constituted the Cost Accounting Standards Board (CASB) in 2001-02 with the objective of formulating Cost Accounting Standards. Many of the principles stipulated in the Cost Accounting Standards issued by CASB are applicable to entities engaged in manufacture of goods and/or rendering of services. At a later date, CASB might issue Cost Accounting Standards specific to service sector.

The composition of the CASB is broad-based; it ensures participation of all interest groups in the standard setting process. The Chairman of the CASB is nominated by the Council of the Institute. The CASB comprises 32 members of which 6 are nominated by the ICAI. The remaining 26 members are as follows:

- four from Government of India (each from MCA, Adviser –Cost, Central Board of Excise and Customs, Central Board of Direct Taxes);
- two members of the Institute from leading companies;
- four nominees from Regulators (namely, CAG, RBI, TRAI, SEBI, CCI, CERC, IRDA, PNGRB etc.),
- two nominees from Professional Institutions (viz, one from ICAI and one from ICSI),
- three nominees of Industry Associations (viz, ASSOCHAM, CII, PHDCCI, FICCI etc.),
- two nominees from Academic Institutions;

- four eminent practicing members of the Institute;
- two eminent persons having knowledge and expertise in the Cost and Management Accounting;
- three permanent invitees from professional bodies as observers from neighbouring countries i.e. one each from Sri Lanka, Pakistan and Bangladesh).

The quorum of the Board is eight members. The terms and period of appointment is decided by the Council. The composition of the CASB is wide-spread and includes representatives from all important sectors of the economy in addition to inclusion of three representatives from the SAARC. The output of the broad-based Board is likely to serve the stakeholders more objectively and free from bias. The objectives of the Cost Accounting Standards Board are to develop high quality Cost Accounting Standards to enable the management to make informed decisions. Secondly, the standards are intended to enable regulators to function more effectively by integrating, harmonizing, and standardizing cost accounting principles and practices.

The important functions of the Board are to:

(i) Issue the framework for the Cost Accounting Standards.

(ii) Equip the Cost and Management Accounting professionals with better guidelines on Cost Accounting Practices.

(iii) Assist the members in preparation of uniform cost statements under various statutes.

(iv) Provide from time to time interpretations on Cost Accounting Standards.

(v) Issue application guidance relating to a particular standard.

(vi) Propagate the Cost Accounting Standards and to persuade the users to adopt them in the preparation and presentation of General Purpose Cost Statement.

(vii) Persuade the Government and appropriate authorities to enforce Cost Accounting Standards, to facilitate the adoption thereof, by industry and corporate entities in order to achieve the desired objectives of standardization of Cost Accounting practices.

(viii) Enlighten the users about the utility and need for compliance of cost accounting standards.

Procedure and Guidance

The CASB follows a definite format for Standard setting. While setting the standards, it takes into consideration the applicable laws, usage and business environment prevailing in India. In addition, it also examines the international practices in the field to make India globally competitive. The various aspects in standard setting by the CASB, viz. due process, issuing application guidance and preparation, and compliance, are given below.

(a) Due Process for issuing the Cost Accounting Standards

We have earlier examined the importance of 'due process' in setting high quality standards. The ICAI follows a well-defined due process as enumerated below.

1. The selection of topics on which the Cost Accounting Standards have to be formulated and the sequence in which they will be developed and decided by the CASB, on its own volition or on the basis of requests received from any interest group.

2. The CASB constitutes a Task Force for each issue taken up for the formulation of the Cost Accounting Standard. The Task Force prepares the initial draft of the proposed standard.

3. The draft of the proposed standard is generally of the following format:

   a. Introduction
   b. Objectives
   c. Scope
   d. Definitions and explanations of the terms used
   e. Principles of Measurement
   f. Assignment of Cost
   g. Presentation, and
   h. Disclosure.

   Application Guidance is provided as Annexure, wherever required. In case of deviation from the above format, suitable explanation is provided by the Task Force preparing the standard. The standards formulated by the CASB include paragraphs in bold italic type and plain type, which have equal authority. Paragraphs in bold italic type indicate the main principles. An individual Cost Accounting Standard is to be read in the context of the objective/s stated in that standard and the preface.

4. The initial draft prepared by the Task Force is examined by the CASB, with inputs from the Technical Directorate.

5. The CASB issues an Exposure Draft with or without modification to the initial draft.

6. The Exposure draft of the Cost Accounting Standard is placed on the website of the Institute and published in *The Management Accountant* for comments of stakeholders and public at large.

7. The Exposure Draft is also sent to the members of the Central Council, Past Presidents, members of the Regional Councils and Chapters and the leading entities in public and private sectors for comments.

8. To allow adequate time for due consideration and comments from all interested parties, exposure period is of *thirty days* or longer as decided by the CASB.

9. The comments and suggestions received within the exposure period are considered appropriately by the CASB.

10. After taking into consideration the comments received, the draft of the proposed standard is finalized by the CASB as the relevant Cost Accounting Standard and is submitted to the Council of the ICAI for approval.

11. The Council of the ICAI considers the proposed standard, and if found necessary, modifies the same in consultation with the CASB. After the Council recommends adoption, the Cost Accounting Standard on the relevant subject is then issued by the ICAI under the authority vested upon it.

12. The effective date of implementation of the Standard is decided by the Council of the ICAI in consultation with CASB. However, no standards will have retrospective application unless otherwise stated.

(B) Application Guidance and its preparation

The Institute issues application guidance from time to time for the standards released. This is done separately for each of the CASs. For the purpose, the CASB identifies implementation issues and considers how CASB can best respond to such issues.

The response takes the form of Application Guidance which may take several forms of narratives, illustrative examples and others. The objective is to help preparers of cost statement, auditors, and all other users to understand Cost Accounting Standards better, particularly first-time preparers and users. This ensures consistent application of a standard.

Since proper use of standards needs guidance from the Institute, the preparation of the guidance follows a *well defined format* as mentioned below.

1. The Application Guidance is drafted by the CASB Secretariat with or without the support of outside experts. The draft takes into account issues identified by the CASB and queries or opinions received from various stakeholders during the exposure period of the standard and after its publication.

2. The Exposure Draft of the Application Guidance has to be approved by the CASB with or without modification to the initial draft and the same is posted on the CASB website *at least for thirty* days for public comments.

3. The Secretariat finalises the Application Guidance based on the comments received from the public and recommends the same to CASB for its approval.

4. The CASB considers and approves, with or without modification, the Application Guidance for issuance.

It may be stated that the Application Guidance is explanatory to the corresponding Cost Accounting Standard and does not override the same standard any way.

(c) Compliance with the Cost Accounting Standards

The Cost Accounting Standards will be mandatory from the respective date(s) mentioned in the Cost Accounting Standard(s). The mandatory status of a Cost Accounting Standard implies that while discharging their attest functions, it will be the duty of the members of the Institute to examine whether the Cost Accounting Standard is complied with in the preparation of the General Purpose / Special Purpose Cost Statement which is required to be attested by the Cost Auditors wherever applicable.

As far as maintenance of cost accounting records under the Companies Act or any other statute is concerned, relevant matter covered under the standards, wherever applicable, is to be followed. In the event of any deviation from the Cost Accounting Standard, the auditor shall make adequate disclosures in their cost audit reports so that the users of cost statements may be aware of such deviation.

Cost Statements cannot be described as complying with the Cost Accounting Standards unless they are in conformity with the requirements of each applicable Standard.

Procedure for Revision of Standards and Guidance Notes Issued

A standard is expected to be a 'living standard' when it becomes relevant to changing economic conditions. Since socio-economic conditions do change over time, so should the standard in keeping pace with the economic conditions. Hence, revision of standards becomes imperative from time to time.

The CASB undertakes revision of the Standards and Guidance Notes based on the subsequent legal or professional requirements or any other national or international developments in the field of Cost Accounting. The procedure followed for revision is the same as that followed for formulation of a new Standard and Guidance Note, as the case may be, as detailed earlier. Limited revision of Standards and Guidance Notes due to change in legal provisions and Rules thereof shall be carried out by the Board and such revision has to be approved by the Council of the Institute. Also limited revision due to adoption of standardized definition in any standard shall be carried out in all the Cost Accounting Standards by the Board with approval of the Council of the Institute.

Concluding Observations

Between 2002 and 2016, the ICAI issued 24 standards (for details vide http://icmai.in/CASB/index.php). All of them are mandatory. Many more standards in crucial cost areas are in the pipeline. Each standard follows a definite format, as outlined earlier. One of the primary objectives of each standard is to ensure uniformity, consistency and accuracy in cost statement for enhancing the decisions usefulness of cost information.

The due process followed by the Institute is commendable because it is internationally competitive. It shows the objectivity on the part of the ICAI in discharging its responsibility. The Institute also makes efforts in periodically revising standards whenever that is warranted by the exigencies of the situation. So, standards always remain 'living standards'.

The accounting profession in India is the second largest, that is, after the profession in the States but before that in the U.K. and Australia, in that order. Accordingly, it has a greater responsibility. The Indian economy is now the second fastest growing economy with a GDP growth rate of 6.6% in 2017 which is marginally behind China with a growth rate of 6.7%, as per the recent estimate of the International Monetary Fund (www.EconomicTimes.com). IMF sees global economic activity pick up pace in 2017 and 2018 (global growth forecast at 3.4% in 2017 as against 3.1% in 2016), especially in emerging markets and developing economies. The increasing role of the Cost Accounting profession in such an economy does not require any special mention. MA

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2. *American Accounting Association (1940). An Introduction to Corporate Accounting Standards. NY.*
3. *Davis, M., Paterson, R. And Wilson, A. (1992). UK GAAP – Generally Accepted Accounting Practice in the United Kingdom. Macmillan. London.*
4. *Kohler (1972), E.L. A Dictionary for Accountants, 4th Ed., Prentice Hall, N.J.*
5. *Oxford (1967). The Concise Oxford Dictionary.*
6. *Moen, W.E. (2003). "The Nature and Role of Accounting Standards in the 21st Century", Library of Congress Luminary Lectures, University of North Texas. 3 December.www.unt.edu/wmeon/presentations/Luminary Lecture December 2003*
7. *Mueller, G.G. (1967). International Accounting, Part I MacMillan.*
8. *Sanders, T. H., Hatfield, H. And Moore, U. (1938). Statement of Accounting Principles, AICPA. New York.*
9. *Wahrisch, M (2001). The Evolution of International Accounting Systems, Peter Lang, Frankfurt.*

Foot Notes

[1]This is part of a project undertaken for documenting the Institute's role in developing the cost and management accounting profession in India. Comments from the members and others are solicited (email: bhabatosh.commerce@gmail.com or rnj.director@icmai.in).
[2]However, with effect from 1944, a company limited by guarantee, and known as 'Institute of Cost and Works Accountants of India' (ICWAI), was set up as per the provisions of the then Companies Act, 1913, with the objects of promoting, regulating and developing the profession of cost and management accountancy.
[3]http://www.dcaa.mil
[4]https://www.mca.gov.in
[5]https://www.mca.gov.in
[6]https://www.mca.gov.in
[7]http://icmai.in
[8]http://icmai.in

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CUSTOMS

Notifications:

Tariff:

- Seeks to further amend notification No 12/2012-Customs dated 17.03.2012, so as to withdraw the exemption from Basic Customs Duty on import of Technitium-99m
[Notification No. 61/2016-Cus,dt. 27-12-2016]

- Seeks to withdraw BCD exemption, available to specified fabrics, of value equivalent to 1% of the FOB value of exports in the preceding financial year, for manufacture of textile garments for exports, subject to the specified conditions [S. No. 284A of Notification No. 12/2012-Customs dated 01.03.2012 refers].
[Notification No. 62/2016-Cus,dt. 31-12-2016]

- Seeks to amend notification No. 46/2011-Customs dated 01.06.2011 so as to provide deeper tariff concessions in respect of specified goods when imported from ASEAN under the India-ASEAN Free Trade Agreement w.e.f. 01.01.2017 and to carry out editorial changes as a result of HS 2017 changes
[Notification No. 63/2016-Cus,dt. 31-12-2016]

- Seeks to further amend Notification No. 69/2011-Customs, dated 29th July, 2011 so as to provide a deepen the concessional rate of basic customs duty in respect of tariff item 8408 20 20 [engines of a kind used for the propulsion of specified motor vehicles – of cylinder capacity exceeding 250 cc] and 8708 40 00 [gear box and parts thereof, of specified motor vehicles], w.e.f. 1st of January, 2017, when imported under the India-Japan Comprehensive Economic Partnership Agreement (IJCEPA) and to carry out editorial changes as a result of HS 2017 changes
[Notification No. 64/2016-Cus,dt. 31-12-2016]

- Seeks to amend notification No. 53/2011-Customs dated 01st July, 2011 so as to provide deeper tariff concessions in respect of specified goods imported from Malaysia under the India-Malaysia Comprehensive Economic Cooperation Agreement (IMCECA) w.e.f. 01.01.2016 and to carry out editorial changes as a result of HS 2017 changes
[Notification No. 65/2016-Cus,dt. 31-12-2016]

- Seeks to amend notification No. 152/2009-Customs dated 31.12.2009 so as to provide deeper tariff concessions in respect of specified goods imported from Korea RP under the India-Korea Comprehensive Economic Partnership Agreement (CEPA) w.e.f. 01.01.2017 and to carry out editorial changes as a result of HS 2017 changes
[Notification No. 66/2016-Cus,dt. 31-12-2016]

- In exercise of the powers conferred by sub-section (1) of section 25 of the Customs Act, 1962 (52 of 1962), the Central Government, hereby directs that each of the notifications of the Government of India in the Ministry of Finance (Department of Revenue), specified in column (2) of the Table below shall be amended in the manner specified in the corresponding entry in column (3) of the said Table.
[Notification No. 67/2016-Customs New Delhi, dt. 31-12-2016]

- In exercise of the powers conferred by sub-section (1) of section 25 of the Customs Act,1962 (52 of 1962), read with section 91 and section 94 of the Finance (No.2) Act, 2004 (23 of 2004),the Central Government, hereby makes the following further amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No.69/2004-Customs, dated the 9th July, 2004, published in the Gazette of India, Extraordinary, vide number G.S.R. 411 (E), dated the 9th July 2004.
Notification No. 68 /2016-Customs New Delhi, dt. 31-12-2016]

Non-Tariff:

- Tariff Notification in respect of Fixation of Tariff Value of Edible Oils, Brass Scrap, Poppy Seeds, Areca Nut, Gold and Sliver.
[Notification No. 149/2016-Cus (NT), dt. 30-12-2016]

- In exercise of the powers conferred by sub-section (1) of section 11A of the Customs Tariff Act, 1975 (51 of 1975), the Central Government, hereby makes the following further amendments in the First Schedule to the Customs Tariff Act, 1975 [as amended by the Fourth Schedule of the Finance Act, (28 of 2016)]
[Notification No. 150/2016-Customs (N.T.) New Delhi, dt. 30-12-2016]

- Rate of exchange of conversion of the foreign currency with effect from 6th January, 2017
[Notification No. 01/2017-Cus (NT),dt. 05-01-2017]

- Seeks to further amend notification 63/94 dated 21st November 1994
[Notification No. 02/2017-Cus (NT),dt. 06-01-2017]

- Regarding in amendment in Notification no. 131/2016-Customs (N.T.) dated 31.10.2016 relating to AIR of duty drawback
  [Notification No. 03/2017-Cus (NT),dt. 12-01-2017]

- Tariff value Notification in respect of Fixation of tariff Value of Edible Oils, Brass Scrap, Poppy Seeds, Areca Nut, Gold and Sliver
  [Notification No. 04/2017-Cus (NT),dt. 13-01-2017]

- Appointment of Common Adjudicating Authority by DGRI
  [Notification No. 01/2017, 02/2017 & 03/2017-Cus (CAA/DRI),dt. 13-01-2017]

- Rate of exchange of conversion of the foreign currency with effect from 20th January, 2017
  [Notification No. 05/2017-Cus (NT),dt. 19-01-2017]

Anti Dumping Duty:

- In exercise of the powers conferred by sub-section (1), read with sub-section (5) of section 9A of the Customs Tariff Act, 1975 (51 of 1975) and rules, 18, 20 and 23 of the Customs Tariff (Identification, Assessment and Collection of Anti-Dumping Duty on Dumped Articles and for Determination of Injury) Rules, 1995, the Central Government hereby directs that each of the notifications of the Government of India in the Ministry of Finance (Department of Revenue), specified in column (2) of the Table below shall be amended in the manner specified in the corresponding entry in column (3) of the said Table.
  Notification No. 57 /2016-Customs (ADD) New Delhi, dt. 31-12-2016]

- Seeks to levy definitive anti-dumping duty on import of 'Jute Products' viz. Jute Yarn/Twine (multiple folded/cabled and single), Hessian fabric and Jute sacking bags from Bangladesh or Nepal for a period of five years (unless revoked, superseded or amended earlier)
  [Notification No. 01/2017-Cus (ADD), dt. 05-01-2017]

- Seeks to levy provisional ant-dumping duty on 'Colour coated/pre-painted flat products of alloy or non-alloy steel' originating in or exported from People's Republic of China and European Union for a period of six months (unless revoked, superseded or amended earlier).
  [Notification No. 02/2017-Cus (ADD), dt. 11-01-2017]

- Seeks to extend the levy of anti-dumping duty, imposed on Saccharine originating in or exported from China PR under notification No. 07/2012-Customs (ADD), dated the 13.01.2012, for a further period of one year.
  [Notification No. 03/2017-Cus (ADD), dt. 19-01-2017]

- Seeks to extend the levy of anti-dumping duty, imposed on Nylon Filament yarn originating in or exported from China PR, Chinese Taipei, Malaysia, Indonesia, Thailand and Korea R.P under notification No. 03/2012-Customs (ADD), dated the 13.01.2012, for a further period of one year from the end date of Anti-Dumping Duty imposed vide Notification No. 03/2012-Customs (ADD), dated 13.01.2012, i.e. upto and inclusive of the 12.01.2017
  [Notification No. 04/2017-Cus (ADD), dt. 19-01-2017]

CENTRAL EXCISE

Notifications:

- In exercise of the powers conferred by sub-section (1) of section 5A of the Central Excise Act, 1944 (1 of 1944), the Central Government, hereby directs that each of the notifications of the Government of India in the Ministry of Finance (Department of Revenue), specified in column (2) of the Table below shall be amended in the manner specified in the corresponding entry in column (3) of the said Table
  Notification No. 37/2016- Central Excise New Delhi, dt. 31-12-2016]

Tariff:

- Seeks to further amend notification No. 02/2011-Central Excise dated 1st March, 2011.
  [Notification No. 01/2017-CE, dt. 05-01-2017]

- Seeks to further amend Notification No. 12/2012-Central Excise dated 17.03.2012 to prescribe an effective rate of excise duty of 12.5% on Motor Vehicles falling under heading 8702 90 21, 8702 90 22, 8702 90 28 and 8702 90 29 of the

First Schedule of the Central Exicse Tariff Act, 1985.
[Notification No. 02/2017-CE, dt. 11-01-2017]

Non Tariff:

- Notification under Section 11C of the Central Excise Act on Plain (un-modified) Tamarind Kernel Powder falling under heading 1302

[Notification No. 01/2017-CENT dt. 11-01-2017]

SERVICE TAX

- Seeks to amend notification No. 25/2012-ST dated 20.06.2012 so as to (i) withdraw the exemption from service tax for services provided or agreed to be provided by a person located in non-taxable territory to a person located in non-taxable territory by way of transportation of goods by a vessel from a place outside India up to the customs station of clearance in India; (ii) exempt services provided by a business facilitator or a business correspondent to a banking company with respect to accounts in its rural area branch.
[Notification No. 01/2017-Service Tax dt. 12-01-2017]

- Seeks to amend Service Tax Rules, 1994 so as to, (i) exclude such persons from the definition of aggregator who enable a potential customer to connect with persons providing services by way of renting of hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes subject to fulfillment of certain conditions; (ii) Specify the person complying with the sections 29, 30 or 38 read with section 148 of the Customs Act, 1962 (52 of 1962) as the person liable for paying service tax in case of services provided or agreed to be provided by a person located in non-taxable territory to a person located in non-taxable territory by way of transportation of goods by a vessel from a place outside India up to the customs station of clearance in India.
[Notification No. 02/2017-Service Tax dt. 12-01-2017]

- Seeks to amend notification No. 30/2012-ST dated 20.06.2012 so as to specify the person complying with the sections 29, 30 or 38 read with section 148 of the Customs Act, 1962 (52 of 1962) as the person liable for paying service tax in case of services provided or agreed to be provided by a person located in non-taxable territory to a person located in non-taxable territory by way of transportation of goods by a vessel from a place outside India up to the customs station of clearance in India.
[Notification No. 03/2017-Service Tax dt. 12-01-2017]

- Seeks to amend notification No. 26/2012-ST dated 20.06.2012 so as to rationalize the abatement for tour operator services
[Notification No. 04/2017-Service Tax dt.12-01-2017]

INCOME TAX

Notification:

- In the notification of Government of India, in the Ministry of Finance, Department of Revenue, No. 114/2016 dated 14.12.2016 vide S.O. No. 4033(E) and published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (ii), in the last line, for "this", read "the".

[Notification No. 119/2016/F. No. 500/02/2015-FT & TR-III]

In exercise of the powers conferred by section 285BA read with section 295 of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby makes the following rules further to amend the Income-tax Rules, 1962, namely:–

1.

(1) These rules may be called the Income-tax (35th Amendment) Rules, 2016.

(2) They shall be deemed to have come into force from the 7th August, 2015.

2. In the Income-tax Rules, 1962, in rule 114F, in clause (1), in the Explanation,–

(I) in clause (g), in sub-clause (D), for the words, brackets and letters "in sub-clause (ii)", the words, brackets and letter "in sub-clause (B)" shall be substituted;

(II) in clause (h)

(1) in sub-clause (i), in item (E), in the Explanation, for the words, brackets, letters and figure "item (A) or (B) or from one or more retirement or pension funds that meets with the requirements of clauses (e), (f) or (g) of Explanation to clause (1)", the words, brackets, letters and figure "subclauses (i) or (ii) or from one or more retirement or pension funds that meets with the requirements of clauses (E), (F) or (G) of Explanation to clause (5)" shall be substituted;
(2) in sub-clause (ii), in item (D), in the Explanation, for the words, brackets, letters and figure "item (A) or (B) or from one or more retirement or pension funds that meets the requirements of clauses (e), (f) or (g) of Explanation to clause (1)", the words, brackets, letters and figure "sub-clauses (i) or (ii) or from one or more retirement or pension funds that meets with the requirements of clauses (E), (F) or (G) of Explanation to clause (5)" shall be substituted.
[Notification No. 120/2016/F.No.370142/06/2016-TPL]

✤ Whereas the Central Government in exercise of the powers conferred by clause (iii) of subsection (4) of section 80-IA of the Income-tax Act, 1961(43 of 1961) (hereinafter referred to as the said Act), has framed and notified a scheme for industrial park, by the notification of the Government of India in the Ministry of Finance (Department of Revenue, Central Board of Direct Taxes) vide number S.O. 51 (E), dated the 8th January, 2008;
And whereas M/s Devraj Infrastructures Ltd, having its industrial park at the village Piplaj Opp. Vrundavan Farm, Tehsil City Distt. Ahmedabad, Gujarat – 382405 (survey numbers : 99 to 102, 108, 112 to 116, 118 to 124, 126, 127 & 129 of Village Piplaj and Survey nos. 774, 776, 778, 780 to 784, 786 & 789 to 792 of village Lambha).
Now, therefore, in exercise of the powers conferred by clause (iii) of sub-section (4) of section 80-IA of the said Act, read with rule 18C of the Income-tax Rules, 1962, the Central Government hereby notifies the undertaking from the date of commencement of the industrial park the 5th September, 2010 being developed and being maintained and operated by M/s Devraj Infrastructure Ltd., for the purposes of the said clause (iii) subject to the terms and conditions mentioned in the Annexure to this notification.
[Notification No. 121 /2016/ F. No. 178/07/2009-ITA-I]

In exercise of the powers conferred by sub-section (1) of section 295 of the Incometax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby makes the following rules further to amend the Income-tax Rules, 1962, namely:-

1. (1) These rules may be called the Income-tax (36th Amendment) Rules, 2016.

(2) It shall be deemed to have come into force from the 1st day of April, 2016.

2. In the Income-tax Rules, 1962, in rule 67, for sub-rule (2), the following shall be substituted, namely:-

"(2) The manner of investment referred to in sub-rule (1) shall be in accordance with the following Table.
[Notification No. 122/201, F. No. 370142/4/2016-TPL]

✤ In exercise of the powers conferred by section 85 read with section 32, section 74 and section 77 of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 (22 of 2015), the Central Board of Direct Taxes hereby makes the following rules, to amend the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Rules 2015, namely :-
1. (1) These rules may be called the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax (Amendment) Rules, 2016.
(2) They shall come into force on the date of their publication in the Official Gazette.
2. In the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Rules, 2015 (herein after referred to as the principal rules), after rule 12, following shall be inserted
[Notification No. 123/2016/F. No. 133/33/2015-TPL (Part-I)]

✤ In exercise of the powers conferred by section 202 of the Finance Act, 2016 (28 of 2016), the Central Government hereby amends the notification of the Ministry of Finance (Department of Revenue), number S.O.1902(E) dated the 26th May, 2016, published in the Gazette of India, Extraordinary, Part-II, Section-3, Subsection (ii) dated the 26th May, 2016, namely:-
2. In the said notification, for the figures, letters and words "31st day of December, 2016", the figures, letters and words "31st day of January, 2017" shall be substituted.
[Notification No. 124/2016, F.No.142/11/2016-TPL]

✤ Procedure for registration for Statement of Financial Transaction (SFT) as per section 285BA of the Income Tax Act, 1961 read with rule 114E of the Income Tax Rules, 1962. *[Notification No. 1 of 2017 New Delhi, 17th January, 2017]*

✤ In exercise of the powers conferred by section 139A and section 285BA, read with section 295 of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby makes the following rules further to amend the Income-tax Rules, 1962, namely:–

1. (1) These rules may be called the Income–tax (1st Amendment) Rules, 2017.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. In the Income-tax Rules, 1962 (hereinafter referred to as the principal rules), in rule 114B, after the third proviso, the following proviso shall be inserted namely,– "Provided also that a person who has an account (other than a time deposit referred to at S.No.12 of the Table and a Basic Saving Bank Deposit Account) maintained with a banking company or a cooperative bank to which the Banking Regulation Act, 1949 (10 of 1949), applies (including any bank or banking institution referred to in section 51 of that Act) and has not quoted his permanent account number or furnished Form No. 60, as the case may be, at the time of opening of such account or subsequently, he shall furnish his permanent account number or Form No. 60, as the case may be, to the person specified in clause (c) of sub-rule (1) of rule 114C on or before the 28th day of February, 2017.".

3. In the principal rules, in rule 114C, after sub-rule (2), the following sub-rule shall be inserted, namely:– "3. The person referred to in sub-rule (1) or sub-rule (2) who has received any document in which permanent account number is mentioned or as the case may be, a declaration in Form No.60 has been furnished, shall ensure that the valid permanent account number or the fact of furnishing of Form No.60, is duly mentioned in the records maintained for the transactions referred to in rule 114B and the permanent account number or the details of Form No.60 are linked and mentioned in any information furnished to the income-tax authority or any other authority or agency under any provision of the Act or any rule prescribed therein.".

4. In the principal rules, in rule 114D, in sub-rule (2), the following proviso shall be inserted, namely: "Provided that the statement in respect of the transactions listed in clause (ii) of column (3) of serial number (10) of the Table under rule 114B shall be furnished on or before the 15th day of January, 2017."

5. In the principal rules, in rule 114E,– (i) in sub-rule (2), in the Table, after serial number 12 and entries relating thereto, the following serial number and entries shall be inserted *[Notification No. 2/2017/F. No. 370142/32/2016-TPL]*

✤ Whereas, an Agreement and Protocol between the Government of the Republic of India and the Government of the Republic of Cyprus for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income (hereinafter referred to as the said Agreement and Protocol) as set out in the Annexure to this notification, was signed at Nicosia, Cyprus on the 18th day of November, 2016;

And whereas, the date of entry into force of the said Agreement and Protocol is the 14th day of December, 2016, being the date of the later of the notifications of completion of the procedures as required by the respective laws for entry into force of the said Agreement and Protocol, in accordance with paragraph 1 of Article 29;

And whereas, paragraph 2 of Article 29 of the said Agreement and Protocol provides that the provisions of the said Agreement and Protocol shall have effect forthwith from the date of entry into force;

Now, therefore, in exercise of the powers conferred by section 90 of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby notifies that all the provisions of the said Agreement and Protocol between the Government of Republic of India and the Government of Republic of Cyprus for the avoidance of double taxation and the Prevention of Fiscal evasion with respect to taxes on income as set out in the annexure hereto, shall be given effect to in the Union of India with effect from the 1st day of April, 2017 being the First day of Fiscal year next following the year in which the said Agreement and Protocol entered into force.

[Notification No. 3/2017/F. No. 504/05/2003-FTD-I]

Contributed by
Taxation Committee
Institute of Cost Accountants of India

PRE AND POST MERGER FINANCIAL PERFORMANCE OF KOTAK MAHINDRA BANK LTD AND ING VYSYA BANK LTD

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Goa

Mergers and acquisitions have undoubtedly shaped the Indian Banking sector. Mergers and acquisitions have been long known to direct the merging entities towards positive synergies, enhanced resources and hence, overall increase in the profit statements. Mergers among different banks are classified as horizontal mergers. The deal is always expected to be beneficial for both merging firms. The Indian banking sector needed such mergers not only to create world-sized banks to compete with foreign banks but also to create banks with a sufficient capital base to fund various large infrastructure projects crucial to maintain the growth of India economy.

On November 20, 2014, Kotak Mahindra Bank Limited (Kotak) announced its acquisition of ING Vysya Bank Limited (ING Vysya), a quasi-foreign bank owned by Dutch multinational, the ING Group, in a full-share deal worth of US$2.4 billion. The deal, the biggest in the Indian banking sector, created the fourth largest private bank in India with a balance sheet size of Rs. 2 trillion and market capitalization of over Rs. 1 trillion.

M&A Activities in Indian Banking Sector

After the first stage of nationalization in 1969, only 34 mergers took place in the Indian banking sector. In 26 of these deals, PSBs acquired private sector banks that were on the edge of failure, mostly on a directive from the RBI. The remaining 8 deals happened between private sector banks. The merger prior to the Kotak and ING Vysya merger in the private sector banking space took place in 2010 when Bank of Rajasthan merged with ICICI Bank in a US$398 million deal.

Background

Kotak Mahindra Bank Limited (Kotak)

Kotak started as a Non Banking Financial Company (NBFC) – Kotak Mahindra Capital Management Finance Limited (KMCMFL) – in 1985 in India. KMCMFL was renamed Kotak Mahindra Finance Limited (KMFL) in 1985 and it received its banking license in February 2003 to become the first NBFC to be converted into a full-fledged private bank in India. It was renamed as Kotak Mahindra Bank Limited (Kotak)

Vysya Bank Limited (Vysya Bank)

ING Vysya was incorporated as Vysya Bank Limited (Vysya Bank) in 1930 in Bangalore, Karnataka, in Southern India. In 2002, ING Vysya came into existence when the ING Group acquired a major stake in Vysya Bank. This was the first acquisition of an Indian bank by any foreign bank. ING Vysya offered various financial services under four business segments – Treasury, Corporate / Wholesale Banking, Retail Banking, and Other Banking Operations.

The Deal

On November 20, 2014, Kotak announced the merger with ING Vysya in an all-stock deal worth of Rs. 148.51 billion or US$2.4 billion. On regulatory approval, all of ING Vysya's branches and businesses would merge with Kotak. ING Vysya's shareholders would get 0.725 share of Kotak stock for every one stock of ING Vysya they held i.e., shareholders of ING Vysya Bank received 725 shares of Kotak Mahindra Bank for 1,000 shares of ING Vysya Bank. This exchange ratio indicated that the implied price of each stock of ING Vysya was Rs. 790 which was based on the average stock price of Kotak and ING Vysya for one month – from October 20, 2014, to November 19, 2014 – which came to Rs. 1089.50 and Rs. 682 respectively. This deal helped Kotak to expand its presence in India and to compete with other private sector players in the Indian banking industry.

This paper studies the impact of merger on performance of banks. It analyse the pre and post merger operating performance of the bank involved in merger to identify their financial characteristics. The merger of Kotak Mahindra Bank Limited and ING Vysya Bank Limited has shown a tremendous increase in the operating and financial performance. Kotak has become the 4th largest private sector lender in India. As per the agreement With Kotak Bank the shareholders of ING Vysya Bank received 725 shares of Kotak Mahindra Bank for 1,000 shares of ING Vysya Bank. The merger increased the geographical presence and further deepened Kotak's network. The merger increased Kotak's number of branches and its ATMs network by 47% and 35% to 1,244 and 1,809 respectively.

Deal into Reality

RBI approved the Scheme of Amalgamation of ING Vysya Bank Ltd with the Bank effective 1st April 2015. Consequently, on 21st April 2015, the shareholders of the erstwhile ING Vysya Bank Ltd were allotted 13,92,05,159 equity shares of ₹5/- each fully paid up of the Bank, as on the record date of 17th April 2015, in the ratio of 725 equity shares of face value of ₹5/- each of the Bank for every 1000 equity shares of ₹10/- each held by the shareholders of ING Vysya Bank Ltd. Pursuant to the approval of the Reserve Bank of India to the Scheme of Amalgamation of ING Vysya Bank Ltd. (IVBL) with Kotak Mahindra Bank Ltd. ING Vysya Bank Ltd merged with the Bank effective from 1st April 2015.

Table:1 Listed private banks (Dec 2014 Rs. in Crores)

Banks	Total deposits	Total advances	Total Business
HDFC Bank	414128	347088	761216
ICICI Bank	355340	375345	730685
Axis Bank	291199	260567	551766
Kotak Bank &ING Vysya	120812	106717	227529
YES Bank	82370	66607	148977
IndusInd Bank	69376	63847	133223
Federal Bank	65550	48726	114276
ING Vysya Bank	45952	40557	86508
South Indian Bank	48459	36998	85457
Karur Vysya Bank	45116	35746	80862
Karnataka Bank	44799	30338	75137
City Union Bank	23203	16968	40171
Laxmi Vilas Bank	19511	14423	33935
DCB Bank	11850	9491	21341

Source: Capitaline

Their individual positions were 4th and 8th respectively and after merger the position of the Kotak Mahindra became the 4th largest private sector lender in India with 1244 branches, with a wide-spread pan-India network, business size of more than Rs. 2,25,000 crore, and a customer base of more than 1 crore.

Table: 2 Region wise branches (in percentage)

Branches	ING Vysya Bank	Kotak Mahindra Bank	Kotak (merged)
North	22%	33%	28%

Branches	ING Vysya Bank	Kotak Mahindra Bank	Kotak (merged)
East	04%	06%	05%
West	13%	46%	31%
South	64%	15%	36%

Source: Capitaline

With Effect from 1st April 2015 Region wise branches of ING Vysya Bank and Kotak Mahindra Bank and the post merger situation of the bank. ING Vysya Bank was having most of the branches in the southern part of the country where as Kotak was having their branches in the west but after merger branches were balanced to some extent.

Table :3 Showing The Situation of ING Vysya Bank and Kotak Mahindra Bank and after merger Kotak

Particulars	ING Vysya Bank	Kotak Mahindra Bank	Kotak (merged)
Total Deposit's (Rs. in Crores)	45952	74860	120812
Total Advances (Rs. in Crores)	40557	66160	106717
No. of Branches	583	661	1244
No. of ATM's	650	1159	1809
M-Cap (Rs. in Crores)	18752	105103	123855

Source: Capitaline

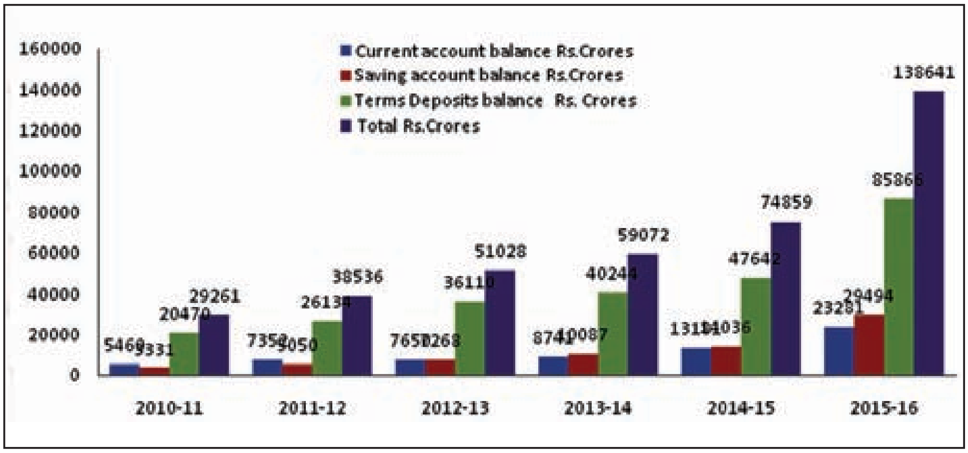
The impact of Merger on the kotak was that the deposits and advances have shown remarkable increase. The total Number of branches has gone more than double if its existence. And the number of ATM's has increased atleast 150%. The Market capitalization has increased by 20%.

Table: 4 Current account, saving account and Term deposits of Kotak Bank

Year	Current account balance Rs.Crores	Saving account balance Rs.Crores	Terms Deposits balance Rs. Crores	Total Rs.Crores	Trend %
2010-11	5460	3331	20470	29261	100
2011-12	7352	5050	26134	38536	131
2012-13	7650	7268	36110	51028	174
2013-14	8741	10087	40244	59072	201
2014-15	13181	14036	47642	74859	255
2015-16	23281	29494	85866	138641	473

Source: Annual Report

Chart: 1. Showing Current account, saving account and Term deposits of Kotak Mahindra Bank Ltd



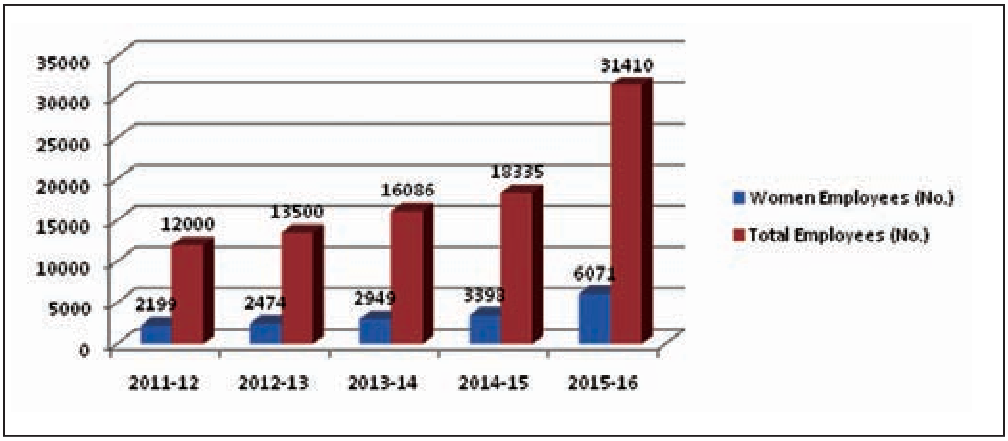
The deposites in current account, saving account and term deposits has shown increase of 185% after the post merger. All deposited were increased atleast by 175% as compared to pre-merger. As compared to 2010-11 the deposites in the year 2015-16 after merger has gone up by 473%. From 2014-15 to 2015-16 the deposites increased by 185%.

Table : 5. Women Empowerment in Kotak Bank

Year	Women Employees (No.)	Total Employees (No.)
2011-12	2199	12000
2012-13	2474	13500
2013-14	2949	16086
2014-15	3398	18335
2015-16	6071	31410

Source: Annual Report

Chart: 2. Showing Women Empowerment in Kotak Bank Ltd



The impact is also seen in case of employment strength in Banks ie. Total strength of employees in banks in general and strength of women in banks in particular. Atleast 20% women employees are working in the bank.

Table:6 The Performance of Kotak Bank Ltd at pre-merger and post- merger period:

	Post- Merger	Announcement Nov.2014	Pre-Merger	
Particulars	March2016	March2015	March2014	March2013
Capital	917.19	386.17	385.15	373.30
Reserves	23041.87	13754.90	11889.92	9073.65
Net Worth	23959.06	14141.07	12275.07	9446.95
Deposits	138,643.02	74860.30	59072.32	51028.77
Borrowings	20,975.34	12149.71	12895.57	20410.62
Other Liabilities	8,678.96	4857.96	3333.82	2789.80
Cash& Bank	6903.43	3928.29	2948.23	2207.90
Balance with Bank	3,976.28	2334.06	3031.65	1481.25
Investments	51,260.22	30421.08	25484.54	28873.42
Advances	118,665.30	66160.71	53027.63	48468.98
Fixed Assets	1,551.59	1206.70	1106.94	464.42
Interest Earned	16384.18	9719.86	8767.11	8042.48
Total Income	28032.36	21471.08	17,268.29	15,950.27
Total Expenditure	22,017.06	16,715.37	13,263.82	12,622.93
Operating Profit	6,015.30	4,755.71	4,004.47	3,327.34
Profit Before Tax	5,023.74	4,549.98	3,695.50	3,144.16
Net Profit	3,431.12	3,065.08	2,511.54	2,204.21
Dividend Per Share(Rs	0.50	0.90	0.80	0.70
Earnings Per Share	18.91	19.75	32.19	29.44
Book Value	130.6	183.09	159.35	126.53
CSR exp.	16.40	11.97	0.03	

Source: Annual Report

Table: 7. Statement showing trend percentage of Kotak Mahindra Bank Limited

	Post- Merger	Announcement Nov.2014	Pre-Merger	
Particulars	March2016	March2015	March2014	March2013
Capital	245	103.5	103	100
Reserves	254	151	131	100
Net Worth	253	149	129	100
Deposits	271	146	115	100
Borrowings	102	59	63	100
Other Liabilities	311	174	119	100
Cash& Bank	312	177	133	100
Balance with Bank	268	157	204	100
Investments	177	105	88	100
Advances	244	136	109	100
Fixed Assets	334	259	238	100
Interest Earned	203	120	109	100
Total Income	175	134	108	100
Total Expenditure	174	132	105	100
Operating Profit	180	142	120	100
Profit Before Tax	159	144	117	100
Net Profit	155	139	113	100
Dividend Per Share(Rs	71	128	114	100
Earnings Per Share	64	67	109	100
Book Value	103	144	125	100
CSR Exp.	16.40	11.97	0.03	

The Net Worth is almost two and half times more in its merger period i.e. 2015-16. The Growth of Net Worth is only 69% in the year 2015-16 over its previous period but it was 95% when compared to 2013-14. A tremendous increase raise in Net worth at the times of merger and this raise in Net Worth are around 253% when compared to 2012-13 and this show that merger leads to increase in shareholder fund of the bank.

The deposits is almost has gone up by 271% as compared to 2012-13, it was 85% over its previous year where as there was increase of 134% as compared to 2013-14. The remarkable increase in deposits is due to merge of ING Vysya Bank in the year 2015-16. The deposites increased by 185%. Further there was an increase in current accounts, saving accounts and term deposits every year which has given raise to reach deposits of Rs. 138,643.02 crores for the year ended march 2015-16. The Deposits have shown an increase because of its focus on retail products and a multi-channel approach and also due to the merger with ING Vysya Bank.

The cash in hand and with bank and also balance with bank and money at call and short notice has shown an increase of three and two times as compared to 2012-13 and atleast 70 % as compared to previous year. Other bank has shown the trust on the bank after merger to ask for money at call and for short notice.

After merger the Investments of the kotak bank has increased by 177% as compared to the year 2012-13 i.e. before merger and increased by 68% over the previous year. Kotak bank raised its investments from Rs. 28873.42 Crores in the year 2012-13 to Rs. 51,260.22. This reflects the growth in the business**.**

As far as Advance is concerned the advances after merger has increased by 244% as compared to year 2012-13. Increased by 79% as compared to 2014-15 and gone up by 123% as compared to 2013-14.As the deposits were increased after merger to same extent the advances were also disbursed in same fashion.

The fixed assets are almost one forth times more in its merger period ie2014-15 the growth of Assets are 334 % increase as compared to 2012-13. A tremendous increase in fixed assets at the times of merger shows that the merger resulted to increase in the size of the bank.

The interest earned by the bank is increased by 69% as compared to previous year. Shown an increase of 203 % over its 2012-13.The total income has also jumped by 30% as compared to previous year. The operating profit has shown an increase of average 22% as compared to previous year.

The net profit is increasing at a good rate the profit increased by 155% as compared to previous year. It is due to the increase in deposits and also business growth with the merger of ING Vysya Bank. The profits for the year 2015-16 stood at Rs. 3,431.12 that was increased by 11 % over its previous year.

The share price of Kotak Bank has slightly decreased after merger but growth in deposits, interest income and profits the share price may increase in future.

Bank has also given importance towards Corporate Social Responsibility after merger to a great extent.

Impact

Kotak Mahindra Bank Ltd has attempted to make a positive impact on society whilst ensuring customer satisfaction and fulfilling its responsibilities towards its internal and external stakeholders.

Good governance and ethical conduct is rooted within KMBL's practices and has thus helped nurture long lasting relationships with all its employees, customers and partners.

Kotak has become the 4th largest private sector lender in India with 1244 branches, with a wide-spread pan-India network, business size of Rs. 2,25,000 crore, 40,000 employees and a customer base of 1 crore.

The merger increased the geographical presence and further deepened Kotak's network.

The merger increased Kotak's number of branches and its ATMs network by 47% and 35% to 1,244 and 1,809 respectively.

Before the merger, nearly, 80% of the Kotak's branches were in the western and northern parts of the country and only 15% were in the southern part of India. On the other hand, ING Vysya had a greater presence in the southern part of the country with 64% of its branches located there and only 32% its branches in the western and northern parts of the country. After the merger, Kotak had a balanced presence in different parts of the country.

15 lakh A4 size papers saved through M Collection, a mobile based application used for collection of dues from retail loan / credit card customers in remote branches.

7 tones of paper saved through e-statements.

ING Vysya Bank customers were earning an interest rate of four per cent on savings bank account. However, Kotak pays an interest of six per cent for balance above Rs 1 lakh.

Table: 8. Showing the Green Impact of Kotak

Saving	2015-16	2014-15	2013-14
Paper saved Tonnes	18.72	7	88
Greenhouse Gas (GHG) emissions avoided Tonnes	52.36	20	246
Wood saved Tonnes	77.05	30	362
Water saved Litres	18	7	84
Solid waste avoided Tonnes	18.1	7	85
Energy saved (MWh)	197	76	925

Source: Annual Report

Findings

The fixed asset of the bank shows an increase with a growth rate of 25% after the merger .this shows the merger has its effect on acquiring firm with its improvement in size, profits etc.

Net Worth, Deposits, cash and bank, Advances, fixed assets; interest earned of Kotak Bank has almost all increased after merger by more than 200% as compared to pre merger period.

The bank has given scope for the women empowerment the number of women employees has increased by 78% as compared to previous period.

The deposites increased by 185% after merger, and to same pace advances were also increased after merger by179%.

After Merger the No. of branches and No. of ATM's s has synergized and that helped the bank to increase the radius of the business to international level.

In terms of profitability the operating Profit, Net Profit revealed a better performance. However, the results indicate improved performance of bank in post merger period. MA

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Eastern India Regional Council

On November 11, 2016 the Region organized a CEP on 'GST – Effects & its Analytical Discussion' at EIRC. CMA T. B. Chatterjee and CA Vivek Jalan were the resource persons. CMA Bibekananda Mukhopadhyay, Chairman, EIRC, CMA Pranab Kr. Chakraborty, Vice-Chairman, EIRC, CMA Arundhati Basu, Chairperson, PD & Seminar Committee were also present in the programme. On November 26, 2016 another CEP was organized on 'Ind AS Insights: Key Impact'. CA Abhijit Agarwal was the speaker. CMA Bibekananda Mukhopadhyay, Chairman, EIRC, CMA Pranab Kr. Chakraborty, Vice-Chairman, EIRC, CMA Arundhati Basu, Chairperson, PD & Seminar Committee and CMA Biswarup Basu, Council Member were also present in the programme. To observe the Cost Consciousness week, from 1st December

till 7th December 2016, as declared by the President of the Institute, EIRC arranged a program on 6th December 2016 at J. N. Bose Auditorium of the Institute based on the theme 'Cost Managing – Mission Make in India'. The inaugural session of the program was graced by CMA Sanjay Gupta, Vice-President of the Institute, CMA Bibekananda Mukhopadhyay, Chairman,

EIRC, CMA Amal Kr. Das, past president of the Institute, CMA Dr. I. Ashok, CMA Biswarup Basu, CMA H Padmanabhan, Council Members and CMA Pranab Kr. Chakraborty, Vice-Chairman, EIRC. CMA Kishore Bhatia, CMA Dr. D. P. Nandy, Director, Research & Journal and Examination of the Institute, Dr. Ashis Sana and CMA S. R. Dandapat were the speakers on Health Sector, MSME, Education Sector and Activity Based

Costing respectively. CMA Arundhati Basu, Chairperson, PD & Seminar Committee was also present to organize the program. On December 23, 2016 the Region conducted CEP on Insolvency and Bankruptcy Code 2016 and CMA Sumit Binani was the speaker. He explained the different aspects of the Code. CMA Bibekananda Mukhopadhyay, Chairman EIRC , CMA Pranab Chakraborty, Vice Chairman EIRC, CMA Ashis Banerjee, Secretary EIRC, CMA Shyamal Bhattacharya RCM, EIRC & CMA

Arundhati Basu, Chairperson, PD & Seminar Committee, EIRC of the Institute were present in the programme. On January 3, 2017 another CEP on 'Cost Governance – Key to Success' was held to mark the Cost Governance Week. Regional Director East , Shri Alok Samantarai was the chief guest & ROC, Kolkata, Shri B. Mohanty was the guest of honour for the programme. They have expressed their views on the subject. CMA T. B Chatterjee, Chief Corporate Officers (Legal and Corporate Affairs), DIC India Limited, explained elaborately on the Cost Governance & its linkage with GST, CMA P. Raju Iyer, Council Member & Chairman, Cost Auditing & Assurance Standard Board of the Institute, spoke on Cost Accounting & Understanding the Cost Sheet and CMA N Radhakrishnan, Practicing Cost Accountant spoke on Cost Tracing. CMA Biswarup Basu, Council Member, CMA Bibekananda Mukherjee, Chairman EIRC , CMA Pranab

Chakraborty, Vice Chairman EIRC, CMA Ashis Banerjee, Secretary EIRC, CMA Shyamal Bhattacharya RCM, EIRC & CMA Arundhati Basu, Chairperson PD & Seminar Committee EIRC of the Institute were present in the programme. On January 7, 2017, a CSR Sensitization Workshop was co hosted by EIRCs of the Institute of Chartered Accountants of India, the Institute of Company Secretaries of India and the Institute together under the aegis of Ministry of Corporate Affairs, Government of India at J N Bose Auditorium of the Institute to create conscience among the professionals and practitioners that CSR approach can help to improve corporate governance, transparency, accountability and ethical standards. Ms. Seema Rath,

Deputy Director, Ministry of Corporate Affairs, Government of India, Shri Alok Samantarai, Regional Director, Eastern Region, Ministry of Corporate Affairs, Government of India, Shri B. Mohanty, ROC Kolkata, Ministry of Corporate Affairs, Government of India, CMA Bibekananda Mukhopadhyay, Chairman, EIRC of the Institute, CS Sandip Kumar Kejriwal, Chairman, The Eastern India Regional Council of The Institute of Company Secretaries of India and CA Sumit Binani, Treasurer, The Eastern India Regional Council of The Institute of Chartered Accountants of India were the eminent dignitaries of the inaugural session. CMA (Prof.) Sharmistha Banerjee, Professor, Department of Business Management, University of Calcutta was the key note speaker during the inaugural session. Vote of thanks was delivered by CMA Ashis Banerjee, Secretry, EIRC of the Institute. CMA Biswarup Basu, CMA Avijit Goswami, CMA Balwinder Singh, Central Council Members of the Institute, CA (Dr.) Debasish Mitra Central Council Member of the Institute of Chartered Accountants of India, CMA Pranab Kr. Chakraborty, Vice Chairman, CMA Shyamal Bhattacharyay, CMA (Dr.) Umar Farooque & CMA Arundhati Basu, Eastern India Regional Council Members of the Institute & CS Gautam Dugar, Secretary, Eastern India Regional Council Member of The Institute of Company Secretaries of India, Sri Sandeep Lakhotia, Group Head & Company Secretary of SREI Infrastructure Finance Limited, CMA Dipnarayan Chowdhury, Deputy Director ROC, Kolkata, Sri Alok Debnath, Deputy Director ROC , Kolkata, Sri Sanjay Yadav, Deputy Director, ROC , Kolkata & other officials of ROC, Kolkata were among other eminent dignitaries present in the workshop. A book on 'Role of Cost Accountants in CSR' was published by the Institute and was officially got released by Shri Alok Samantarai, Regional Director, Eastern Region, Ministry of Corporate Affairs, Government of India. Technical Session-I on 'The CSR Provisions Including Penalty & Prosecution' and speaker CS Subrata Roy, Company Secretary, MSTC Ltd discussed on CSR regulations, FCRA etc. During the second technical session, speakers, CA (Dr.) Debasish Mitra, Central Council Member of the Institute of Chartered Accountants of India deliberated on Accounting Guidance issued by the Institute of Chartered Accountants of India and CMA Balwinder Singh, Central Council Member & Chairman, Cost Accounting Standards Board of the Institute spoke on Accounting Guidance issued by the Institute. The Third Technical Session was on CSR Data Analysis & CSR Reporting Requirements presented by CS Abhijit Nagee, Vice Chairperson, Hooghly Chapter, The Institute of Company Secretaries of India. Vote of thanks was proposed

by CMA Arundhati Basu, chairperson of the Professional Development & Continuing Education Programme Committee, EIRC of the Institute. On January 13, 2017, the Region conducted a programme on Insolvency & Bankruptcy Code. Dr. M.S Sahoo, Chairperson of Insolvency & Bankruptcy Board of India was the chief guest and he highlighted the various aspects of the Code. CMA P.V Bhattad, immediate past president of the Institute was the guest of honour of the programme. CMA J.K Budhiraja, CEO, Insolvency Professional Agency & Senior Director (Technical) of the Institute explained the various procedural matter on the subject and the relevant changes. Dr. Dilip Kumar Datta, Director & CEO, Sayantan Consultants Pvt Ltd had given a vivid description about the reorientation of policy of central government for tackling NPA & consequential enactment of various Laws & Acts till the birth of IBC 2016. CMA Sumit Binani conducted the Question & Answer Session.

The Institute of Cost Accountants of India-Bhubaneswar Chapter

On December 25, 2016 the Chapter organized a seminar on 'Health Awareness-Life Style Management and Back & Neck Problems-Reasons and Remedies' at its premises. Dr. Brig (Retd.) Prafulla Kumar

Sahoo, Neurosurgeon, Apollo Hospital, Bhubaneswar, the resource person addressed on the topic 'Back & Neck Problem-Reasons & Remedies' and Dr Subash Ch. Sarangi, Master

Trainer (DoPT), National Resource Person (GoI), Head of Faculty, Ministry of Railways Supervisors' Training Centre (STC) S.E

Railway, Kharagpur, another resource person addressed on the topic 'Life Style Management'. Career awareness programmes were held on various dates of January 2017. An evening talk

on 'Finance Business Partnering-Opportunity for CMAs' was organized on January 7, 2017 to mark the first week of January 2017 as 'Cost Governance Week' as declared by the Institute.

CMA Jayadev Mishra, Director (Finance), TT Electronics India, chief speaker addressed on the topic 'Finance Business Partnering-Opportunity for CMAs'. CMA Niranjan Mishra,

council member, CMA Shiba Prasad Padhi, past chairman, EIRC were the guest of honours of the seminar. The chapter participated in the mega event 'Career Fair-2017' from January 7, 2017 till January 9, 2017. The Chapter arranged an interaction session on January 12, 2017 with CMA Manas Kumar Thakur, President of the Institute and the MC Members, past chairman, senior members and practitioners of the chapter on various initiatives regarding the development of CMA profession. The chapter organized an industrial tour of CMA Final students to Paradip Phosphates Limited, Paradip dated January 20, 2017 to get exposure of the manufacturing and accounting process.

The Institute of Cost Accountants of India- Durgapur Chapter

On December 18, 2016 the Chapter organized an annual seminar on the theme 'Indian Economy-25 years journey in LPG (Liberalisation, Privatisation and Globalisation) era' which was very much in sync with

the current economic situation prevailing in the country. The inaugural session was graced by the chief guest Sri A K Rath, CEO, SAIL-Durgapur Steel Plant and the keynote address was delivered by Revered Swami Nityadipananda of Ramakrishna Mission, Belur Math. CMA Manas Kumar Thakur, President and CMA Bibekananda Mukhopadhyay, Chairman, EIRC of the Institute also spoke in the inaugural session. The speaker for the first technical session was Professor Suman Kumar Mukherjee, eminent Academician & Educationist whose rich repertoire of knowledge and in-depth understanding of the world economy was very much evident in his enthralling speech and the second technical session was aptly titled 'One Country one Tax- GST' and the speaker during the session was CA Vikash Dhanania, eminent tax consultant.

Northern India Regional Council

The Institute of Cost Accountants of India-Lucknow Chapter

On December 10, 2016 the Chapter organized a seminar on 'Role of CMAs-Taxation Effect in Post Demonetization Era' and Shri Yogesh Srivastava,

Assistant Commissioner of Income Tax, TDS, CMA B.P Yadav,

the speaker, CMA Hemendra Soni, executive member, CMA Amit Yadav, secretary of the chapter, CMA Neha Sharma, treasurer of

the chapter, CMA Pawan Kumar Tiwary chairman of the chapter were present in the seminar. The Chapter organized a workshop on Goods & Services Tax at CMA Bhawan on December 18, 2016. Chief Guest Shri Chandrika Prasad, Additional Commissioner of UPVAT discussed in brief about practical view of GST and chief speaker of workshop, CMA Anil Sharma discussed changes at GST. Chairman of the chapter, CMA Pawan Kumar Tiwary discussed benefit of GST.

Southern India Regional Council

The Institute of Cost Accountants of India-Visakhapatnam Chapter

The Chapter organized a Professional Development Program on 'Cashless Economy & Digital Transactions' on January 2, 2017 at chapter's premises. Speaker Mr M.P Dubey, Joint Director, Software Technology Park of India explained about various modes of digital transactions

like, UPI, e-Wallet, POS, Aadhar Enabled payment system (AEPS) etc and Mr Ramalingeswara Rao, Manager, SBI another speaker explained about various modes of digital payments in State Bank of India mobile applications like StateBankBuddy, StateBankFreedom, StateBankAnywhere etc where in people can transfer money, make payments with their mobile phones.

The Institute of Cost Accountants of India-Hyderabad Chapter

On December 2, 2016, a Professional Development programme was organized by the chapter on 'Ind AS-Financial Instruments' at CMA Bhawan and CA Ritesh Mittal, Member, SIRC, The Institute of Chartered Accountants of India started with the need to have a standard

for financial instruments, the classification , accounting and subsequent measurement. On December 10, 2016 another professional development programme was organized on 'Indirect Taxes Transition to GST' held at CMA Bhawan and CMA Kasyapa

V.S.R.M, Practising Cost Accountant, the speaker covered major transition points with regard to filing of returns, procedures and tax payments. Various career awareness programmes were held on different dates of December 2016. On December 30, 2016 the Chapter organized a joint half day seminar with Andhra Bank on 'Insights – Insolvency and Bankruptcy Code, 2016' held

at Andhra Bank, Hyderabad. Sri Ajith Kumar Rath, Executive Director, Andhra Bank, Sri Satish Kumar Karla, Executive Director, Andhra Bank, CMA Manas Kumar Thakur, President

of the Institute, CMA Dr. P.V.S. Jagan Mohan Rao, Council Member were among the eminent dignitaries present in the seminar. Shri N. Rama Rao, Consultant Law, Andhra Bank and an experienced banker briefed about the law and CA Sekkizhar

Balasubramanian, Director-Deloitte explained about the process of insolvency, the role played by IBBI and IPA. On the

same day, a 'Members' Meet' was held and CMA Manas Kumar Thakur, President of the Institute, CMA V. Murali, Chairman, SIRC and Central & Regional Council Members were present during the Meet. CMA Murali expressed that confidence and hope are needed for all professionals to be able to sustain in one's professional journey. CMA Manas Kumar shared his ideas of increasing the student strength, equipping the members with the knowledge of laws like GST etc. He also shared that an insolvency professional has tremendous opportunities in the near future.

The Institute of Cost Accountants of India-Tiruchirapalli Chapter

On November 24, 2016, a Professional Development Programme was organized by the chapter on the theme 'What GST is all about' at Finance Conference Hall in BHEL premises, Tiruchirapalli . CMA M. Shanmugasundaram, Dy. Manager, Finance, BHEL was the resource person and has good exposure in indirect taxation.

The Institute of Cost Accountants of India-Coimbatore Chapter

On December 30, 2016, the Chapter conducted a PDP meeting on the topic 'Cost Consciousness' in connection with 'Cost Consciousness Week'. CMA K. Anantharaman, K. Anantharaman & Associates, Management

Advisors, Coimbatore gave a vivid lecture addressing the challenges in building cost competitiveness and exploring the contributions that CMA fraternity can make to nurture the Indian economy by adopting cost management. The Chapter organized a career counselling programme on December 15, 2016 and it was an informative programme. A meeting of

83rd session oral coaching faculty members was conducted at the Chapter on December 31, 2016. New syllabus 2016 was discussed and faculty members were advised to design a proper approach plan.

The Institute of Cost Accountants of India-Neyveli Chapter

On January 4, 2017 the Chapter organized the inaugural event of oral coaching classes for the Foundation and Intermediate courses of CMAs for the period January till June 2017. Shri S Krishnaswamy, Member of the Managing Committee stressed the importance of the Cost and Management Accountancy profession. Chief Guest, Shri V. Chandrasekaran, Patron of the chapter and Technical secretary to CMD, NLC India Ltd informed that sustained and regular preparation will enable students to complete CMA course within the scheduled time frame. CMA N. Ponnu, chairman of the chapter advised the students to make use of the resources available in the chapter including the services of faculty members for completing the CMA course. CMA P. Govindaraju,

secretary of the chapter highlighted the importance of the course and advised the students to complete the same at the earliest.

Western India Regional Council

The Region on the occasion of Constitution Day of India, in association with Brahmakumari's Jurist Wing had organised a programme on the topic of fundamental duties within Indian Constitution and spiritual perspective to constitutional duties at Brahmakumari's Centre at Thane on December 3, 2016. Past Chairman WIRC, CMA Debashish Mitra, stressed the need of such non-technical

programmes to bring awareness among the members. Speaker Dr. Rashmi Oza, explained the history of constitution and fundamental duties in simple language. Another speaker BK Meera said how spirituality can help members to follow even in complex legal system. Director of Brahmakumaris Mulund Zone, Rajyogini BK Godavari, gave her blessings and stressed the need to have proper balance between 'Law and Love'. WIRC organised a CEP on GST Revised Model Law and Implementation on December 10, 2016. CMA Laxman Pawar, secretary WIRC highlighted on 'GST Implementation'. CMA Harshad Deshpande , RCM, WIRC discussed on 'Revised Model GST Law and impact

thereof'. The Region organised a Seminar on 'Insolvency and Bankruptcy Code, 2016' on December 23, 2016. Dr M.S. Sahoo, Chairperson, Insolvency and Bankruptcy Board of India, the chief guest mentioned that implementation of Insolvency & Bankruptcy Code, 2016 will ensure a timely solution to the insolvency resolution of companies. CMA Sanjay Gupta, vice president of the Institute, the guest of honour, highlighted that

Insolvency and Bankruptcy Code 2016 creates a new professional opportunity for the members to become Insolvency Professionals under the Code. CMA J K Budhiraja, CEO, Insolvency Professional Agency of the Institute, Mr. Nikhil Shah, Managing Director, Alvarez & Marsal India Private Limited and Mr. K C Jani, Managing Partner Areion Corporate Advisors (I) Pvt. Ltd- Ex-ED-IDBI Bank were the faculties for the seminar.

The Institute of Cost Accountants of India-Bilaspur Chapter

The Chapter organized a one day CEP on 'GST- The latest position' on December 18, 2016 for the benefits of cost accountants at Bilaspur and its surrounding areas. The speaker, CMA Mrityunjay Acharjee, Associate Vice

President, Balmer Lawrie & Co Ltd discussed the pros and cons and latest position of GST at central and state level. CMA

Sanjay Shrivastava, secretary of the chapter said that GST is a new tax regime which central govt wants to implement from 1st April, 2017 abolishing all indirect taxes collected by central and state government. Professional accountants from SECL, NTPC, railways, private sector in Bilaspur and its surrounding areas attended the program. CA Y.V. Subba Rao, GM(F) & CA R.R. Rajan, GM(F), SECL, was present on the occasion.

The Institute of Cost Accountants of India-Navi Mumbai Chapter

On December 17, 2016 the Chapter organized a seminar on GST at the Navi Mumbai Sports Association Conference Hall. The Chief Guest

was Shri Deepak S. Garg, Head – Indirect Taxation, Reliance Industries and the speakers were CMA Manoj Behede, Practicing Cost Accountant and CMA B.M Sharma, Chairman of GST Advisory Board and Past President of the Institute. Shri L. Prakash, Chairman of the Chapter stressed on the impact of GST in mature economies like Canada, Spain, Singapore & Malaysia and the movement of India in this line after GST implementation. The session commenced with the speaker CMA Manoj Behede stressing on the GST being One Nation One Tax. The concept of One State One Registration was explained by the speaker in depth and the participants were actively asking doubts and clarifications and this made it a very interactive session. Another speaker CMA B.M. Sharma explained the

transitional provisions in GST and its impact by describing good examples in various scenarios. He also touched upon the Input Tax Credit provisions and provided detailed explanations on the eligibility, availment of credit and utilization of the same.

The Institute of Cost Accountants of India-Aurangabad Chapter

On December 23, 2016 the Chapter conducted a seminar on 'Understanding GST After Revision in November-2016' and CMA Suresh Pimple, the speaker explained in details about the Revision in November 2016 in GST Law. On December 24, 2016 the Chapter conducted

a workshop on 'Introduction of Dry Port & Opportunities for Entrepreneurs & Professionals of Marathwada'. CMA S G Rathi was the speaker and he explained the concept and features of dry port and its benefits towards enhanced employment opportunities, its business benefits, social and economic benefits. The Chapter conducted a programme on 'Investor Awareness' dated December 27, 2016. Mr. Ketan Nanivadekar,

Director, My Smart Money said that needs and challenges for future are changing and of course with growing challenges there are also equal possibilities to convert these challenges in opportunities. CMA Suresh Pimple, Practicing Cost & Management Accountant, Aurangabad explained the aim of this programme is converting savings to investment and to help common people to become little richer.

The Institute of Cost Accountants of India- Surat South Gujarat Chapter

The Chapter on December 28, 2016 organized a CEP on 'Tax Implications under Income Tax Act 1961 on Corporate Restructuring' at its office. CMA Ravi Raghav Chhawchharia, member of the chapter, well known professional educationalist from South Gujarat & author of books on Direct Tax was invited as a faculty for the CEP and he lucidly elaborated the topic and explained in details the definition of amalgamations, mergers, demergers, implications on depreciation, capital gains, carry forward and set off of loses and other related issues.

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

On December 6, 2016 the Chapter jointly with the Institute of Chartered Accountants of India organized a seminar on 'Economics of Demonetization'. CA Dr. Vinayak Govilkar, guest faculty briefed on the concerned theme and deliberated that this is a major and very bold step having chain reactions in the Indian

Economy over short and medium term. Government is constantly reviewing the situation and taking all corrective steps to minimize the ill effect of Demonetization. On December 7, 2016 the Chapter conducted a debate competition and seminar on Demonetization for the commerce students in Maghanlal Udharam College of Commerce, Pimpri, Pune. CMA Ashish Deshmukh, chairman of the chapter briefed about CMA Course

and its scope in various sectors. Prof Vinayak Govilkar, eminent faculty & economist delivered lecture on Demonetization and lucidly dealt with in details the impact & issues on common people economy at large and impact on taxation and capital market. Mrs Nambiyar, Principal, MUCC appreciated for holding such type of program for the students of commerce. On December 16, 2016 a career counselling programme had been conducted by the chapter.

Role of CMAs in Cost Leadership & Competitive Advantage

✤ *Make in India:*

Cost leadership is the common denominator for determining success under competitive business environment and 'Make in India' in order to become successful, has to be given adequate attention to eliminate cost disadvantage. 'Make in India', an international marketing campaigning slogan coined by the Hon'ble Prime Minister of India, Shri Narendra Modi, is a broad concept rooming the functional, operational and strategic concepts and theory of management. This has to view cost management as a function of the cost drivers regulating each value activity. An activity that does not create any value should be discarded. It needs to study the relationship with suppliers, customers and linkage with the manufacturing process in order to optimize cost of production. Cost needs to be administered at every stage of manufacturing. Here, CMAs can apply Target costing as a handy tool to manage cost in such a manner so that target profit is earned by the firms at the end. Cost drivers to be identified at the individual activity level and ensure cost advantage by controlling these drivers better than the competitors.

✤ *Goods & Service Tax (GST):*

Goods and Service Tax (GST), the most awaited landmark economic reforms in India since 1991, for a simplified and uniform tax rate, was passed in the Indian Parliament on 3 August 2016 after 11 years of political logjam, debate, and discussion. The subsuming of major Central and State taxes in GST, complete and comprehensive set-off of input goods and services and phasing out of Central Sales Tax (CST) would reduce the cost of locally manufactured goods and services. This will increase the competitiveness of Indian goods and services in the international market and give boost to Indian exports. The uniformity in tax rates and procedures across the country will also go a long way in reducing the compliance cost. A uniform GST for India will facilitate seamless input tax credit, and thereby eliminate the tax cascading effect and ensure uncomplicated flow of goods and services across states. This has amplified scope for professionals like CMAs. CMAs can facilitate in improving tax literacy, financial inclusion, transparency and governance. CMAs are recognized to make representations before the Appellate Tribunals under the Indirect Taxation statutes in India. They would continue to represent even in post-implementation of GST for Dispute Resolution.

✤ ***Resource Mapping:***

Efficiency of production means less resource are exhausted in producing goods and services, which lets resources to be used for other economic activities, such as further production, savings, and investment. Management accounting continues to focus on value creation through effective use of resources. In other words, the professionals like CMAs play an important role in preserving and adding value to the organization by managing resources, activities and people to fulfill the organizations' objectives. Further, they can maintain cost accounting records and carry out cost audit to determine wasteful expenditure, underutilized resources, other inefficiencies and frauds.

✤ ***Business Process Re-engineering:***

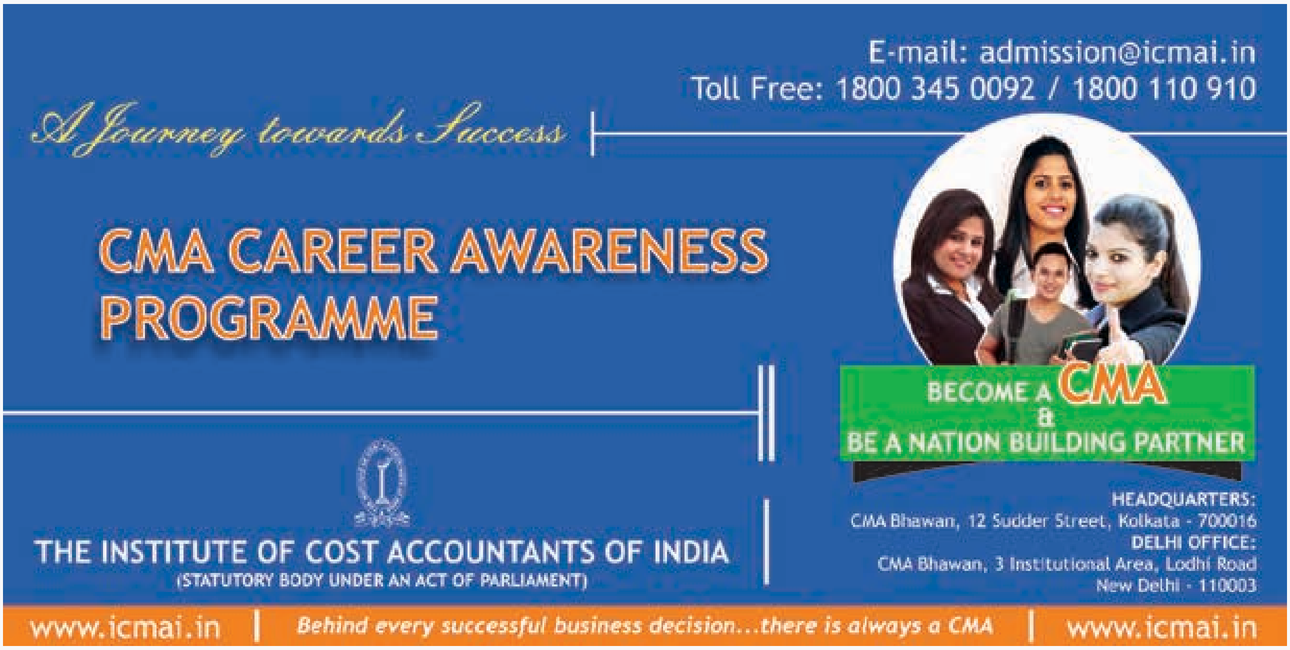
The CMAs are competent enough to apply Business Process Reengineering to achieve dramatic improvements in productivity, cycle times and quality to attain cost leadership. It helps to reduce costs and cycle times by eliminating unproductive activities and the employees who perform them. Further, accelerates information flows and eliminates the errors and rework caused by multiple handoffs. It improves quality by reducing the fragmentation of work and establishing clear ownership of processes. Workers gain responsibility for their output and can measure their performance based on prompt feedback.

✤ ***Social Cost-Benefit Analysis (SCBA):***

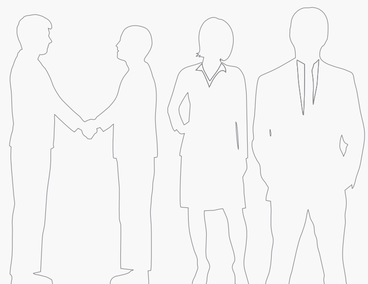
SCBA is an appraisal tool to evaluate a project from the view point of the society as a whole. It refers to the analysis of the costs and the benefits that a society may get from the proposed project. It is a study of feasibility of a project in terms of its total economic cost and total economic benefits. Thus CMAs can facilitate the management by SCBA for apposite planning, decision-making, evaluation and control project costing to determine the profitability in addition to the feasibility of the project.

✤ ***Lean Six Sigma Methodology:***

In an increasingly challenging business environment, cost management has again come to the fore. Many companies fail to deal with this challenge in a sustainable way. Cost leaders tend to keep their costs low by minimizing advertising, market research, and research and development, but this approach can prove to be dear in the long run. A relative lack of market research can lead cost leaders to be less skilled than other firms at detecting important environmental changes and trends. The CMAs can apply Lean Six Sigma, a comprehensive tool set to increase the speed and effectiveness of any process within the organization – resulting in increased revenue, reduced costs and improved collaboration.



CMA 2016-17 CAREER AWARENESS PROGRAMME



CAREER AWARENESS PROGRAMMES HELD DURING JANUARY 2017 *

Date	HQ/Region/Chapter/CMASC	Venue
3/1/2017	Jaipur	Parishkar College of Global Excellence, Jaipur
3/1/2017	Aurangabad	Maharashtra Arts & Commerce, Mahavidalya, Nilangqa
3/1/2017	Pune	MES's Garware College of Commerce
4/1/2017	Bhubaneswar	Maharshi College of Natural Law, Sahidnagar, Bhubaneswar
5/1/2017	WIRC	BK Shroff College of Arts & M H Shroff College of Commerce
6/1/2017	Hyderabad	CMS Commerce Junior College, S.R.Nagar, Hyderabad
6/1/2017	Aurangabad	Sunderrao Salunke College, Majalgaon, Dist: Beed
6/1/2017	Ranipet-Vellore	Govt. Girls Higher Secondatry School, Chitoor
6/1/2017	Thrissur	St. Aloysius College
6/1/2017	Thrissur	Deepthi Higher Secondary School
6/1/2017	Thrissur	SN College
7/1/2017	Pune	Savitribai Phule Pune University's Commerce Department
7/1/2017	Aurangabad	In house program
7/1/2017	Aurangabad	Navgan College, Parli Vaijanath, Dist: Beed
7/1/2017	Aurangabad	Vaijanath College Parli Vaijanath, Dist: Beed
7/1/2017	Navi Mumbai	Rajiv Gandhi College of Arts, Commerce & Science
8/1/2017	Vapi-Daman-Silvasa	"Commerce & Accountancy Talent Hunt, 2017"
9/1/2017	Ranipet-Vellore	Renugambal College of Arts and Science-polur
9/1/2017	Tiruchirapally	Urumu Dhanalakshmi College, Kattur, Trichy
9/1/2017	Pimpri-Chinchwad-Akurdi	Indrayani College, Talegaon Dabhade, Pune
9/1/2017	Thrissur	Govt. Higher Secondary School
10/1/2017	Thrissur	Govt. Higher Secondary School
10/1/2017	Cochin	Darul Uloom HSS, Pullepady
10/1/2017	Aurangabad	Navgan Arts & Commerce College
10/1/2017	Pune	S M Joshi College, Hadpsar
10/1/2017	Aurangabad	Vasantrao Naik Arts & Commerce College
10/1/2017	Tiruchirapally	Bishop Heber Hr. Sec. School
10/1/2017	Ranipet-Vellore	Kaveripakkam College of Arts and Science
11/1/2017	Ahmedabad	Late Shri N P Patel Commerce College

Date	HQ/Region/Chapter/CMASC	Venue
11/1/2017	Tiruchirapally	K A P Visvanatham, Hr. Sec School
12/1/2017	Tiruchirapally	Seva Sangam Girls, Hr. Sec School
12/1/2017	Ranipet-Vellore	Govt. Girls Higher Secondary School Kangayanallore
13/1/2017	Aurangabad	Shri. Venkateswar Arts & Commerce College
13/1/2017	Bhubaneswar	Ekambra College
13/1/2017	Cochin	Kesari Balakrishnan Memoerial College N Pravur
13/1/2017	Cochin	St Peter's College, Kolenchery
14/1/2017	Aurangabad	In house program
15/1/2017	Thrissur	GMBHSS-ASAP SDC, Irinjalakuda
15/1/2017	Thrissur	Christ College-ASAP SDC
16/1/2017	Siliguri-Gangtok	Salesian College, Siliguri
16/1/2017	Aurangabad	Bhagwat Commerce College, Osmanpura
17/1/2017	Navi Mumbai	Pillai College
18/1/2017	WIRC	Shroff College of Commerce, Bhulabhai Desai Road, Kandivali West Mumbai
18/1/2017	Tiruchirapally	E. R. Hr. Sec. School
18/1/2017	Tiruchirapalli	Holy Redeemer Girls Hr. Sec. School
18/1/2017	Thrissur	St. Aloysius College
18/1/2017	Thrissur	Govt. Higher Secondary School, Erumapetty
18/1/2017	Thrissur	Vyasa College, Wadakanchery
19/1/2017	WIRC	Dnyansadhana College
19/1/2017	Ahmedabad	Shri N V Patel Higher Secondary School
19/1/2017	Aurangabad	Vivekanand Arts & Commerce College
20/1/2017	Aurangabad	R B Attal Arts & Commerce College
20/1/2017	Bangalore	Acharya Bangalore B-School (ABBS), Harohalli
21/1/2017	Navi Mumbai	KLESOCIETY's KLE Science and Commerce College
23/1/2017	Aurangabad	JES College, Jalna
23/1/2017	Visakhapatnam	Gayatri Vidya Parishad Degree College
23/1/2017	Bangalore	St Joseph College of Commerce (Autonomous)
24/1/2017	Tiruchirapally	Srimad Andavan Arts and Science College
24/1/2017	Pune	S M Joshi College, Hadpsar
27/1/2017	Hyderabad	CMS Commerce Junior College, Dilsukhnagar, Hyderabad
27/1/2017	Hyderabad	CMS Commerce Junior College, S. R. Nagar, Hyderabad
27/1/2017	Jaipur	Madhu Bal Niketan Sr. Secondary School, Heera Path, Mansarovar, Jaipur
27/1/2017	Nellore	Govt. ITI College
27/1/2017	Nellore	Kakateya Degree College
27/1/2017	Thrissur	Sahrdaya College
28/1/2017	Aurangabad	In house program
28/1/2017	Cochin	GHSS, Edappally
28/1/2017	Surat South Gujarat	Shri V B SHAH College of Management
30/1/2017	Nellore	M. K. R. High School
30/1/2017	Nellore	Zilla Parishad High School, Indukurpet
30/1/2017	Nellore	Zilla Parishad High School, Kothur
30/1/2017	Nellore	Zilla Parishad High School, Narayana Reddy Pet
30/1/2017	Tiruchirapally	Jamal Mohamed College
PROGRAMMES HELD IN NOVEMBER 2016 BUT REPORTED IN DECEMBER 2016 *		
22/11/2016	Kota	Kendriya Vidyalaya No.1
26/11/2016	Kota	Kendriya Vidyaliya No. 2
26/11/2016	Kota	Brilliant Coaching Classes
27/11/2016	Howrah	Larence Academy
28/11/2016	Kota	Govt. Adrash Sr. Secondary School
28/11/2016	Kota	Maa Bharti Bal Vidya Niketan
PROGRAMMES HELD IN DECEMBER 2016 BUT REPORTED IN JANUARY 2017 *		
1/12/2016	ICMS	PTMYHSS Edappalam
1/12/2016	ICMS	GHSS Kunnakkav
1/12/2016	ICMS	GHSS Pulamanthole
1/12/2016	ICMS	GHSS Anamangad
1/12/2016	ICMS	GHSS Mankada
1/12/2016	ICMS	ST. Mary's Pariyapuram
18/12/2016	Jhansi	BHEL Shiksha Niketan School
19/12/2016	Thrissur	Vimala College, Thrissur
30/12/2016	Visakhapatnam	Dr Lankapalli Bullayya Junior College
30/12/2016	Ranipet-Vellore	Indo American College of Arts and Science

** As reported till 03-02-2017*
 # The list may not be exhaustive

The Institute of Cost Accountants of India

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Call for Research Papers/Articles

We invite you to contribute research paper/ article for "Research Bulletin", a peer-reviewed Quarterly Journal of The Institute of Cost Accountants of India. The aim of this bulletin is to share innovative achievements and practical experiences from diverse domains of management, from researchers, practitioners, academicians and professionals. This bulletin is dedicated to publish high quality research papers providing meaningful insights into the management content both in Indian as well as global context.

Research Bulletin is now a Quarterly Publication of the Institute. The next issue will be published in April, 2017.

Guidelines to submit full Paper

- Soft Copy of the full paper should be submitted in double space, 12 font size, Times New Roman, keeping a margin of 1 inch in four sides, MS Word (.doc) format.
- Each paper should be preferably within 5000 words including all.
- An abstract of not more than 150 words should be attached.
- The cover page should contain the title of the paper, author's name, designation, official address, contact phone numbers, e-mail address.

Theme Topic:

Contemporary Issues in Securities Markets

Papers are invited on the following topics, but not limited to:

- PSU Disinvestment
- Real Estate Investment Trusts
- Exchange Traded Funds
- Arbitrage Pricing
- Stock Market Volatility
- Credit Markets and Leverage Buy Outs
- Arbitrage Trade Analysis of Stock Trading
- Brand Equity and Media Efficiency
- Risk-Return Tradeoff
- Mutual Fund Investment
- Crowd Funding
- Venture Capital – Financing the Dreams of Startups
- Systematic Investment Plan as a Stability Builder for Retail Investor
- Derivatives and Risk Management
- Portfolio Monitoring and Management

Papers must be received within **3rd April, 2017** in the following email id:

research.bulletin@icmai.in

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